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**Independent School District No. 2753  
Long Prairie - Grey Eagle, Minnesota**

**Basic Financial Statements**

**June 30, 2025**



**Independent School District No. 2753**  
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**Independent School District No. 2753**  
**Board of Education and Administration**  
**June 30, 2025**

| <u>Board of Education</u> | <u>Position</u>               | <u>Term Expires</u> |
|---------------------------|-------------------------------|---------------------|
| Linda Gohman              | Chairperson                   | January 2029        |
| Jeremiah Zahnow           | Vice Chairperson              | January 2027        |
| Lori Hollenkamp           | Clerk                         | January 2029        |
| Chuck Wolf                | Treasurer                     | January 2029        |
| Tanja Levin               | Director                      | January 2027        |
| Tom Zastrow               | Director                      | January 2029        |
| Lisa Wright               | Director                      | January 2027        |
| <br><u>Administration</u> |                               |                     |
| Daniel Ludvigson          | Superintendent                |                     |
| Doug Froke                | Interim Superintendent        |                     |
| Barton Rud                | 7th-12th Grade Principal      |                     |
| Tammy Cebulla             | Preschool-6th Grade Principal |                     |

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## Independent Auditor's Report

To the School Board  
Independent School District No. 2753  
Long Prairie - Grey Eagle, Minnesota

### **Report on the Audit of the Financial Statements**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2753, Long Prairie - Grey Eagle, Minnesota as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2753, Long Prairie - Grey Eagle, Minnesota, as of June 30, 2025, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 2753, Long Prairie - Grey Eagle, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matter**

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

### **Responsibilities of Management for the Financial Statements**

The management of Independent School District No. 2753 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### **Required Supplementary Information**

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

### **Supplementary Information**

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2025, on our consideration of the District's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial report and compliance.

*BerganKDV, Ltd.*

St. Cloud, Minnesota  
December 3, 2025

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## **Independent School District No. 2753 Management's Discussion and Analysis**

This section of Independent School District No. 2753's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year that ended on June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model that is required by the GASB Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999. GASB Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure and supplemental information, including the MD&A (this section).

Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2024-2025 years include the following:

- Net position increased by \$954,461.
- Overall revenues were \$20,842,464 while overall expenses totaled \$19,888,003.
- General Fund balance increased by \$509,572.
- General Fund unassigned fund balance decreased \$83,812 due to a significant increased balance in Committed for Separation
- Our current bond amount outstanding is \$15,348,000.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

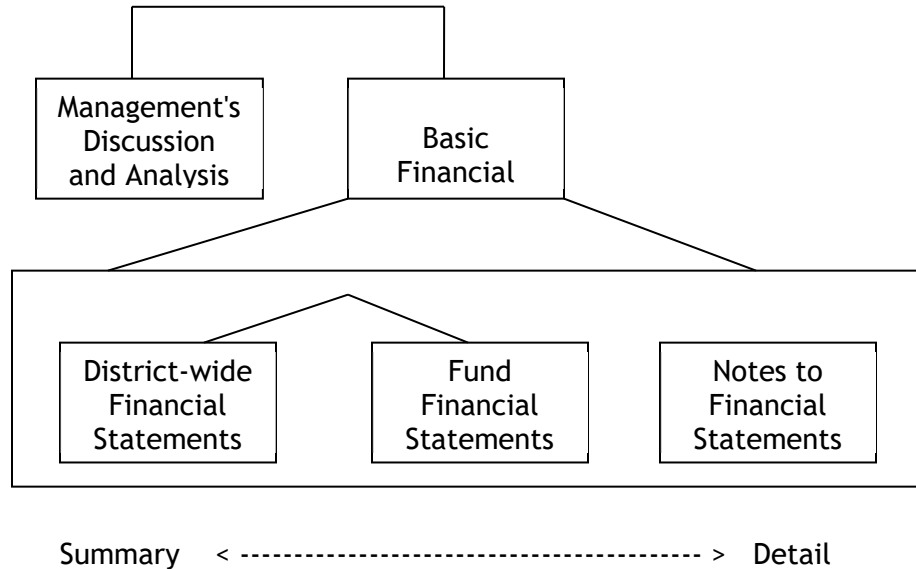
The financial section of the annual report consists of four parts - Independent Auditor's Report, Required Supplementary Information, which includes the MD&A, basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different 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 fund 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.

**Independent School District No. 2753  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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



The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain, are summarized on the following page. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

**Independent School District No. 2753  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

|  | <b>District-Wide Statements</b>  | <b>Governmental Funds</b>  |
|--|--|--|
| Scope                                  | Entire District  | The activity of the District that is not proprietary or fiduciary, such as special education and building maintenance.   |
| Required financial statements          | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>                                     |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus.   | Modified accrual accounting and current financial focus.   |
| Type of assets/liability information   | All assets and liabilities, both financial and capital, short-term and long-term.                                | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.                    |
| Type of inflow/outflow information     | All revenues and expenses during year, regardless of when cash is received or paid.                              | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable. |

**District-Wide Statements**

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

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

**Independent School District No. 2753  
Management's Discussion and Analysis**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**District-Wide Statements (Continued)**

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

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

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

**Fund Financial Statements**

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

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

The District has one kind of fund:

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

**Independent School District No. 2753  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)**

**Net Position**

The District's combined net position was \$6,038,810 on June 30, 2025, (see details in Table A-1). This was an increase of \$954,461 from \$5,084,349 restated June 30, 2024 balance. This increase was due to positive fund operations.

**Table A-1**

|  | Governmental Activities |                      |
|--|-------------------------|----------------------|
|  | 2024                    | 2025                 |
| <b>Assets</b>  |                         |                      |
| Total current assets   | \$ 20,936,901           | \$ 21,434,900        |
| Total capital assets   | 14,549,719              | 16,823,138           |
| Total assets   | <u>35,486,620</u>       | <u>38,258,038</u>    |
| <b>Deferred Outflows of Resources</b>                                | <u>2,584,638</u>        | <u>2,088,727</u>     |
| Total assets and deferred outflows<br>of resources                   | <u>\$ 38,071,258</u>    | <u>\$ 40,346,765</u> |
| <b>Liabilities</b>   |                         |                      |
| Current liabilities  | \$ 2,786,780            | \$ 3,647,116         |
| Long-term liabilities  | 26,369,834              | 24,640,694           |
| Total liabilities  | <u>29,156,614</u>       | <u>28,287,810</u>    |
| <b>Deferred Inflows of Resources</b>                                 | <u>3,560,566</u>        | <u>6,020,145</u>     |
| <b>Net Position</b>  |                         |                      |
| Net investment in capital assets                                     | 5,154,946               | 5,115,481            |
| Restricted amounts   | 2,449,147               | 2,906,121            |
| Unrestricted amounts   | (2,250,015)             | (1,982,792)          |
| Total net position   | <u>5,354,078</u>        | <u>6,038,810</u>     |
| Total liabilities, deferred inflows<br>of resources and net position | <u>\$ 38,071,258</u>    | <u>\$ 40,346,765</u> |



**Independent School District No. 2753  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)  
(CONTINUED)**

**Change in Net Position**

The increase in net position occurred as a result of an increase in program revenues and total expenses in 2025, along with a restated beginning of year net position. A summary of the revenues and expenses is presented in Table A-2 below.

**Table A-2**

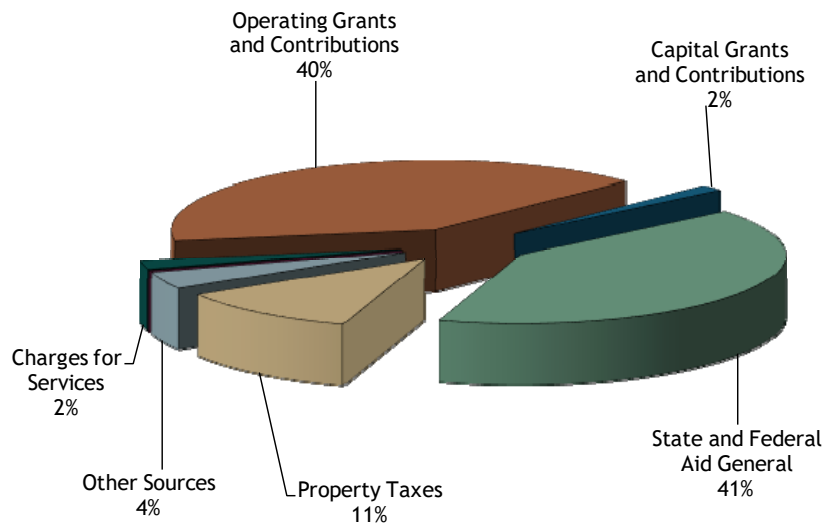
|   | Governmental Activities for the<br>Year Ended June 30, |                     |
|---|--|---------------------|
|   | 2024   | 2025                |
| <b>Revenues</b>                               |  |                     |
| Program revenues                              |  |                     |
| Charges for services                          | \$ 324,514   | \$ 445,119          |
| Operating grants and contributions            | 7,352,258  | 8,400,895           |
| Capital grants and contributions              | 307,756  | 297,791             |
| General revenues                              |  |                     |
| Property taxes                                | 2,279,216  | 2,361,970           |
| State and federal aid-formula grants          | 8,989,311  | 8,499,774           |
| Other sources                                 | 28,409   | 122,784             |
| Investment Income                             | 519,764  | 714,131             |
| Total revenues                                | <u>19,801,228</u>                                      | <u>20,842,464</u>   |
| <b>Expenses</b>                               |  |                     |
| Administration                                | 824,262  | 1,075,937           |
| District Support Services                     | 732,825  | 686,653             |
| Elementary and Secondary Regular Education    | 6,699,326  | 7,588,256           |
| Vocational Education Instruction              | 292,201  | 374,221             |
| Special Education Instruction                 | 2,793,756  | 3,297,029           |
| Instructional Support Services                | 496,069  | 497,365             |
| Pupil Support Services                        | 1,245,779  | 1,229,705           |
| Sites and Buildings                           | 2,537,764  | 2,594,772           |
| Fiscal and Other Fixed Cost Programs          | 110,082  | 132,624             |
| Food Service                                  | 998,570  | 972,227             |
| Community Service                             | 853,194  | 808,087             |
| Unallocated Depreciation                      | -  | -                   |
| Interest and Fiscal Charges on Long-Term Debt | 567,209  | 631,127             |
| Total expenses                                | <u>18,151,037</u>                                      | <u>19,888,003</u>   |
| Change in net position                        | 1,650,191  | 954,461             |
| Beginning of year net position, restated      | <u>3,703,887</u>                                       | <u>5,084,349</u>    |
| Ending of year net position                   | <u>\$ 5,354,078</u>                                    | <u>\$ 6,038,810</u> |

**Independent School District No. 2753  
Management's Discussion and Analysis**

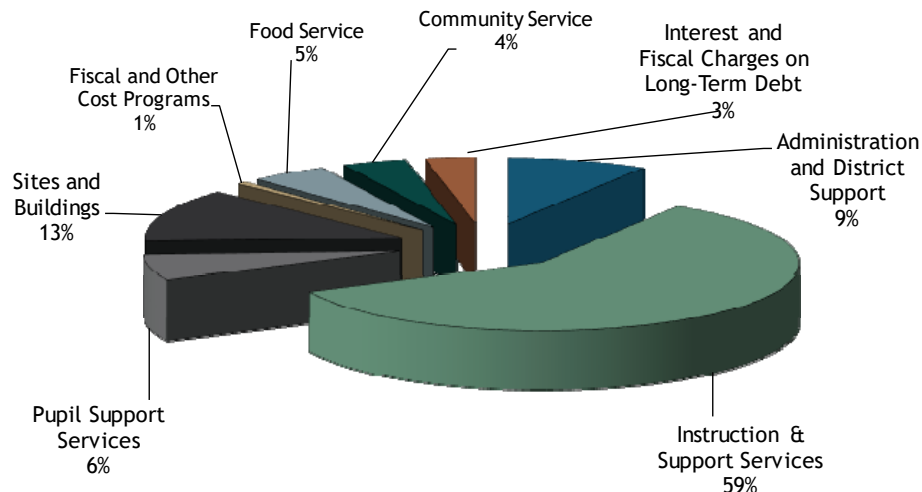
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)  
(CONTINUED)**

The District's total revenue consisted of program revenues of \$9,143,805, property taxes of \$2,361,970, aid payments from the state and federal governments of \$8,499,774, \$122,784 from miscellaneous other sources, and \$714,131 from investment income. Expenses totaling \$19,888,003 consisted mainly of regular, vocational, special education and instructional costs of \$11,756,871. Other areas of cost included: support services (District, administrative and pupil) \$2,992,295, site, buildings, and equipment \$2,594,772, fiscal, and other fixed cost program \$132,624, food service \$972,227, community education and services \$808,087, and interest and fiscal charges on long-term debt \$631,127.

**Revenues - Table A-3**



**Expenses - Table A-4**



**Independent School District No. 2753  
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)  
(CONTINUED)**

The net cost of governmental activities is their total costs less program revenues applicable to each category. Table A-5 presents these costs.

