

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

FINANCIAL STATEMENTS

June 30, 2025

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
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KENYON, MINNESOTA
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**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

INTRODUCTORY SECTION

JUNE 30, 2025

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**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2025**

Board of Education

Tonya Craig	Chairperson
Marilyn Syverson	Vice Chairperson/Treasurer
Debb Paquin	Clerk
Erica Aronson	Director
AJ Lindell	Director
Madilynn Lurken	Director
James Jarvis	Director

Superintendent

Beth Giese

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**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

FINANCIAL SECTION

JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Independent School District #2172
Kenyon, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of the Independent School District #2172, as of and for the year ended June 30, 2025, and the related notes to 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 and each major fund of the Independent School District #2172, as of June 30, 2025, and the respective changes in financial position and the respective budgetary comparison for the General Fund and major special revenue funds for the year 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* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Independent School District #2172 and meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District #2172'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 GAS 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District #2172's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District #2172'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 and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information and Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Supplementary Information (continued)

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

Other Information

Management is responsible for the other information included in the report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statement for the year ended June 30, 2024, from which such partial information was derived.

We have previously audited the District's 2024 financial statements and our report dated, November 4, 2024, expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2025, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Smith, Schepf and Associates, Ltd.

Rochester, Minnesota
November 18, 2025

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Independent School District #2172 – Kenyon-Kenyon Schools' 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.

FINANCIAL HIGHLIGHTS

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

- Total Assets and Deferred Outflows of Resources: \$27,654,210.
- Overall revenues for the General Fund were \$10,727,735 while overall expenditures totaled \$10,582,813.
- The General Fund Unassigned Fund Balance is (\$1,743,271). This represents an increase of \$118,248 from last year. The Restricted General Fund balances included State required reserves for approved operating capital, student activities, scholarships, safe schools, and READ act teacher compensation. These balances totaled \$92,465 as compared to \$55,402 last fiscal year.
- The General Fund total fund balance increased by \$144,922 from the prior year.
- The Food Service Fund total fund balance increased by \$6,242 from the prior year.
- The Community Service Fund total fund balance decreased by \$31,998 from the prior year.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information, which includes the management's discussion and analysis (this section), the basic financial statements, and other required reports. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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 and deferred outflows of resources and liabilities and deferred inflows of resources – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, 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 elementary and secondary regular instruction, 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 (i.e. repaying its long-term debts) or to show that it is properly using certain revenues (i.e. federal grants).

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 difference) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The district's combined net position from Governmental activities was a deficit (\$1,117,587) for the year ended June 30, 2025. This was an increase in deficit of \$17,654 from the prior year primarily due to having an increase in expenditures due to inflation as well as added interest costs from cash flow borrowing including adjustment for restatement.

	Total	
	2025	2024
Assets		
Current and other assets	\$ 6,042,118	\$ 5,958,316
Capital assets	20,464,100	21,680,325
Total assets	26,506,218	27,638,641
Deferred Outflows of Resources		
Total deferred outflows of resources	1,147,992	1,396,890
Liabilities		
Current liabilities	4,338,589	4,506,520
Long-Term liabilities	19,076,915	21,312,128
Total liabilities	23,415,504	25,818,648
Deferred Inflows of Resources		
Total deferred inflows of resources	5,356,293	4,316,816
Net Position		
Net investment in capital assets	6,875,725	6,785,700
Restricted	176,702	133,085
Unrestricted	(8,170,014)	(8,018,718)
Total net position	\$ (1,117,587)	\$ (1,099,933)

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

District's Revenue. The District's total revenues were \$13,562,250 for the year ended June 30, 2025; compared to \$13,508,960 for the year ending June 30, 2024. Local property taxes (levies) accounted for 21% percent (compared to 21% the previous year) of the total revenue, with the remaining revenue coming from other sources – primarily the State formula aid.