**Table A-5**

|   | Total Cost of Services |                      | Net Cost of Services |                      |
|---|------------------------|----------------------|----------------------|----------------------|
|   | 2024                   | 2025                 | 2024                 | 2025                 |
| Administration                                | \$ 824,262             | \$ 1,075,937         | \$ 824,262           | \$ 1,075,937         |
| District Support Services                     | 732,825                | 686,653              | 732,825              | 686,653              |
| Elementary and Secondary Regular Education    | 6,699,326              | 7,588,256            | 3,106,851            | 3,753,908            |
| Vocational Education Instruction              | 292,201                | 374,221              | 263,071              | 300,924              |
| Special Education Instruction                 | 2,793,756              | 3,297,029            | 943,024              | 710,169              |
| Instructional Support Services                | 496,069                | 497,365              | 238,534              | 116,799              |
| Pupil Support Services                        | 1,245,779              | 1,229,705            | 1,156,620            | 1,123,426            |
| Sites and Buildings                           | 2,537,764              | 2,594,772            | 2,205,220            | 2,273,264            |
| Fiscal and Other Fixed Cost Programs          | 110,082                | 132,624              | 110,082              | 132,624              |
| Food Service                                  | 998,570                | 972,227              | (111,577)            | (102,821)            |
| Community Service                             | 853,194                | 808,087              | 130,388              | 42,188               |
| Interest and Fiscal Charges on Long-Term Debt | 567,209                | 631,127              | 567,209              | 631,127              |
| Total   | <u>\$ 18,151,037</u>   | <u>\$ 19,888,003</u> | <u>\$ 10,166,509</u> | <u>\$ 10,744,198</u> |

**Fund Balance**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, the governmental funds reported a combined fund balance of \$15,906,186. This is down \$976,106 from the District's June 30, 2024, combined fund balance total of \$16,882,292. This decrease is mainly due to Capital Projects spending down of bond proceeds.

**Revenue and Expenditures**

Revenues of the District's governmental funds totaled \$20,657,454 while total expenditures were \$22,948,549. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in Table A-6 below. Revenue increased due to food service revenue due to all students receiving free meals and expenditures increased due to the same.

**Table A-6**

|                   | 2024                 | 2025                 | 2024                 | 2025                 | 2024                | 2025                | 2024                       | 2025                       |
|-------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|----------------------------|----------------------------|
|                   | Revenue              | Revenue              | Expenditures         | Expenditures         | Other               | Other               | Net Change in Fund Balance | Net Change in Fund Balance |
| General           | \$ 16,981,780        | \$ 17,209,401        | \$ 15,297,503        | \$ 16,699,829        | \$ 1,327            | \$ -                | \$ 1,685,604               | \$ 509,572                 |
| Other funds       | 1,933,863            | 2,050,244            | 1,844,851            | 1,792,374            | -                   | -                   | 89,012                     | 257,870                    |
| Community Service | -                    | -                    | -                    | -                    | -                   | -                   | -                          | -                          |
| Capital projects  | 120,987              | 307,968              | 3,050,434            | 3,173,792            | 8,992,128           | 1,314,989           | 6,062,681                  | (1,550,835)                |
| Debt service      | 724,656              | 1,089,841            | 822,837              | 1,282,554            | 43,907              | -                   | (54,274)                   | (192,713)                  |
| Totals            | <u>\$ 19,761,286</u> | <u>\$ 20,657,454</u> | <u>\$ 21,015,625</u> | <u>\$ 22,948,549</u> | <u>\$ 9,037,362</u> | <u>\$ 1,314,989</u> | <u>\$ 7,783,023</u>        | <u>\$ (976,106)</u>        |

## **Independent School District No. 2753 Management's Discussion and Analysis**

### **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS) (CONTINUED)**

#### **General Fund Budgetary Highlights**

During the year ended June 30, 2025, the District revised its operating budget. The revision is necessary because when the initial budget is prepared and adopted (a budget must be in place prior to the beginning of the year on July 1), details of student enrollment, staffing levels and other significant information items are estimates. When these items become known, the budget is then revised. A similar revision is made each year for the same reasons. The District follows program budgeting, which accounts for the majority of the differences between budgets to actual.

The District's final General Fund budget anticipated expenditures would exceed revenues by \$202,754. The actual result was \$509,572 revenues and other financing sources over expenditures. Revenues and other financing sources came in over budget due to conservative budgeting and expenditures came in under budget due to conservative budgeting.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

The District's capital assets consist of items of value over \$5,000 when purchased. The assets are then depreciated over the life of the asset using the lifespan recommended by the GASB. Detailed information regarding the District's capital assets can be found in Note 3 of the financial statements.

#### **Long-Term Debt**

At year-end, the District had \$18,633,974 of long-term debt. This consisted of bonded indebtedness including unamortized premium of \$16,505,600, certificates of participation of \$1,275,000, and compensated absences of \$853,374. Detailed information regarding the District's long-term debt can be found in Note 4 of the financial statements.

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

- District enrollment has been maintaining in recent years.
- The political environment at the state level could have a significant effect on future finances. The State Legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive.
- The District has settled agreements with all bargaining units.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This report is designed to provide the District's citizens, taxpayers, customers, 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 any questions about this report or would like additional information, contact Daniel Ludvigson, Superintendent, at the District Office 205 2<sup>nd</sup> Street South, Long Prairie, Minnesota 56347.

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## **BASIC FINANCIAL STATEMENTS**

Independent School District No. 2753  
Statement of Net Position  
June 30, 2025

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>  |                            |
| Cash and investments   | \$ 17,307,919              |
| Current property taxes receivable  | 1,855,168                  |
| Delinquent property taxes receivable   | 36,097                     |
| Accounts receivable  | 47,090                     |
| Due from Department of Education   | 1,731,388                  |
| Due from other Minnesota school districts                                      | 3,238                      |
| Due from Federal Government through Department of Education                    | 383,926                    |
| Inventory  | 17,896                     |
| Prepaid items  | 52,178                     |
| Capital assets not depreciated   |                            |
| Land   | 69,879                     |
| Construction in progress   | 5,400,560                  |
| Capital assets, net of accumulated depreciation                                |                            |
| Land improvements  | 194,463                    |
| Buildings  | 10,306,030                 |
| Furniture and equipment  | 852,206                    |
| <b>Total assets</b>  | <b>38,258,038</b>          |
| <b>Deferred Outflows of Resources</b>  |                            |
| Deferred outflows of resources related to pensions                             | 1,948,821                  |
| Deferred outflows of resources related to other postemployment benefits (OPEB) | 139,906                    |
| <b>Total deferred outflows of resources</b>                                    | <b>2,088,727</b>           |
| <b>Total assets and deferred outflows of resources</b>                         | <b>\$ 40,346,765</b>       |
| <b>Liabilities</b>   |                            |
| Accounts and contracts payable   | \$ 1,890,943               |
| Salaries and benefits payable  | 295,199                    |
| Interest payable   | 302,564                    |
| Unearned revenue   | 109,143                    |
| Bonds principal payable (net of premium)                                       |                            |
| Payable within one year  | 837,000                    |
| Payable after one year   | 15,628,611                 |
| Certificates of participation  |                            |
| Payable within one year  | 110,000                    |
| Payable after one year   | 1,204,989                  |
| Severance payable  |                            |
| Payable within one year  | 46,580                     |
| Payable after one year   | 806,794                    |
| Total OPEB liability   |                            |
| Payable within one year  | 55,687                     |
| Payable after one year   | 238,020                    |
| Net pension liability  | 6,762,280                  |
| <b>Total liabilities</b>   | <b>28,287,810</b>          |
| <b>Deferred Inflows of Resources</b>   |                            |
| Property taxes levied for subsequent year's expenditures                       | 3,197,332                  |
| Deferred inflows of resources related to pensions                              | 2,437,021                  |
| Deferred inflows of resources related to OPEB                                  | 308,398                    |
| Deferral on refunding  | 77,394                     |
| <b>Total deferred inflows of resources</b>                                     | <b>6,020,145</b>           |
| <b>Net Position</b>  |                            |
| Net investment in capital assets   | 5,115,481                  |
| Restricted for   |                            |
| Other purposes   | 2,906,121                  |
| Unrestricted   | (1,982,792)                |
| <b>Total net position</b>  | <b>6,038,810</b>           |
| <b>Total liabilities, deferred inflows of resources, and net position</b>      | <b>\$ 40,346,765</b>       |

See notes to basic financial statements.

Independent School District No. 2753  
Statement of Activities  
Year ended June 30, 2025

| Functions/Programs                             | Expenses             | Program Revenues        |  | Capital Grants<br>and<br>Contributions | Net (Expense)<br>Revenues and<br>Changes in<br>Net Position |
|--|----------------------|-------------------------|--|--|---|
|  |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  |   |
| Governmental activities                        |                      |                         |  |  |   |
| Administration                                 | \$ 1,075,937         | \$ -                    | \$ -                                     | \$ -                                   | \$ (1,075,937)  |
| District support services                      | 686,653              | -                       | -  | -                                      | (686,653)   |
| Elementary and secondary regular instruction   | 7,588,256            | 58,898                  | 3,775,450                                | -                                      | (3,753,908)   |
| Vocational education instruction               | 374,221              | 32,882                  | 40,415                                   | -                                      | (300,924)   |
| Special education instruction                  | 3,297,029            | 147,255                 | 2,439,605                                | -                                      | (710,169)   |
| Instructional support services                 | 497,365              | -                       | 380,566                                  | -                                      | (116,799)   |
| Pupil support services                         | 1,229,705            | 9,884                   | 96,395                                   | -                                      | (1,123,426)   |
| Sites and buildings                            | 2,594,772            | 23,717                  | -  | 297,791                                | (2,273,264)   |
| Fiscal and other fixed cost programs           | 132,624              | -                       | -  | -                                      | (132,624)   |
| Food service                                   | 972,227              | 43,314                  | 1,031,734                                | -                                      | 102,821   |
| Community education and services               | 808,087              | 129,169                 | 636,730                                  | -                                      | (42,188)  |
| Interest and fiscal charges on long-term debt  | 631,127              | -                       | -  | -                                      | (631,127)   |
| Total governmental activities                  | <u>\$ 19,888,003</u> | <u>\$ 445,119</u>       | <u>\$ 8,400,895</u>                      | <u>\$ 297,791</u>                      | (10,744,198)  |
| General revenues                               |                      |                         |  |  |   |
| Taxes  |                      |                         |  |  |   |
| Property taxes, levied for general purposes    |                      |                         |  |  | 1,297,368   |
| Property taxes, levied for community education |                      |                         |  |  | 162,472   |
| Property taxes, levied for debt service        |                      |                         |  |  | 902,130   |
| State and federal aid-formula grants           |                      |                         |  |  | 8,499,774   |
| Other general revenues                         |                      |                         |  |  | 122,784   |
| Investment income                              |                      |                         |  |  | 714,131   |
| Total general revenues                         |                      |                         |  |  | <u>11,698,659</u>   |
| Change in net position                         |                      |                         |  |  | 954,461   |
| Net position - beginning                       |                      |                         |  |  | <u>5,354,078</u>  |
| Change in Accounting Principle (Note 8)        |                      |                         |  |  | <u>(269,729)</u>  |
| Net position - beginning, as restated          |                      |                         |  |  | <u>5,084,349</u>  |
| Net position - ending                          |                      |                         |  |  | <u>\$ 6,038,810</u>   |

See notes to basic financial statements.



**Independent School District No. 2753**  
**Balance Sheet - Governmental Funds**  
**June 30, 2025**

|  | General              | Debt Service        | Capital<br>Projects | Other<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------|---------------------|----------------------------|--------------------------------|
| <b>Assets</b>  |                      |                     |                     |                            |                                |
| Cash and investments   | \$ 8,387,191         | \$ 700,900          | \$ 7,683,017        | \$ 536,811                 | \$ 17,307,919                  |
| Current property taxes receivable  | 926,045              | 888,264             | -                   | 40,859                     | 1,855,168                      |
| Delinquent property taxes receivable   | 24,871               | 9,746               | -                   | 1,480                      | 36,097                         |
| Accounts receivable  | 18,178               | -                   | -                   | 28,912                     | 47,090                         |
| Due from Department of Education   | 1,638,707            | 14,690              | -                   | 77,991                     | 1,731,388                      |
| Due from Federal Government<br>through Department of Education                 | 202,318              | -                   | -                   | 181,608                    | 383,926                        |
| Due from other Minnesota school districts                                      | 2,587                | -                   | -                   | 651                        | 3,238                          |
| Inventory  | -                    | -                   | -                   | 17,896                     | 17,896                         |
| Prepaid items  | 51,753               | -                   | -                   | 425                        | 52,178                         |
| <b>Total assets</b>  | <b>\$ 11,251,650</b> | <b>\$ 1,613,600</b> | <b>\$ 7,683,017</b> | <b>\$ 886,633</b>          | <b>\$ 21,434,900</b>           |
| <b>Liabilities</b>   |                      |                     |                     |                            |                                |
| Accounts and contracts payable   | \$ 325,540           | \$ -                | \$ 1,532,680        | \$ 32,723                  | \$ 1,890,943                   |
| Salaries and benefits payable  | 256,208              | -                   | -                   | 38,991                     | 295,199                        |
| Unearned revenue   | 99,545               | -                   | -                   | 9,598                      | 109,143                        |
| <b>Total liabilities</b>   | <b>681,293</b>       | <b>-</b>            | <b>1,532,680</b>    | <b>81,312</b>              | <b>2,295,285</b>               |
| <b>Deferred Inflows of Resources</b>   |                      |                     |                     |                            |                                |
| Unavailable revenue - delinquent<br>property taxes                             | 24,871               | 9,746               | -                   | 1,480                      | 36,097                         |
| Property taxes levied for subsequent<br>year's expenditures                    | 1,653,196            | 1,465,737           | -                   | 78,399                     | 3,197,332                      |
| <b>Total deferred inflows of resources</b>                                     | <b>1,678,067</b>     | <b>1,475,483</b>    | <b>-</b>            | <b>79,879</b>              | <b>3,233,429</b>               |
| <b>Fund Balances</b>   |                      |                     |                     |                            |                                |
| Nonspendable   | 51,753               | -                   | -                   | 18,321                     | 70,074                         |
| Restricted   | 2,169,317            | 138,117             | 6,150,337           | 716,943                    | 9,174,714                      |
| Committed  | 853,374              | -                   | -                   | -                          | 853,374                        |
| Unassigned   | 5,817,846            | -                   | -                   | (9,822)                    | 5,808,024                      |
| <b>Total fund balances</b>   | <b>8,892,290</b>     | <b>138,117</b>      | <b>6,150,337</b>    | <b>725,442</b>             | <b>15,906,186</b>              |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balances</b> | <b>\$ 11,251,650</b> | <b>\$ 1,613,600</b> | <b>\$ 7,683,017</b> | <b>\$ 886,633</b>          | <b>\$ 21,434,900</b>           |

Independent School District No. 2753  
Reconciliation of the Balance Sheet to  
the Statement of Net Position - Governmental Funds  
June 30, 2025

|   |                     |
|---|---------------------|
| Total fund balances - governmental funds  | \$ 15,906,186       |
| Amounts reported for governmental activities in the Statement of Net Position are different because:  |                     |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:  |                     |
| Cost of capital assets  | 40,705,276          |
| Less accumulated depreciation   | (23,882,138)        |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of: |                     |
| Bond principal payable  | (15,348,000)        |
| Certificates of participation   | (1,275,000)         |
| Premium on bonds payable  | (1,157,600)         |
| Deferral on refunding   | (77,394)            |
| Compensated absences payable  | (853,374)           |
| OPEB liability  | (293,707)           |
| Net pension liability   | (6,762,280)         |
| Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds:                    |                     |
| Deferred outflows of resources related to pensions  | 1,948,821           |
| Deferred inflows of resources related to pensions   | (2,437,021)         |
| Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to postemployment benefits that are not recognized in the governmental funds:     |                     |
| Deferred outflows of resources related to postemployment benefits   | 139,906             |
| Deferred inflows of resources related to postemployment benefits  | (308,398)           |
| Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.    | 36,097              |
| Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.   | (302,564)           |
| Total net position - governmental activities  | <u>\$ 6,038,810</u> |

**Independent School District No. 2753**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended June 30, 2025**

|  | General             | Debt Service      | Capital<br>Projects | Other<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------|---------------------|----------------------------|--------------------------------|
| <b>Revenues</b>                              |                     |                   |                     |                            |                                |
| Local property taxes                         | \$ 1,302,251        | \$ 904,044        | \$ -                | \$ 162,763                 | \$ 2,369,058                   |
| Other local and county revenues              | 1,010,411           | 38,895            | 307,968             | 174,996                    | 1,532,270                      |
| Revenue from state sources                   | 14,354,832          | 146,902           | -                   | 609,924                    | 15,111,658                     |
| Revenue from federal sources                 | 532,049             | -                 | -                   | 1,058,540                  | 1,590,589                      |
| Sales and other conversion of assets         | 9,858               | -                 | -                   | 44,021                     | 53,879                         |
| Total revenues                               | <u>17,209,401</u>   | <u>1,089,841</u>  | <u>307,968</u>      | <u>2,050,244</u>           | <u>20,657,454</u>              |
| <b>Expenditures</b>                          |                     |                   |                     |                            |                                |
| <b>Current</b>                               |                     |                   |                     |                            |                                |
| Administration                               | 1,081,200           | -                 | -                   | -                          | 1,081,200                      |
| District support services                    | 693,545             | -                 | -                   | -                          | 693,545                        |
| Elementary and secondary regular instruction | 7,189,386           | -                 | -                   | -                          | 7,189,386                      |
| Vocational education instruction             | 374,977             | -                 | -                   | -                          | 374,977                        |
| Special education instruction                | 3,318,867           | -                 | -                   | -                          | 3,318,867                      |
| Instructional support services               | 497,180             | -                 | -                   | -                          | 497,180                        |
| Pupil support services                       | 1,456,030           | -                 | -                   | -                          | 1,456,030                      |
| Sites and buildings                          | 1,654,876           | -                 | 2,446,377           | -                          | 4,101,253                      |
| Fiscal and other fixed cost programs         | 132,624             | -                 | -                   | -                          | 132,624                        |
| Food service                                 | -                   | -                 | -                   | 978,232                    | 978,232                        |
| Community education and services             | -                   | -                 | -                   | 812,609                    | 812,609                        |
| <b>Capital outlay</b>                        |                     |                   |                     |                            |                                |
| Elementary and secondary regular instruction | 145,854             | -                 | -                   | -                          | 145,854                        |
| Special education instruction                | 6,600               | -                 | -                   | -                          | 6,600                          |
| Instructional support services               | 2,572               | -                 | -                   | -                          | 2,572                          |
| Pupil support services                       | 1,238               | -                 | -                   | -                          | 1,238                          |
| Sites and buildings                          | 104,271             | -                 | 727,415             | -                          | 831,686                        |
| Food service                                 | -                   | -                 | -                   | 1,533                      | 1,533                          |
| <b>Debt service</b>                          |                     |                   |                     |                            |                                |
| Principal                                    | 39,079              | 711,000           | -                   | -                          | 750,079                        |
| Interest and fiscal charges                  | 1,530               | 571,554           | -                   | -                          | 573,084                        |
| Total expenditures                           | <u>16,699,829</u>   | <u>1,282,554</u>  | <u>3,173,792</u>    | <u>1,792,374</u>           | <u>22,948,549</u>              |
| Excess of revenues over (under) expenditures | 509,572             | (192,713)         | (2,865,824)         | 257,870                    | (2,291,095)                    |
| <b>Other Financing Sources</b>               |                     |                   |                     |                            |                                |
| Bond issuance                                | -                   | -                 | 1,275,000           | -                          | 1,275,000                      |
| Bond premium                                 | -                   | -                 | 39,989              | -                          | 39,989                         |
| Total other financing sources                | <u>-</u>            | <u>-</u>          | <u>1,314,989</u>    | <u>-</u>                   | <u>1,314,989</u>               |
| Net change in fund balances                  | 509,572             | (192,713)         | (1,550,835)         | 257,870                    | (976,106)                      |
| <b>Fund Balances</b>                         |                     |                   |                     |                            |                                |
| Beginning of year                            | 8,382,718           | 63,772            | 7,968,230           | 467,572                    | 16,882,292                     |
| Error correction (See Note 8)                | -                   | 267,058           | (267,058)           | -                          | -                              |
| Beginning of year, restated                  | <u>8,382,718</u>    | <u>330,830</u>    | <u>7,701,172</u>    | <u>467,572</u>             | <u>16,882,292</u>              |
| End of Year                                  | <u>\$ 8,892,290</u> | <u>\$ 138,117</u> | <u>\$ 6,150,337</u> | <u>\$ 725,442</u>          | <u>\$ 15,906,186</u>           |

See notes to basic financial statements.

**Independent School District No. 2753  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances  
of Activities - Governmental Funds  
Year Ended June 30, 2025**

|  |              |
|--|--------------|
| Net change in fund balances - total governmental funds | \$ (976,106) |
|--|--------------|

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

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

|                      |             |
|----------------------|-------------|
| Capital outlays      | 3,327,034   |
| Depreciation expense | (1,053,615) |

|   |        |
|---|--------|
| Total OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. | 33,681 |
|---|--------|

|  |          |
|--|----------|
| Compensated absences is recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. | (64,330) |
|--|----------|

|  |         |
|--|---------|
| Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. | 317,838 |
|--|---------|

|  |         |
|--|---------|
| Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net position in the Statement of Activities. | 750,079 |
|--|---------|

|  |           |
|--|-----------|
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. | (167,041) |
|--|-----------|

|  |         |
|--|---------|
| Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are amortized in the Statement of Activities. | 100,398 |
|--|---------|

Proceeds from the sale of bonds and financed purchases are recognized as other financing sources in funds increasing fund balance but having no effect on the governmental funds increasing fund balance but having no effect on net position in the Statement of Activities.

Statement of Activities:

|                                 |             |
|---------------------------------|-------------|
| Bonds Payable                   | (1,275,000) |
| Change in Deferral on Refunding | 8,600       |
| Bond Premium Issued             | (39,989)    |

|   |         |
|---|---------|
| Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. | (7,088) |
|---|---------|

|  |            |
|--|------------|
| Change in net position - governmental activities | \$ 954,461 |
|--|------------|

**Independent School District No. 2753**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances -**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2025**

|  | Budgeted Amounts    |                     | Actual              | Variance with                  |
|--|---------------------|---------------------|---------------------|--------------------------------|
|  | Original            | Final               | Amounts             | Final Budget -<br>Over (Under) |
| <b>Revenues</b>                              |                     |                     |                     |                                |
| Local property taxes                         | \$ 1,324,550        | \$ 1,402,752        | \$ 1,302,251        | \$ (100,501)                   |
| Other local and county revenues              | 697,200             | 1,005,624           | 1,010,411           | 4,787                          |
| Revenue from state sources                   | 13,595,160          | 13,641,415          | 14,354,832          | 713,417                        |
| Revenue from federal sources                 | 552,275             | 475,151             | 532,049             | 56,898                         |
| Sales and other conversion of assets         | 11,000              | 7,400               | 9,858               | 2,458                          |
| Total revenues                               | <u>16,180,185</u>   | <u>16,532,342</u>   | <u>17,209,401</u>   | <u>677,059</u>                 |
| <b>Expenditures</b>                          |                     |                     |                     |                                |
| Current                                      |                     |                     |                     |                                |
| Administration                               | 848,224             | 1,025,927           | 1,081,200           | 55,273                         |
| District support services                    | 466,289             | 677,417             | 693,545             | 16,128                         |
| Elementary and secondary regular instruction | 8,707,792           | 7,217,627           | 7,189,386           | (28,241)                       |
| Vocational education instruction             | 334,157             | 285,029             | 374,977             | 89,948                         |
| Special education instruction                | 2,599,474           | 3,368,960           | 3,318,867           | (50,093)                       |
| Instructional support services               | 236,965             | 507,209             | 497,180             | (10,029)                       |
| Pupil support services                       | 1,391,088           | 1,534,073           | 1,456,030           | (78,043)                       |
| Sites and buildings                          | 1,774,112           | 1,784,045           | 1,654,876           | (129,169)                      |
| Fiscal and other fixed cost programs         | 85,000              | 132,000             | 132,624             | 624                            |
| Capital outlay                               |                     |                     |                     |                                |
| Elementary and secondary regular instruction | 93,506              | 134,800             | 145,854             | 11,054                         |
| Special education instruction                | -                   | 10,000              | 6,600               | (3,400)                        |
| Instructional support services               | 5,000               | 5,000               | 2,572               | (2,428)                        |
| Pupil support services                       | -                   | 1,250               | 1,238               | (12)                           |
| Sites and buildings                          | 12,000              | 51,759              | 104,271             | 52,512                         |
| Debt service                                 |                     |                     |                     |                                |
| Principal                                    | -                   | -                   | 39,079              | 39,079                         |
| Interest and fiscal charges                  | -                   | -                   | 1,530               | 1,530                          |
| Total expenditures                           | <u>16,553,607</u>   | <u>16,735,096</u>   | <u>16,699,829</u>   | <u>(35,267)</u>                |
| Net change in fund balances                  | <u>\$ (373,422)</u> | <u>\$ (202,754)</u> | 509,572             | <u>\$ 712,326</u>              |
| <b>Fund Balances</b>                         |                     |                     |                     |                                |
| Beginning of year                            |                     |                     | <u>8,382,718</u>    |                                |
| End of year                                  |                     |                     | <u>\$ 8,892,290</u> |                                |

See notes to basic financial statements.

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

**B. Basic Financial Statement Information**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Independent School District No. 2753  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner.

**1. Revenue Recognition**

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

**2. Recording of Expenditures**

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences, total OPEB obligations and claims and judgments are recognized when payment is due.

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

**Description of Funds:**

**Major Funds:**

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

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

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

**Nonmajor Funds:**

Food Service Special Revenue Fund - This fund is used to record the financial activities of the District's Food Service Program.

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

**Description of Funds: (Continued)**

**Nonmajor Funds: (Continued)**

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

**D. Deposits and Investments**

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

Cash and investments at June 30, 2025, were comprised of deposits and investments as disclosed in Note 2.

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

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

In accordance with GASB Statement No. 79, the various MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from MNTrust.

**E. Property Tax Receivable**

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



**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Property Taxes Levied for Subsequent Year's Expenditures**

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

**G. Inventories**

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

**H. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

**I. Property Taxes**

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

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

**J. Capital Assets**

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

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at acquisition value at the date of donation.

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

Capital assets are depreciated 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 purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for furniture and equipment.

**Independent School District No. 2753  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Capital Assets (Continued)**

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

**K. Deferred Outflows/Inflows of Resources**

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

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

**L. Long-Term Obligations**

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

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Long-Term Obligations (Continued)**

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

**M. Compensated Absences**

The District compensates clerical, custodial, and noncertified employees upon termination of employment for unused vacation. An employee may not accumulate more than one year of vacation time.

District regular employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment except for purposes of severance pay as described below.

Teacher contracts provide for the accumulation of disability leave for each year of full-time teaching at the District. Upon resignation, teachers who have served at least five years of continuous service with the District shall be compensated for unused disability leave. For administrators, the amount of pay would not exceed 100 days times the current rate of pay. Other individual contracts specify variations of the above mentioned severance agreements.

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

**N. Pensions**

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

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

**O. Risk Management**

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

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Fund Equity**

In the fund financial statements, governmental funds report various levels of spending constraints.

- **Nonspendable Fund Balances** - These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include items that are inherently unspendable, such as, but not limited to, inventory and prepaid items.
- **Restricted Fund Balances** - These are subject to externally enforceable legal restrictions.
- **Committed Fund Balances** - These are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action. The District's highest level of decision-making authority is the School Board. The formal action to establish or modify a commitment must be made by majority vote of the School Board.
- **Assigned Fund Balances** - These are comprised of unrestricted funds constrained by the District's intent that they be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. The School Board is authorized to assign fund balances. The policy to establish that authorization is by a majority vote of the School Board. The School Board also delegates the power to assign fund balances to the Superintendent and/or designee. Assignments so made shall be reported to the School Board on a monthly basis, either separately or as part of ongoing reporting by the Superintendent.
- **Minimum Fund Balance Policy** - The District will strive to maintain a minimum unassigned General Fund balance of 15% of the annual budget.

**Q. Net Position**

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

**R. Use of Estimates**

The preparation of basic 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 basic financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S. Budgetary Information**

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

As of June 30, 2025, the District had the following pooled deposits:

|                         |                          |
|-------------------------|--------------------------|
| Checking                | \$ 323,786               |
| Savings                 | 10,125                   |
| Certificates of deposit | <u>74,021</u>            |
| Total                   | <u><u>\$ 407,932</u></u> |

**Custodial Credit Risk - Deposits:** This is the risk that in the event of a bank failure, the District's deposits may not be returned. The District's policy states all deposits must be in compliance with *Minnesota Statutes* § 118A. As of June 30, 2025, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**B. Investments**

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

| Investment                           | Fair Value           | Less than<br>1 Year  | S&P Rating |
|--------------------------------------|----------------------|----------------------|------------|
| Pooled                               |                      |                      |            |
| MN Trust Investment Shares Portfolio | \$ 8,798,379         | \$ 8,798,379         | AAAm       |
| Non Pooled                           |                      |                      |            |
| Money Market                         | 1,309,574            | 1,309,574            | N/A        |
| Certificates of Deposit              | 1,377,705            | 1,377,705            | N/A        |
| Municipal Bonds                      | 847,772              | 847,772              | AA         |
| Other Government Backed Securities   | 707,386              | 707,386              | AA+        |
| United States Treasury               | 3,859,171            | 3,859,171            | AA+        |
|                                      | <u>\$ 16,899,987</u> | <u>\$ 16,899,987</u> |            |
| Total                                |                      |                      |            |

**Interest Rate Risk:** This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy states the District shall manage investments in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

**Credit Risk:** This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* §§ 118A.04 and 118A.05 limit investments to the top two ratings issued by nationally recognized statistical rating organizations. At June 30, 2025, the District's investments are rated as indicated above.

**Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District will attempt to diversify its investments according to type and maturity. The policy states investment maturities shall be scheduled to coincide with projected District cash flow needs. Portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The policy does not state the maximum percentage of the District's investment portfolio that may be invested in a single type of investment instrument. The following investments exceeded 5% of nonpooled investments: Federal Home Loan Bank (5.65%) and Morgan Stanley Money Market Fund (15.22%).

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

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

- \$1,313,453 of nonpooled investments using Level 1 inputs
- \$6,792,034 of nonpooled investments using Level 2 inputs

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Deposits and Investments**

Summary of total cash, deposits, and investments as of June 30, 2025:

|                                      |                                 |
|--------------------------------------|---------------------------------|
| Deposits - (Note 2.A.)               | \$ 407,932                      |
| Investments - Pooled (Note 2.B.)     | 8,798,379                       |
| Investments - Not pooled (Note 2.B.) | <u>8,101,608</u>                |
| <br>Total deposits and investments   | <br><u><u>\$ 17,307,919</u></u> |

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

|                           |                             |
|---------------------------|-----------------------------|
| Statement of Net Position |                             |
| Cash and investments      | <u><u>\$ 17,307,919</u></u> |

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 3 - CAPITAL ASSETS**

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

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| Governmental activities                         |                              |                     |                  |                           |
| Capital assets not<br>being depreciated         |                              |                     |                  |                           |
| Land  | \$ 69,879                    | \$ -                | \$ -             | \$ 69,879                 |
| Construction in progress                        | <u>2,449,354</u>             | <u>2,951,206</u>    | <u>-</u>         | <u>5,400,560</u>          |
| Total capital assets not<br>being depreciated   | <u>2,519,233</u>             | <u>2,951,206</u>    | <u>-</u>         | <u>5,470,439</u>          |
| Capital assets<br>being depreciated             |                              |                     |                  |                           |
| Land improvements                               | 2,317,395                    | -                   | -                | 2,317,395                 |
| Buildings                                       | 26,965,618                   | -                   | -                | 26,965,618                |
| Furniture and equipment                         | <u>5,575,996</u>             | <u>375,828</u>      | <u>-</u>         | <u>5,951,824</u>          |
| Total capital assets<br>being depreciated       | <u>34,859,009</u>            | <u>375,828</u>      | <u>-</u>         | <u>35,234,837</u>         |
| Less accumulated<br>depreciation for            |                              |                     |                  |                           |
| Land improvements                               | 2,061,919                    | 61,013              | -                | 2,122,932                 |
| Buildings                                       | 16,084,628                   | 574,960             | -                | 16,659,588                |
| Furniture and equipment                         | <u>4,681,976</u>             | <u>417,642</u>      | <u>-</u>         | <u>5,099,618</u>          |
| Total accumulated<br>depreciation               | <u>22,828,523</u>            | <u>1,053,615</u>    | <u>-</u>         | <u>23,882,138</u>         |
| Total capital assets being<br>depreciated, net  | <u>12,030,486</u>            | <u>(677,787)</u>    | <u>-</u>         | <u>11,352,699</u>         |
| Governmental activities,<br>capital assets, net | <u>\$ 14,549,719</u>         | <u>\$ 2,273,419</u> | <u>\$ -</u>      | <u>\$ 16,823,138</u>      |

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

|  |                     |
|--|---------------------|
| Elementary and secondary regular instruction | \$ 277,360          |
| Pupil Support Services                       | 125,850             |
| Sites and buildings                          | <u>650,405</u>      |
| Total depreciation expense                   | <u>\$ 1,053,615</u> |



**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 4 - LONG-TERM DEBT**

**A. Components of Long-Term Liabilities**

|   | Issue<br>Date | Interest<br>Rates | Original<br>Issue | Final<br>Maturity | Principal<br>Outstanding | Due Within<br>One Year |
|---|---------------|-------------------|-------------------|-------------------|--------------------------|------------------------|
| Long-term liabilities                                       |               |                   |                   |                   |                          |                        |
| G.O. Bonds  |               |                   |                   |                   |                          |                        |
| Capital Facilities Bonds, Series 2022A                      | 05/19/22      | 3.1%              | \$ 260,000        | 02/01/32          | \$ 208,000               | \$ 27,000              |
| Tax Abatement and Capital Facilities Bonds,<br>Series 2023A | 05/11/23      | 5.0%              | 1,765,000         | 02/01/31          | 1,550,000                | 230,000                |
| Maintenance and Refunding Bonds, Series 2024A               | 05/09/24      | 4.0%-5.0%         | 14,060,000        | 02/01/40          | 13,590,000               | 580,000                |
| Total G.O. Bonds  |               |                   |                   |                   | 15,348,000               | 837,000                |
| Certificates of Participation                               | 5/15/2025     | 4.0%-5.0%         | \$ 1,275,000      | 04/01/35          | 1,275,000                | 110,000                |
| Unamortized Premium   |               |                   |                   |                   | 1,157,600                | -                      |
| Compensated Absences  |               |                   |                   |                   | 853,374                  | 46,580                 |
| Total all long-term liabilities                             |               |                   |                   |                   | <u>\$ 18,633,974</u>     | <u>\$ 993,580</u>      |

The long-term bond liability and financed purchases listed above were issued to finance acquisition and construction of capital facilities.

The Debt Service Fund is responsible for the payment of bond interest and principal, and the General Fund is used to liquidate the severance liability and the Financed purchases.

**B. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire the bond liability:

| Year Ended<br>June 30, | G.O. Bonds           |                     |                      |
|------------------------|----------------------|---------------------|----------------------|
|                        | Principal            | Interest            | Total                |
| 2026                   | \$ 837,000           | \$ 708,231          | \$ 1,545,231         |
| 2027                   | 903,000              | 666,883             | 1,569,883            |
| 2028                   | 954,000              | 622,254             | 1,576,254            |
| 2029                   | 1,015,000            | 575,094             | 1,590,094            |
| 2030                   | 1,066,000            | 524,902             | 1,590,902            |
| 2031-2035              | 5,043,000            | 1,843,233           | 6,886,233            |
| 2036-2040              | 5,530,000            | 683,000             | 6,213,000            |
| Total                  | <u>\$ 15,348,000</u> | <u>\$ 5,623,597</u> | <u>\$ 20,971,597</u> |

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 4 - LONG-TERM DEBT (CONTINUED)**

**B. Minimum Debt Payments (Continued)**

| Year Ended<br>June 30, | Certificates of Participation |                   |                     |
|------------------------|-------------------------------|-------------------|---------------------|
|                        | Principal                     | Interest          | Total               |
| 2026                   | \$ 110,000                    | \$ 52,052         | \$ 162,052          |
| 2027                   | 105,000                       | 53,800            | 158,800             |
| 2028                   | 110,000                       | 48,550            | 158,550             |
| 2029                   | 115,000                       | 43,050            | 158,050             |
| 2030                   | 125,000                       | 37,300            | 162,300             |
| 2031-2035              | 710,000                       | 91,800            | 801,800             |
| Total                  | <u>\$ 1,275,000</u>           | <u>\$ 326,552</u> | <u>\$ 1,601,552</u> |

**C. Changes in Long-Term Liabilities**

|   | Beginning<br>Balance | Change in<br>Accounting<br>Principle | Additions           | Reductions        | Ending<br>Balance    |
|---|----------------------|--------------------------------------|---------------------|-------------------|----------------------|
| Long-Term Liabilities                       |                      |                                      |                     |                   |                      |
| G.O. Bonds                                  | \$ 16,059,000        | \$ -                                 | \$ -                | \$ 711,000        | \$ 15,348,000        |
| Certificates of participation               | -                    | -                                    | 1,275,000           | -                 | 1,275,000            |
| Financed purchases from<br>direct borrowing | 39,079               | -                                    | -                   | 39,079            | -                    |
| Premium on bonds                            | 1,218,009            | -                                    | 39,989              | 100,398           | 1,157,600            |
| Compensated absences                        | 519,316              | 269,729                              | 64,329              | -                 | 853,374              |
| Total                                       | <u>\$ 17,835,404</u> | <u>\$ 269,729</u>                    | <u>\$ 1,379,318</u> | <u>\$ 850,477</u> | <u>\$ 18,633,974</u> |

The change in the compensated absences liability is presented as a net change.

**NOTE 5 - FUND BALANCES/NET POSITION**

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

**A. Fund Equity**

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

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 5 - FUND BALANCES/NET POSITION (CONTINUED)**

|  | General<br>Fund | Debt<br>Service | Capital<br>Projects | Nonmajor<br>Funds | Total         |
|--|-----------------|-----------------|---------------------|-------------------|---------------|
| Nonspendable                               |                 |                 |                     |                   |               |
| Inventory                                  | -               | -               | -                   | 17,896            | 17,896        |
| Prepays                                    | 51,753          | -               | -                   | 425               | 52,178        |
| Total nonspendable                         | 51,753          | -               | -                   | 18,321            | 70,074        |
| Restricted/reserved for                    |                 |                 |                     |                   |               |
| Student Activities                         | 271,228         | -               | -                   | -                 | 271,228       |
| Operating Capital                          | 82,911          | -               | -                   | -                 | 82,911        |
| Scholarships                               | 143,520         | -               | -                   | -                 | 143,520       |
| Medical Assistance                         | 302,784         | -               | -                   | -                 | 302,784       |
| Capital Projects Levy                      | 3,300           | -               | -                   | -                 | 3,300         |
| Staff Development                          | 16,278          | -               | -                   | -                 | 16,278        |
| Long-Term Facilities                       |                 |                 |                     |                   |               |
| Maintenance                                | 987,472         | -               | -                   | -                 | 987,472       |
| Literacy Incentive Aid                     | 72,066          | -               | -                   | -                 | 72,066        |
| Learning and Development                   | 6,639           | -               | -                   | -                 | 6,639         |
| Gifted and Talented                        | 2,840           | -               | -                   | -                 | 2,840         |
| English Learner                            | 8,256           | -               | -                   | -                 | 8,256         |
| Basic Skills Programs                      | 136,305         | -               | -                   | -                 | 136,305       |
| School Library Aid                         | 1,809           | -               | -                   | -                 | 1,809         |
| Safe Schools                               | 2,625           | -               | -                   | -                 | 2,625         |
| Literacy Aid                               | 38,837          | -               | -                   | -                 | 38,837        |
| Teacher Compensation for READ Act Training | 33,232          | -               | -                   | -                 | 33,232        |
| Student Support Personnel Aid              | 57,221          | -               | -                   | -                 | 57,221        |
| Other                                      | 1,994           | -               | -                   | -                 | 1,994         |
| Community Education                        | -               | -               | -                   | 115,806           | 115,806       |
| Early Childhood and Family                 |                 |                 |                     |                   |               |
| Education                                  | -               | -               | -                   | 34,742            | 34,742        |
| Debt Service                               | -               | 138,117         | -                   | -                 | 138,117       |
| Capital Projects                           | -               | -               | 6,150,337           | -                 | 6,150,337     |
| Food Service                               | -               | -               | -                   | 564,322           | 564,322       |
| Community Service                          | -               | -               | -                   | 2,073             | 2,073         |
| Total restricted                           | 2,169,317       | 138,117         | 6,150,337           | 716,943           | 9,174,714     |
| Committed for                              |                 |                 |                     |                   |               |
| Severance                                  | 853,374         | -               | -                   | -                 | 853,374       |
| Unassigned for                             |                 |                 |                     |                   |               |
| Unassigned                                 | 5,817,846       | -               | -                   | -                 | 5,817,846     |
| School Readiness                           | -               | -               | -                   | (9,822)           | (9,822)       |
| Total unassigned                           | 5,817,846       | -               | -                   | (9,822)           | 5,808,024     |
| Total fund balance                         | \$ 8,892,290    | \$ 138,117      | \$ 6,150,337        | \$ 725,442        | \$ 15,906,186 |

Nonspendable for Inventory - This balance represents a portion of the fund balance that cannot be spent since the amounts have already been spent on inventories.

Nonspendable for Prepaid Items - This balance represents a portion of the fund balance that cannot be spent since the amounts have already been spent by the District on expenses for the next year.

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 5 - FUND BALANCES/NET POSITION (CONTINUED)**

**A. Fund Equity (Continued)**

Restricted/Reserved for Student Activities - This balance represents available resources to be used for the extracurricular activity funds raised by the students.

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

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

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

Restricted/Reserved for Capital Projects Levy - This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statutes* § 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

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

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

Restricted/Reserved for Literacy Incentive Aid - This balance represents the resources available to support implementation of evidence-based reading instruction.

Restricted/Reserved for Learning and Development - Learning and development is funded by general education revenue. This reserve represents available general education revenues for learning and development, which is mainly for reducing the pupil to staff ratio.

Restricted/Reserved for Gifted and Talented - The part of General Education Aid revenue for the gifted and talented program that is unspent at year end must be restricted in this Balance Sheet account.

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

Restricted/Reserved for Basic Skills Programs - This balance represents resources available for the basic skills uses listed in *Minnesota Statute* § 126C.15, subd. 1.

Restricted/Reserved for School Library Aid - This balance represents resources available for the school library aid uses listed in *Minnesota Statutes* § 134.356, subd. 1.

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 5 - FUND BALANCES/NET POSITION (CONTINUED)**

**A. Fund Equity (Continued)**

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

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

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

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

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

Restricted/Reserved for Early Childhood and Family Education - This balance represents the resources available to provide for services for early childhood and family education programming.

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

Restricted/Reserved for Capital Projects - This balance represents the positive fund balance of the Capital Projects Fund.

Restricted for Food Service - This balance represents the positive fund balance of the Food Service Fund.

Restricted /Reserved for Community Service - This balance represents the positive fund balance of the Community Service Fund.

Committed for Severance - This balance represents resources segregated for retirement benefits, including compensated absences, pensions, and OPEB.

Unassigned amounts represent resources available to meet current and future year's expenditures.

Unassigned for School Readiness - This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* § 124D.16). The balance at June 30, 2024, was negative so it was classified as unassigned.

**B. Net Position**

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

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE**

The District participates in various pension plans. Total pension expense for the year ended June 30, 2025, was \$698,474. The components of pension expense are noted in the following plan summaries.

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

**Teachers' Retirement Association**

**A. Plan Description**

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

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

**B. Benefits Provided**

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

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

*Tier I Benefits*

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

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

*Tier I Benefits (Continued)*

With these provisions:

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

Or

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

*Tier II Benefits*

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

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

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

**C. 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 \$554,198. The District's contributions were equal to the required contributions for each year as set by state statute.

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**D. 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.

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Key Methods and Assumptions Used in Valuation of Total Pension Liability

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**Actuarial Information**

|                           |  |
|---------------------------|--|
| Experience study          | August 2, 2023 (demographic and economic assumptions)*   |
| Actuarial cost method     | Entry Age Normal   |
| Actuarial assumptions     |  |
| Investment rate of return | 7.00%  |
| Price inflation           | 2.50%  |
| Wage growth rate          | 2.85% before July 1, 2028, and 3.25% after June 30, 2028.  |
| Projected salary increase | 2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.                        |
| Cost of living adjustment | 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually. |

**Mortality Assumptions**

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



**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions (Continued)**

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

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

Changes in actuarial assumptions since the previous valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub-2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint and Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

**E. Discount Rate**

The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Independent School District No. 2753  
Notes to Basic Financial Statements

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**F. Net Pension Liability**

On June 30, 2025, the District reported a liability of \$5,540,968 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.0872% at the end of the measurement period and 0.0881% for the beginning of the year.

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

|   |                            |
|---|----------------------------|
| District's proportionate share of net pension liability                               | \$ 5,540,968               |
| State's proportionate share of the net pension liability associated with the District | <u>362,286</u>             |
| Total   | <u><u>\$ 5,903,254</u></u> |

For the year ended June 30, 2025, the District recognized pension expense of \$542,981. Included in this amount, the District recognized \$19,915 as pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$153,617 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**F. Net Pension Liability (Continued)**

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

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                         | \$ 263,740                           | \$ 71,913                           |
| Net difference between projected and actual earnings<br>on plan investment | -                                    | 718,350                             |
| Changes of assumptions   | 545,975                              | 660,775                             |
| Changes in proportion  | 195,793                              | 190,041                             |
| District's contribution to TRA subsequent to measurement<br>date           | 554,198                              | -                                   |
| Total  | <u>\$ 1,559,706</u>                  | <u>\$ 1,641,079</u>                 |

The \$554,198 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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

| Year Ended<br>June 30, | Pension<br>Expense<br>Amount |
|------------------------|------------------------------|
| 2026                   | \$ (258,418)                 |
| 2027                   | 522,963                      |
| 2028                   | (418,655)                    |
| 2029                   | (381,629)                    |
| 2030                   | (99,832)                     |
| Total                  | <u>\$ (635,571)</u>          |

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**G. Pension Liability Sensitivity**

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

| Sensitivity of NPL to Changes in the Discount Rate |                                     |  |
|--|-------------------------------------|--|
| 1% Decrease in<br>Discount Rate<br>(6.00%)         | Current<br>Discount Rate<br>(7.00%) | 1% Increase in<br>Discount Rate<br>(8.00%) |
| \$ 9,757,969                                       | \$ 5,540,968                        | \$ 2,070,276                               |

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

**H. Pension Plan Fiduciary Net Position**

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

**Public Employees' Retirement Association**

**A. Plan Description**

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes* Chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes Chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

**General Employees Retirement Plan**

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

**B. Benefits Provided**

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

**Independent School District No. 2753  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

**General Employees Plan Benefits**

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or 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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of 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 reduced prorated increase. In 2024, legislation repealed the statute delaying increases for members retiring before full retirement age.

**C. Contributions**

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

**General Employees Fund Contributions**

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$231,541. The District's contributions were equal to the required contributions as set by state statute.

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs**

**General Employees Fund Pension Costs**

At June 30, 2025, the District reported a liability of \$1,221,312 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 \$31,581.

|  |                            |
|--|----------------------------|
| School's proportionate share of net pension liability  | \$ 1,221,312               |
| State of Minnesota's proportionate share of the net pension liability associated with the School | <u>31,581</u>              |
| Total  | <u><u>\$ 1,252,893</u></u> |

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0330% at the end of the measurement period and 0.0327% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$155,493 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$847 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedule for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The [entity] recognized \$56,194 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

**General Employees Fund Pension Costs (Continued)**

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

|   | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
|---|--------------------------------------|----------------------------------|
|   | <u>                    </u>          | <u>                    </u>      |
| Differences between expected and actual economic experience   | \$ 114,427                           | \$ -                             |
| Changes in actuarial assumptions  | 5,885                                | 458,814                          |
| Net difference between projected and actual investments earnings  | -                                    | 337,128                          |
| Changes in proportion and differences between contributions made and district's proportion share of contributions | 37,262                               | -                                |
| District's contributions to PERA subsequent to the measurement date   | <u>231,541</u>                       | <u>-</u>                         |
| Total   | <u><u>\$ 389,115</u></u>             | <u><u>\$ 795,942</u></u>         |

The \$231,541 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br><u>June 30,</u> | Pension Expense<br><u>Amount</u> |
|-------------------------------|----------------------------------|
| 2026                          | \$ (339,315)                     |
| 2027                          | (60,911)                         |
| 2028                          | (144,535)                        |
| 2029                          | <u>(93,607)</u>                  |
| Total                         | <u><u>\$ (638,368)</u></u>       |

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**E. Long-Term Expected Return on Investment**

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

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

**F. Actuarial Assumptions**

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

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

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2024, actuarial valuation.



**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Assumptions (Continued)**

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

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

**G. Discount Rates**

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

**H. Pension Liability Sensitivity**

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

|   | 1% Decrease in<br>Discount Rate<br>(5.5%) | Current<br>Discount Rate<br>(6.5%) | 1% Increase in<br>Discount Rate<br>(7.5%) |
|---|---|------------------------------------|---|
| District's proportionate share of<br>the PERA net pension liability | \$ 2,667,547                              | \$ 1,221,312                       | \$ 31,656                                 |

**I. Pension Plan Fiduciary Net Position**

Detailed information about the General Employees Fund's fiduciary net position is available in a separately issued PERA financial report that includes the basic financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The District provides a single employer defined benefit health care plan to eligible retirees. The plan offers medical coverage administered by HealthPartners. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

**B. Benefits Provided**

At retirement, employees of the District receiving a retirement or disability benefit, or eligible to receive a benefit, from a Minnesota public pension plan may continue to participate in the District's group health insurance plan. Participants in several employee groups receive a direct subsidy toward the premium as outlined in the contract.

**C. Members**

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

|                                    |                   |
|------------------------------------|-------------------|
| Active employees electing coverage | 125               |
| Active employees waiving coverage  | 29                |
| Retirees electing coverage         | <u>9</u>          |
| Total                              | <u><u>163</u></u> |

**D. Contributions**

Retirees and their spouses contribute to the health care plan at the same rate as District employees. This results in retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with health insurance providers. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2025, the District contributed \$55,687 to the plan.

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**E. Actuarial Assumptions**

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

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Key Methods and Assumptions Used in Valuation of Total OPEB Liability

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|                                 |   |
|---------------------------------|---|
| Discount Rate                   | 3.97%   |
| Inflation                       | 2.50%   |
| Healthcare cost trend increases | 8.6% for FY2025, decreasing over several decades to an ultimate rate of 3.9% in 2076 and later years.                 |
| Mortality Assumption            |   |
| Teachers                        | Pub 2010 mortality tables with projected mortality improvements based on MP-2021, and other adjustments.              |
| Non- teachers                   | Pub 2010 general mortality tables with projected mortality improvements based on scale MP-2021 and other adjustments. |

The actuarial assumptions used in the June 30, 2024, valuation and was measured as of June 30, 2024.

**F. Discount Rate**

The discount rate used to measure the total OPEB liability of 3.97% was based on the index rate for 20-year tax exempt municipal bonds.

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**G. Changes in Net OPEB Liability**

Changes in the total OPEB liability are as follows:

|   | Total OPEB<br>Liability  |
|---|--------------------------|
|   | <u>\$ 305,384</u>        |
| Balances at July 1, 2023                          |                          |
| Changes for the year                              |                          |
| Service cost                                      | 7,859                    |
| Interest  | 11,142                   |
| Difference between expected and actual experience | (5,365)                  |
| Changes of assumptions                            | 23,859                   |
| Employer contributions                            | <u>(49,172)</u>          |
| Net changes                                       | <u>(11,677)</u>          |
| Balances at June 30, 2024                         | <u><u>\$ 293,707</u></u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.86% in 2023 to 3.97% in 2024 as well as a change in inflation rates from 2.50% in 2023 to 2.97% in 2024.

**H. OPEB Liability Sensitivity**

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

|                            | 1% Decrease in<br>Discount Rate<br>(2.97%) | Current<br>Discount Rate<br>(3.97%) | 1% Increase in<br>Discount Rate<br>(4.97%) |
|----------------------------|--|-------------------------------------|--|
| Net OPEB liability (asset) | \$ 306,550                                 | \$ 293,707                          | \$ 281,447                                 |

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

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

|                              | 1% Decrease in<br>Trend Rate<br>(7.6%) | Current<br>Trend Rate<br>(8.6%) | 1% Increase in<br>Trend Rate<br>(9.6%) |
|------------------------------|--|---------------------------------|--|
| Total OPEB liability (asset) | \$ 278,795                             | \$ 293,707                      | \$ 310,722                             |

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to OPEB (Continued)**

For the year ended June 30, 2025, the District recognized OPEB expense of (\$33,681). At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
|   | <u>                    </u>          | <u>                    </u>         |
| Difference between expected and actual liability      | \$ 31,421                            | \$ 236,303                          |
| Changes of assumptions                                | 52,798                               | 72,095                              |
| Contributions made subsequent to the measurement date | <u>55,687</u>                        | <u>-</u>                            |
| Total   | <u><u>\$ 139,906</u></u>             | <u><u>\$ 308,398</u></u>            |

The \$55,687 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

| Year Ended<br><u>June 30,</u> | <u>Total</u>               |
|-------------------------------|----------------------------|
| 2026                          | \$ (31,825)                |
| 2027                          | (57,935)                   |
| 2028                          | (59,321)                   |
| 2029                          | (36,366)                   |
| 2030                          | (38,354)                   |
| Thereafter                    | <u>(378)</u>               |
| Total                         | <u><u>\$ (224,179)</u></u> |

**Independent School District No. 2753**  
**Notes to Basic Financial Statements**

**NOTE 8 - ACCOUNTING ERROR CORRECTION**

During the year end June 30, 2024, there was an incorrect entry between Capital Project and Debt Service Funds related to the allocation of bond proceeds. A correction of errors adjustment was made to remedy the beginning fund balances for the respective accounts.

Governmental activities beginning net position was restated as a result of the implementation of GASB Statement No. 101, Compensated Absences.

|                                     | Reporting Unit Affected<br>by Correction of Errors |                     |   |
|-------------------------------------|--|---------------------|---|
|                                     | Debt<br>Service                                    | Capital<br>Projects | Government-<br>Wide<br>Governmental<br>Activities |
| June 30, 2024, as previously stated | \$ 63,772  | \$ 7,968,230        | \$ 5,354,078                                      |
| Correction of Errors                | 267,058  | (267,058)           | -   |
| Change in accounting principle      | -  | -                   | (269,729)   |
| Beginning of year, restated         | <u>\$ 330,830</u>                                  | <u>\$ 7,701,172</u> | <u>\$ 5,084,349</u>                               |

**NOTE 9 - COMMITMENTS**

The District entered into contracts with several contractors for improvements at the elementary school and high school. As of June 30, 2025, the District's remaining commitment for the projects was \$2,579,864.

**NOTE 10 - GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED (CONTINUED)**

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

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

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## REQUIRED SUPPLEMENTARY INFORMATION



**Independent School District No. 2753**  
**Schedule of Changes in Total OPEB Liability**  
**and Related Ratios**

|   | <u>June 30, 2017</u> | <u>June 30, 2018</u> | <u>June 30, 2019</u> | <u>June 30, 2020</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Total OPEB Liability</b>                           |                      |                      |                      |                      |
| Service cost  | \$ 69,913            | \$ 66,765            | \$ 59,885            | \$ 66,175            |
| Interest  | 40,758               | 46,284               | 57,716               | 48,786               |
| Differences between expected<br>and actual experience | -                    | 438,758              | -                    | (217,737)            |
| Changes of assumptions                                | (40,836)             | (96,122)             | 25,857               | 30,373               |
| Changes of benefit terms                              | -                    | 18,757               | -                    | -                    |
| Benefit payments                                      | (186,574)            | (184,690)            | (183,987)            | (186,920)            |
| Net change in total OPEB liability                    | <u>(116,739)</u>     | <u>289,752</u>       | <u>(40,529)</u>      | <u>(259,323)</u>     |
| Beginning of year                                     | <u>1,453,470</u>     | <u>1,336,731</u>     | <u>1,626,483</u>     | <u>1,585,954</u>     |
| End of year   | <u>\$ 1,336,731</u>  | <u>\$ 1,626,483</u>  | <u>\$ 1,585,954</u>  | <u>\$ 1,326,631</u>  |
| Covered payroll                                       | \$ 6,404,288         | \$ 5,348,896         | \$ 6,496,423         | \$ 7,061,699         |
| Total OPEB liability as a percentage of covered-      | 20.87%               | 30.41%               | 24.41%               | 18.79%               |

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

| <u>June 30, 2021</u> | <u>June 30, 2022</u> | <u>June 30, 2023</u> | <u>June 30, 2024</u> |
|----------------------|----------------------|----------------------|----------------------|
| \$ 68,299            | \$ 76,003            | \$ 7,826             | \$ 7,859             |
| 32,373               | 25,232               | 14,357               | 11,142               |
| (8,434)              | (190,276)            | (36,334)             | (5,365)              |
| 30,610               | (101,933)            | (2,124)              | 23,859               |
| -                    | (542,228)            | -                    | -                    |
| (147,153)            | (128,288)            | (119,177)            | (49,172)             |
| <u>(24,305)</u>      | <u>(861,490)</u>     | <u>(135,452)</u>     | <u>(11,677)</u>      |
| 1,326,631            | 1,302,326            | 440,836              | 305,384              |
| <u>\$ 1,302,326</u>  | <u>\$ 440,836</u>    | <u>\$ 305,384</u>    | <u>\$ 293,707</u>    |
| \$ 7,247,919         | \$ 7,887,112         | \$ 8,017,843         | \$ 8,288,550         |
| 17.97%               | 5.59%                | 3.81%                | 3.54%                |

**Independent School District No. 2753**  
**Schedule of District's and Non-employer**  
**Proportionate Share of Net Pension Liability**  
**General Employees Retirement Fund**  
**Last Ten Years**

| For Plan's<br>Fiscal Year<br>Ended June<br>30, | District's<br>Proportion of<br>the Net<br>Pension<br>Liability<br>(Asset) | District's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(Asset) | District's<br>Proportionate<br>Share of State<br>of Minnesota's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability | District's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability and<br>District's Share<br>of the State of<br>Minnesota's<br>Share of the<br>Net Pension of<br>Liability | District's<br>Covered<br>Employee<br>Payroll | District's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability (Asset)<br>as a Percentage<br>of its Covered<br>Employee<br>Payroll | Plan Fiduciary<br>Net Position<br>as a<br>Percentage of<br>the Total<br>Pension<br>Liability |
|--|---|--|--|--|--|---|--|
| 2015   | 0.0321%   | \$ 1,663,589   | \$ -   | \$ 1,663,589   | \$ 1,860,093                                 | 89.44%  | 78.19%   |
| 2016   | 0.0320%   | 2,598,241  | 33,915   | 2,632,156  | 1,984,467                                    | 130.93%   | 68.91%   |
| 2017   | 0.0307%   | 1,959,868  | 24,607   | 1,984,475  | 1,974,813                                    | 99.24%  | 75.90%   |
| 2018   | 0.0295%   | 1,636,539  | 53,738   | 1,690,277  | 1,983,880                                    | 82.49%  | 79.53%   |
| 2019   | 0.0271%   | 1,498,298  | 46,665   | 1,544,963  | 1,921,173                                    | 77.99%  | 80.23%   |
| 2020   | 0.0294%   | 1,762,664  | 54,342   | 1,817,006  | 2,098,453                                    | 84.00%  | 79.06%   |
| 2021   | 0.0308%   | 1,315,298  | 40,115   | 1,355,413  | 2,214,080                                    | 59.41%  | 87.00%   |
| 2022   | 0.0326%   | 2,581,931  | 75,569   | 2,657,500  | 2,439,880                                    | 105.82%   | 76.67%   |
| 2023   | 0.0327%   | 1,828,547  | 50,405   | 1,878,952  | 2,598,773                                    | 70.36%  | 83.10%   |
| 2024   | 0.0330%   | 1,221,312  | 31,581   | 1,252,893  | 2,796,000                                    | 43.68%  | 89.08%   |

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

| For Plan's<br>Fiscal Year<br>Ended June<br>30, | District's<br>Proportion of<br>the Net<br>Pension<br>Liability<br>(Asset) | District's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(Asset) | District's<br>Proportionate<br>Share of State<br>of Minnesota's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability | District's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability and<br>District's Share<br>of the State of<br>Minnesota's<br>Share of the<br>Net Pension<br>Liability | District's<br>Covered<br>Employee<br>Payroll | District's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability (Asset)<br>as a Percentage<br>of its Covered<br>Employee<br>Payroll | Plan Fiduciary<br>Net Position<br>as a<br>Percentage of<br>the Total<br>Pension<br>Liability |
|--|---|--|--|---|--|---|--|
| 2015   | 0.0872%   | \$ 5,394,182   | \$ 661,676   | \$ 6,055,858  | \$ 4,428,813                                 | 121.8%  | 76.77%   |
| 2016   | 0.0838%   | 19,988,299   | 2,006,057  | 21,994,356  | 4,360,413                                    | 458.4%  | 44.88%   |
| 2017   | 0.0841%   | 16,787,886   | 1,622,309  | 18,410,195  | 4,529,640                                    | 370.6%  | 51.57%   |
| 2018   | 0.0833%   | 5,232,020  | 491,422  | 5,723,442   | 4,604,320                                    | 113.6%  | 78.07%   |
| 2019   | 0.0794%   | 5,060,973  | 447,743  | 5,508,716   | 4,505,019                                    | 112.3%  | 78.21%   |
| 2020   | 0.0839%   | 6,198,644  | 519,287  | 6,717,931   | 4,874,912                                    | 127.2%  | 75.48%   |
| 2021   | 0.0852%   | 3,728,607  | 314,515  | 4,043,122   | 5,095,793                                    | 73.2%   | 86.63%   |
| 2022   | 0.0905%   | 7,246,761  | 537,243  | 7,784,004   | 5,592,314                                    | 129.6%  | 76.17%   |
| 2023   | 0.0881%   | 7,273,733  | 509,670  | 7,783,403   | 5,603,205                                    | 129.8%  | 76.42%   |
| 2024   | 0.0872%   | 5,540,968  | 362,286  | 5,903,254   | 5,775,280                                    | 95.9%   | 82.07%   |

See notes to required supplementary information.

**Independent School District No. 2753**  
**Schedule of District Contributions**  
**General Employees Retirement Fund**  
**Last Ten Years**

| <u>Fiscal Year<br/>Ending June 30,</u> | <u>Statutorily<br/>Required<br/>Contribution</u> | <u>Contributions in<br/>Relation to the<br/>Statutorily<br/>Required<br/>Contributions</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>District's<br/>Covered<br/>Employee<br/>Payroll</u> | <u>Contributions as<br/>a Percentage of<br/>Covered<br/>Employee<br/>Payroll</u> |
|--|--|--|---|--|--|
| 2016                                   | \$ 148,835                                       | \$ 148,835   | \$ -  | \$ 1,984,467   | 7.50%  |
| 2017                                   | 148,111  | 148,111  | -   | 1,974,813  | 7.50%  |
| 2018                                   | 148,791  | 148,791  | -   | 1,983,880  | 7.50%  |
| 2019                                   | 144,088  | 144,088  | -   | 1,921,173  | 7.50%  |
| 2020                                   | 157,384  | 157,384  | -   | 2,098,453  | 7.50%  |
| 2021                                   | 166,056  | 166,056  | -   | 2,214,080  | 7.50%  |
| 2022                                   | 182,991  | 182,991  | -   | 2,439,880  | 7.50%  |
| 2023                                   | 194,908  | 194,908  | -   | 2,598,773  | 7.50%  |
| 2024                                   | 209,700  | 209,700  | -   | 2,796,000  | 7.50%  |
| 2025                                   | 231,541  | 231,541  | -   | 3,087,213  | 7.50%  |

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

| <u>Fiscal Year<br/>Ending June 30,</u> | <u>Statutorily<br/>Required<br/>Contribution</u> | <u>Contributions in<br/>Relation to the<br/>Statutorily<br/>Required<br/>Contributions</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>District's<br/>Covered<br/>Employee<br/>Payroll</u> | <u>Contributions as<br/>a Percentage of<br/>Covered<br/>Employee<br/>Payroll</u> |
|--|--|--|---|--|--|
| 2016                                   | \$ 327,031                                       | \$ 327,031   | \$ -  | \$ 4,360,413   | 7.50%  |
| 2017                                   | 339,723  | 339,723  | -   | 4,529,640  | 7.50%  |
| 2018                                   | 345,324  | 345,324  | -   | 4,604,320  | 7.50%  |
| 2019                                   | 347,337  | 347,337  | -   | 4,505,019  | 7.71%  |
| 2020                                   | 386,093  | 386,093  | -   | 4,874,912  | 7.92%  |
| 2021                                   | 414,288  | 414,288  | -   | 5,095,793  | 8.13%  |
| 2022                                   | 466,399  | 466,399  | -   | 5,592,314  | 8.34%  |
| 2023                                   | 479,074  | 479,074  | -   | 5,603,205  | 8.55%  |
| 2024                                   | 505,337  | 505,337  | -   | 5,775,280  | 8.75%  |
| 2025                                   | 554,198  | 554,198  | -   | 6,333,691  | 8.75%  |

**Independent School District No. 2753**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund**

**2024 Changes**

Changes in Actuarial Assumptions

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub-2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint and Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

Changes of Benefit Terms

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

**2023 Changes**

Changes in Actuarial Assumptions

- None

**2022 Changes**

Changes in Actuarial Assumptions

- None

**2021 Changes**

Changes in Actuarial Assumptions

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

**2020 Changes**

Changes in Actuarial Assumptions

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

**2019 Changes**

Changes in Actuarial Assumptions

- None

**2018 Changes**

Changes in Actuarial Assumptions

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

**Independent School District No. 2753**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund (Continued)**

**2018 Changes (Continued)**

**Changes in Actuarial Assumptions (Continued)**

- The cost-of-living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**2017 Changes**

**Changes in Actuarial Assumptions**

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

**2016 Changes**

**Changes in Actuarial Assumptions**

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

**Independent School District No. 2753**  
**Notes to the Required Supplementary Information**

**TRA Retirement Fund (Continued)**

**2016 Changes(Continued)**

**Changes in Actuarial Assumptions (Continued)**

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

**2015 Changes**

**Changes of Benefit Terms**

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

**Changes in Actuarial Assumptions**

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

**Independent School District No. 2753**  
**Notes to the Required Supplementary Information**

**General Employees Fund**

**2024 Changes**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

**2023 Changes**

**Changes in Actuarial Assumption**

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

**Changes in Plan Provisions**

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

**2022 Changes**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

**2021 Changes**

**Changes in Actuarial Assumptions**

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2020 Changes**

**Changes in Actuarial Assumptions**

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



**Independent School District No. 2753**  
**Notes to the Required Supplementary Information**

**General Employees Fund**

**2020 Changes(Continued)**

**Changes in Actuarial Assumptions (Continued)**

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

**Changes in Plan Provisions**

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

**2019 Changes**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

**2018 Changes**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

**Independent School District No. 2753**  
**Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2018 Changes (Continued)**

**Changes in Plan Provisions (Continued)**

- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

**2016 Changes**

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

- There have been no changes since the prior valuation.

**2015 Changes**

**Changes in Plan Provisions**

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

**Independent School District No. 2753**  
**Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2015 Changes (Continued)**

Changes in Actuarial Assumptions

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

**Independent School District No. 2753**  
**Notes to the Required Supplementary Information**

**Post-Employment Benefits**

**Changes in Plan Provisions and Actuarial Assumptions**

**2024 Changes**

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the PUB-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The discount rate was changed from 3.86% to 3.97%.

**2023 Changes**

- The discount rate increased from 3.69 to 3.86.

**2022 Changes**

- The discount rate increased from 1.92% to 3.69%.
- Mortality rates were updated.
- The inflations assumption increased from 2.25% to 2.50%.

**2021 Changes**

- The discount rate decreased from 2.45% to 1.92%.

**2020 Changes**

- The discount rate decreased from 3.13% to 2.45%.

**2019 Changes**

- The discount rate decreased from 3.62% to 3.13%.

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## **SUPPLEMENTARY INFORMATION**

**Independent School District No. 2753**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
**June 30, 2025**

|  | Special Revenue Funds |                      | Total<br>Nonmajor<br>Funds |
|--|-----------------------|----------------------|----------------------------|
|  | Food Service          | Community<br>Service |                            |
| <b>Assets</b>  |                       |                      |                            |
| Cash and investments   | \$ 492,391            | \$ 44,420            | \$ 536,811                 |
| Current property taxes receivable  | -                     | 40,859               | 40,859                     |
| Delinquent property taxes receivable   | -                     | 1,480                | 1,480                      |
| Accounts receivable  | 28,912                | -                    | 28,912                     |
| Due from Department of Education   | 19,345                | 58,646               | 77,991                     |
| Due from Federal Government<br>through Department of Education                 | 47,311                | 134,297              | 181,608                    |
| Due from other Minnesota school districts                                      | -                     | 651                  | 651                        |
| Inventory  | 17,896                | -                    | 17,896                     |
| Prepaid items  | 350                   | 75                   | 425                        |
| <b>Total assets</b>  | <b>\$ 606,205</b>     | <b>\$ 280,428</b>    | <b>\$ 886,633</b>          |
| <b>Liabilities</b>   |                       |                      |                            |
| Accounts payable   | \$ 7,822              | \$ 24,901            | \$ 32,723                  |
| Salaries and benefits payable  | 6,217                 | 32,774               | 38,991                     |
| Unearned revenue   | 9,598                 | -                    | 9,598                      |
| <b>Total liabilities</b>   | <b>23,637</b>         | <b>57,675</b>        | <b>81,312</b>              |
| <b>Deferred Inflows of Resources</b>   |                       |                      |                            |
| Unavailable revenue - delinquent property taxes                                | -                     | 1,480                | 1,480                      |
| Property taxes levied for subsequent<br>year's expenditures                    | -                     | 78,399               | 78,399                     |
| <b>Total deferred inflows of resources</b>                                     | <b>-</b>              | <b>79,879</b>        | <b>79,879</b>              |
| <b>Fund Balances</b>   |                       |                      |                            |
| Nonspendable   | 18,246                | 75                   | 18,321                     |
| Restricted   | 564,322               | 152,621              | 716,943                    |
| Unassigned   | -                     | (9,822)              | (9,822)                    |
| <b>Total fund balances</b>   | <b>582,568</b>        | <b>142,874</b>       | <b>725,442</b>             |
| <b>Total liabilities, deferred inflows of resources,<br/>and fund balances</b> | <b>\$ 606,205</b>     | <b>\$ 280,428</b>    | <b>\$ 886,633</b>          |

Independent School District No. 2753  
Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds  
Year Ended June 30, 2025

|   | Special Revenue Funds |                      | Total<br>Nonmajor<br>Funds |
|---|-----------------------|----------------------|----------------------------|
|   | Food Service          | Community<br>Service |                            |
| <b>Revenues</b>                                 |                       |                      |                            |
| Local property taxes                            | \$ -                  | \$ 162,763           | \$ 162,763                 |
| Other local and county revenues                 | 43,955                | 131,041              | 174,996                    |
| Revenue from state sources                      | 283,210               | 326,714              | 609,924                    |
| Revenue from federal sources                    | 748,524               | 310,016              | 1,058,540                  |
| Sales and other conversion of assets            | 43,272                | 749                  | 44,021                     |
| Total revenues                                  | <u>1,118,961</u>      | <u>931,283</u>       | <u>2,050,244</u>           |
| <b>Expenditures</b>                             |                       |                      |                            |
| Current   |                       |                      |                            |
| Food service                                    | 978,232               | -                    | 978,232                    |
| Community education and services                | -                     | 812,609              | 812,609                    |
| Capital outlay                                  | 1,533                 | -                    | 1,533                      |
| Total expenditures                              | <u>979,765</u>        | <u>812,609</u>       | <u>1,792,374</u>           |
| Excess of revenues over<br>(under) expenditures | 139,196               | 118,674              | 257,870                    |
| <b>Fund Balances</b>                            |                       |                      |                            |
| Beginning of year                               | <u>443,372</u>        | <u>24,200</u>        | <u>467,572</u>             |
| End of year                                     | <u>\$ 582,568</u>     | <u>\$ 142,874</u>    | <u>\$ 725,442</u>          |



Independent School District No. 2753  
Uniform Financial Accounting and Reporting Standards  
Compliance Table  
Year Ended June 30, 2025

|   | Audit         | UFARS         | Audit-UFARS |                                       | Audit        | UFARS        | Audit-UFARS |
|---|---------------|---------------|-------------|---------------------------------------|--------------|--------------|-------------|
| <b>01 GENERAL FUND</b>                  |               |               |             | <b>06 BUILDING CONSTRUCTION FUND</b>  |              |              |             |
| Total revenue                           | \$ 17,209,401 | \$ 17,209,401 | \$ -        | Total revenue                         | \$ 307,968   | \$ 307,968   | \$ -        |
| Total expenditures                      | 16,699,829    | 16,699,829    | -           | Total expenditures                    | 3,173,792    | 3,173,792    | -           |
| <i>Nonspendable:</i>                    |               |               |             | <i>Nonspendable:</i>                  |              |              |             |
| 4.60 Nonspendable fund balance          | 51,753        | 51,753        | -           | 4.60 Nonspendable fund balance        | -            | -            | -           |
| <i>Restricted/reserved:</i>             |               |               |             | <i>Restricted/reserved:</i>           |              |              |             |
| 4.01 Student Activities                 | 271,228       | 271,229       | (1)         | 4.07 Capital Projects Levy            | -            | -            | -           |
| 4.02 Scholarships                       | 143,520       | 143,520       | -           | 4.09 Alternative Facility Program     | -            | -            | -           |
| 4.03 Staff Development                  | 16,278        | 16,278        | -           | 4.13 Building Projects Funded by COP  | 550,289      | 550,289      | -           |
| 4.07 Capital Projects Levy              | 3,300         | 3,300         | -           | 4.67 Long-term Facilities Maintenance | -            | -            | -           |
| 4.08 Cooperative Revenue                | -             | -             | -           | <i>Restricted:</i>                    |              |              |             |
| 4.12 Literacy Incentive Aid             | 72,066        | 72,066        | -           | 4.64 Restricted fund balance          | 5,600,048    | 5,600,049    | (1)         |
| 4.13 Building Projects Funded by COP/LP | -             | -             | -           | <i>Unassigned:</i>                    |              |              |             |
| 4.14 Operating Debt                     | -             | -             | -           | 4.63 Unassigned fund balance          | -            | -            | -           |
| 4.16 Levy Reduction                     | -             | -             | -           | 4.33 Maximum effort loan aid          | -            | -            | -           |
| 4.17 Taconite Building Maintenance      | -             | -             | -           | <b>07 DEBT SERVICE FUND</b>           |              |              |             |
| 4.24 Operating Capital                  | 82,911        | 82,911        | -           | Total revenue                         | \$ 1,089,841 | \$ 1,089,843 | \$ (2)      |
| 4.26 \$ 25 Taconite                     | -             | -             | -           | Total expenditures                    | 1,282,554    | 1,282,554    | -           |
| 4.27 Disabled Accessibility             | -             | -             | -           | <i>Nonspendable:</i>                  |              |              |             |
| 4.28 Learning and Development           | 6,639         | 6,639         | -           | 4.60 Nonspendable fund balance        | -            | -            | -           |
| 4.34 Area Learning Center               | -             | -             | -           | <i>Restricted/reserved:</i>           |              |              |             |
| 4.35 Contracted Alternative Programs    | -             | -             | -           | 4.25 Bond Refunding                   | -            | -            | -           |
| 4.36 State Approved Alternative Program | -             | -             | -           | 4.33 Maximum effort loan aid          | -            | -            | -           |
| 4.38 Gifted and Talented                | 2,840         | 2,840         | -           | 4.51 QZAB Payments                    | -            | -            | -           |
| 4.39 English Learner                    | 8,256         | 8,256         | -           | 4.67 LTFM                             | -            | -            | -           |
| 4.41 Basic Skills Programs              | 136,305       | 136,305       | -           | <i>Restricted:</i>                    |              |              |             |
| 4.43 School Library Aid                 | 1,809         | 1,809         | -           | 4.64 Restricted fund balance          | 138,117      | 138,118      | (1)         |
| 4.46 First Grade Preparedness           | -             | -             | -           | <i>Unassigned:</i>                    |              |              |             |
| 4.48 Achievement and Integration        | -             | -             | -           | 4.63 Unassigned fund balance          | -            | -            | -           |
| 4.49 Safe School Crime                  | 2,625         | 2,625         | -           | <b>08 TRUST FUND</b>                  |              |              |             |
| 4.51 QZAB Payments                      | -             | -             | -           | Total revenue                         | \$ -         | \$ -         | \$ -        |
| 4.52 OPEB Liabilities not Held in Trust | -             | -             | -           | Total expenditures                    | -            | -            | -           |
| 4.56 Literacy Aid                       | 38,837        | 38,837        | -           | <i>Unassigned:</i>                    |              |              |             |
| 4.57 Teacher Comp Read Act              | 33,232        | 33,232        | -           | 4.01 Student Activities               | \$ -         | \$ -         | \$ -        |
| 4.59 Basic Skills Extended Time         | -             | -             | -           | 4.02 Scholarships                     | -            | -            | -           |
| 4.67 Long Term Facilities Maintenance   | 987,472       | 987,472       | -           | 4.22 Net position                     | -            | -            | -           |
| 4.71 Student Support Personnel          | 57,221        | 57,221        | -           | <b>18 CUSTODIAL</b>                   |              |              |             |
| <i>Restricted:</i>                      |               |               |             | Total revenue                         | \$ -         | \$ -         | \$ -        |
| 4.72 Medical Assistance                 | 302,784       | 302,784       | -           | Total expenditures                    | -            | -            | -           |
| 4.64 Restricted fund balance            | 1,994         | 1,994         | -           | <i>Restricted/Reserved</i>            |              |              |             |
| 4.75 Title VII - Impact Aid             | -             | -             | -           | 4.01 Student Activities               | \$ -         | \$ -         | \$ -        |
| 4.76 Payments in Lieu of Taxes          | -             | -             | -           | 4.02 Scholarships                     | -            | -            | -           |
| <i>Committed:</i>                       |               |               |             | 4.48 Achievement and Integration      | -            | -            | -           |
| 4.18 Committed for separation           | 853,374       | 853,374       | -           | 4.64 Restricted                       | -            | -            | -           |
| 4.61 Committed                          | -             | -             | -           | <b>20 INTERNAL SERVICE FUND</b>       |              |              |             |
| <i>Assigned:</i>                        |               |               |             | Total revenue                         | \$ -         | \$ -         | \$ -        |
| 4.62 Assigned fund balance              | -             | -             | -           | Total expenditures                    | -            | -            | -           |
| <i>Unassigned:</i>                      |               |               |             | <i>Unassigned:</i>                    |              |              |             |
| 4.22 Unassigned fund balance            | 5,817,846     | 5,817,847     | (1)         | 4.22 Net position                     | -            | -            | -           |
| <b>02 FOOD SERVICES FUND</b>            |               |               |             | <b>25 OPEB REVOCABLE TRUST</b>        |              |              |             |
| Total revenue                           | \$ 1,118,961  | \$ 1,118,962  | \$ (1)      | Total revenue                         | \$ -         | \$ -         | \$ -        |
| Total expenditures                      | 979,765       | 979,766       | (1)         | Total expenditures                    | -            | -            | -           |
| <i>Nonspendable:</i>                    |               |               |             | <i>Unassigned:</i>                    |              |              |             |
| 4.60 Nonspendable fund balance          | 18,246        | 18,246        | -           | 4.22 Net position                     | -            | -            | -           |
| <i>Restricted/reserved:</i>             |               |               |             | <b>45 OPEB IRREVOCABLE TRUST</b>      |              |              |             |
| 4.52 OPEB Liabilities not Held in Trust | -             | -             | -           | Total revenue                         | \$ -         | \$ -         | \$ -        |
| <i>Restricted:</i>                      |               |               |             | Total expenditures                    | -            | -            | -           |
| 4.64 Restricted fund balance            | 564,322       | 564,325       | (3)         | <i>Unassigned:</i>                    |              |              |             |
| <i>Unassigned:</i>                      |               |               |             | 4.22 Net position                     | -            | -            | -           |
| 4.63 Unassigned fund balance            | -             | -             | -           | <b>47 OPEB DEBT SERVICE</b>           |              |              |             |
| <b>04 COMMUNITY SERVICES FUND</b>       |               |               |             | Total revenue                         | \$ -         | \$ -         | \$ -        |
| Total revenue                           | \$ 931,283    | \$ 931,281    | \$ 2        | Total expenditures                    | -            | -            | -           |
| Total expenditures                      | 812,609       | 812,607       | 2           | <i>Unassigned:</i>                    |              |              |             |
| <i>Nonspendable:</i>                    |               |               |             | 4.22 Net position                     | -            | -            | -           |
| 4.60 Nonspendable fund balance          | 75            | 75            | -           | <b>47 OPEB DEBT SERVICE</b>           |              |              |             |
| <i>Restricted/reserved:</i>             |               |               |             | Total revenue                         | \$ -         | \$ -         | \$ -        |
| 4.26 \$ 25 Taconite                     | -             | -             | -           | Total expenditures                    | -            | -            | -           |
| 4.31 Community Education                | 115,806       | 115,806       | -           | <i>Nonspendable:</i>                  |              |              |             |
| 4.32 ECFE                               | 34,742        | 34,742        | -           | 4.60 Nonspendable fund balance        | -            | -            | -           |
| 4.40 Teacher Development and Evaluation | -             | -             | -           | <i>Restricted:</i>                    |              |              |             |
| 4.44 School Readiness                   | (9,822)       | (9,822)       | -           | 4.64 Restricted fund balance          | -            | -            | -           |
| 4.47 Adult Basic Education              | -             | -             | -           | <i>Unassigned:</i>                    |              |              |             |
| 4.52 OPEB Liabilities not Held in Trust | -             | -             | -           | 4.63 Unassigned fund balance          | -            | -            | -           |
| <i>Restricted:</i>                      |               |               |             |                                       |              |              |             |
| 4.64 Restricted fund balance            | 2,073         | 2,071         | 2           |                                       |              |              |             |
| <i>Unassigned:</i>                      |               |               |             |                                       |              |              |             |
| 4.63 Unassigned fund balance            | -             | -             | -           |                                       |              |              |             |

Independent School District No. 2753  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2025

| Federal Agency/Pass Through Agency/Program Title                    | Federal<br>Assistance<br>Listing<br>Number | Expenditures        |
|---|--|---------------------|
| <b>U.S. Department of Agriculture</b>                               |  |                     |
| Through Minnesota Department of Education                           |  |                     |
| Child Nutrition Cluster   |  |                     |
| School Breakfast  | 10.553                                     | \$ 224,108          |
| Type A Lunch  | 10.555                                     | 456,450             |
| Special Milk  | 10.556                                     | 1,515               |
| Commodities (Non-Cash)  | 10.555                                     | <u>66,451</u>       |
| Total Child Nutrition Cluster and<br>U.S. Department of Agriculture |  | <u>748,524</u>      |
| <b>U.S. Department of Education</b>                                 |  |                     |
| Through Minnesota Department of Education                           |  |                     |
| Title I, Part A   | 84.010                                     | 331,755             |
| Title IV, Part B - 21st Century Learning                            | 84.287                                     | 329,263             |
| Title III, Part A - Language Enhancement                            | 84.365                                     | 42,168              |
| Title II, Part A - Improving Teacher Quality                        | 84.367                                     | 34,458              |
| Special Education   | 84.027                                     | 43,254              |
| Special Education - Early intervention                              | 84.027                                     | <u>40,000</u>       |
| Total Special Education   |  | 83,254              |
| Carl Perkins  | 84.048A                                    | <u>39,722</u>       |
| Total U.S. Department of Education                                  |  | <u>860,620</u>      |
| Total Federal Expenditures  |  | <u>\$ 1,609,144</u> |

**Independent School District No. 2753**  
**Notes to the Schedule of Expenditures of Federal Awards**

**NOTE 1 - BASIS OF PRESENTATION**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3 - PASS-THROUGH GRANT NUMBERS**

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

**NOTE 4 - INVENTORY**

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

**NOTE 5 - INDIRECT COST RATE**

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



**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Basic Financial Statements Performed in Accordance  
with *Government Auditing Standards***

**Independent Auditor's Report**

To the School Board  
Independent School District No. 2753  
Long Prairie - Grey Eagle, 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 (*Government Auditing Standards*), the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2753, Long Prairie - Grey Eagle, Minnesota, as of and for the year ending June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the basic 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item Audit Finding 2025-001 that we consider to be a material weakness.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's basic 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 basic financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**District's Response to the Finding**

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

**Purpose of this Report**

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

BerganKDV, Ltd.

St. Cloud, Minnesota  
December 3, 2025



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

**Independent Auditor's Report**

To the School Board  
Independent School District No. 2753  
Long Prairie - Grey Eagle, Minnesota

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited the compliance of Independent School District No. 2753, Long Prairie - Grey Eagle, Minnesota with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget* (OMB) Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2025. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

In our opinion, Independent School District No. 2753 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

**Basis for Opinion on Each Major Federal Program**

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

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

**Responsibilities of Management for Compliance**

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

### **Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

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

### **Report on Internal Control over Compliance**

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

**Report on Internal Control over Compliance (Continued)**

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

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota  
December 3, 2025



**Independent School District No. 2753  
Schedule of Findings and Questioned Costs  
in Accordance with the Uniform Guidance**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

|                                  |  |
|----------------------------------|--|
| Type of auditor's report issued: | We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP). |
|----------------------------------|--|

|  |                             |
|--|-----------------------------|
| Internal control over financial reporting: |                             |
| • Material weakness(es) identified?        | Yes, Audit Finding 2025-001 |
| • Significant deficiency(ies) identified?  | None reported               |

|   |    |
|---|----|
| Noncompliance material to basic financial statements noted? | No |
|---|----|

**Federal Awards**

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

|   |               |
|---|---------------|
| Internal control over major programs:     |               |
| • Material weakness(es) identified?       | No            |
| • Significant deficiency(ies) identified? | None reported |

|   |    |
|---|----|
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? | No |
|---|----|

**Identification of Major Programs**

|                                     |                      |
|-------------------------------------|----------------------|
| Assistance Listing No.:             | 10.553/10.555/10.556 |
| Name of Federal Program or Cluster: | Child Nutrition      |

|  |    |
|--|----|
| Auditee qualified as low risk auditee? | No |
|--|----|

**Independent School District No. 2753  
Schedule of Findings and Questioned Costs in  
Accordance with the Uniform Guidance**

**SECTION II - BASIC FINANCIAL STATEMENT FINDINGS**

**Audit Finding 2025-001**

*Criteria:*

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

*Condition:*

During the year ended June 30, 2025, the District had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with assertions of management in the basic financial statements. Examples of the lack of segregation of accounting duties include but are not limited to:

- Both the Business Manager and Personnel employees have access to all areas of the accounting system.
- The Business Manager records and maintains capital asset records.
- The Business Manager reconciles property taxes and receivables without review.

During the course of our engagement, we proposed a prior period adjustment that would not have been identified as a result of the District's existing internal controls and, therefore, could have resulted in a material misstatement of the District's financial statements. Additionally, the listing of fixed assets provided by the District did not include a material amount of assets which exist and also could have resulted in a material misstatement of the District's financial statements.

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

*Context:*

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

*Cause:*

There are a limited number of office employees.

*Effect or Potential Effect:*

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

*Recommendation:*

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

**Independent School District No. 2753  
Schedule of Findings and Questioned Costs in  
Accordance with the Uniform Guidance**

**SECTION II - BASIC FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Audit Finding 2025-001 (Continued)**

**CORRECTIVE ACTION PLAN (CAP):**

*Views of the Responsible Officials and Planned Corrective Actions:*

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The Superintendent or Business Manager that has not performed the procedure will review all processes and place his/her signature on the documentation to indicate he/she has looked at the work.
3. Official Responsible for Ensuring CAP  
Sherri Evenson, Business Manager, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2026.
5. Plan to Monitor Completion of CAP  
Daniel Ludvigson, Superintendent, will be monitoring this CAP.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONABLE COSTS**

There were no questioned costs.

**SECTION IV - PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

None



## Minnesota Legal Compliance

### Independent Auditor's Report

To the School Board  
Independent School District No. 2753  
Long Prairie - Grey Eagle, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2753, Long Prairie - Grey Eagle, Minnesota, as of and for the year ended June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2025.

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

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

*BerganKDV, Ltd.*

St. Cloud, Minnesota  
December 3, 2025