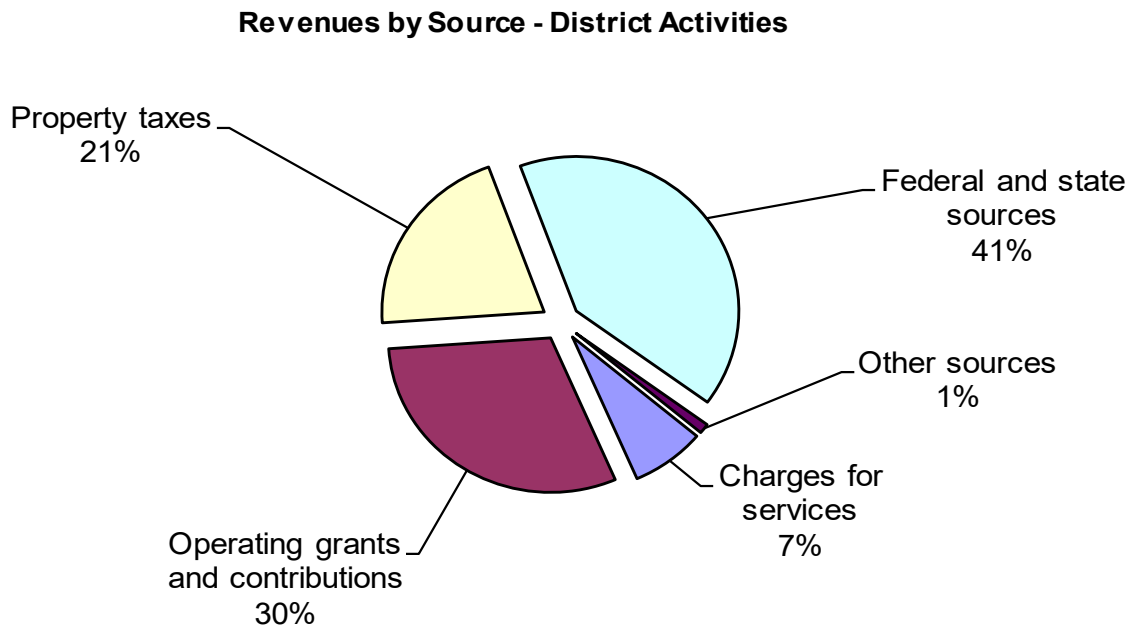
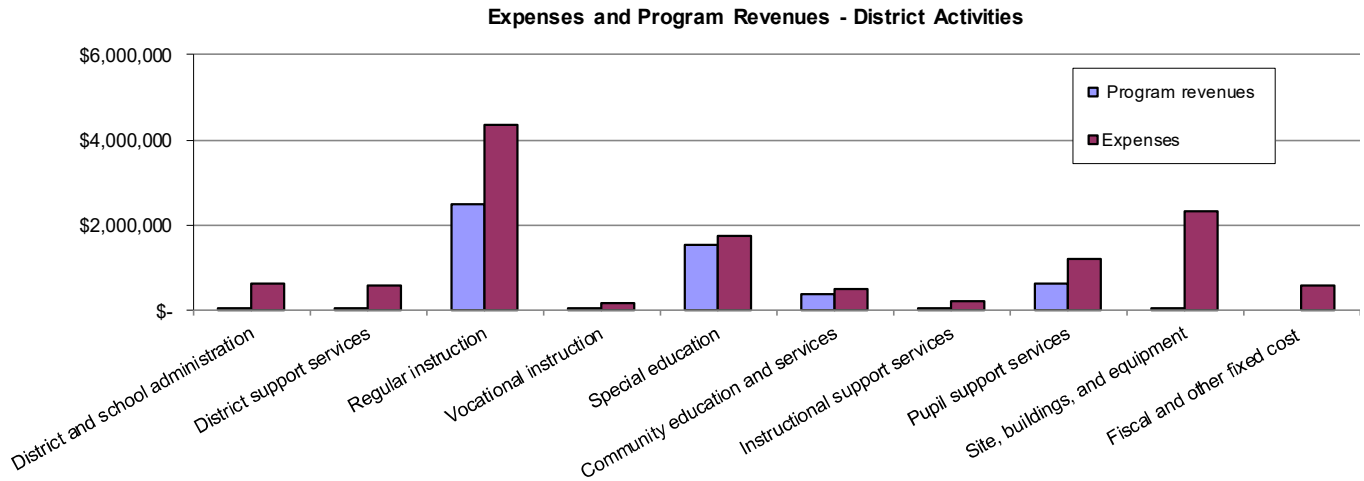
A condensed version of the Statement of Activities follows:

	Total	
	2025	2024
Revenue		
Program revenues:		
Charges for services	\$ 999,739	\$ 1,070,382
Operating grants and contributions	4,109,426	3,926,496
Capital grants and contributions	28,910	53,223
General revenues:		
Property taxes	2,780,024	2,825,754
Unrestricted state sources	5,501,345	5,511,225
Other sources	142,806	121,880
Total revenues	<u>13,562,250</u>	<u>13,508,960</u>
Expenses		
District and school administration	626,558	640,804
District support services	595,515	686,310
Regular instruction	4,338,034	4,841,991
Vocational instruction	157,378	195,996
Special education	1,730,084	1,773,323
Community service	482,838	637,854
Instructional support services	225,358	220,726
Pupil support services	1,227,749	1,261,966
Site, buildings, and equipment	2,341,283	2,326,423
Food service	618,032	639,035
Fiscal and other fixed cost programs	587,108	657,630
Total expenses	<u>12,929,937</u>	<u>13,882,058</u>
Change in net position	<u>632,313</u>	<u>(373,098)</u>
Net Position - beginning as originally stated	(1,099,933)	(726,835)
Restatement (Note 16)	<u>(649,967)</u>	
Net Position - beginning as restated	(1,749,900)	
Net Position - ending	<u>\$ (1,117,587)</u>	<u>\$ (1,099,933)</u>

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Below are specific graphs that provide comparisons of the district activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.



**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FUND BASIS FINANCIAL ANALYSIS

Financial Analysis of the District's Funds

The financial performance of the District as a school is reflected in its governmental funds as well. As the District completed the year, its Governmental Funds reported a combined fund balance of (\$1,518,236).

The District enrollment decreased 2.5% in 2025 to 651.06.

History of adjusted average daily membership:

<u>Fiscal Year</u>	<u>ADM</u>	<u>% Change</u>
2016	810.72	
2017	828.93	2.2%
2018	782.92	-5.6%
2019	774.45	-1.1%
2020	742.04	-4.2%
2021	702.15	-5.4%
2022	673.61	-4.1%
2023	660.18	-2.0%
2024	667.95	1.2%
2025	651.06	-2.5%

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

Total General Fund Operating Revenue increased by \$137,060 from the previous year (being \$10,727,735 in 2025, and \$10,590,675 in 2024). The primary increase was due to increases in state aid formula along with special education revenue increase. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue includes excess levy referendum and the property tax shift also involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net revenue change.

Local property taxes are impacted by the state provided funds for school property tax relief. This relief was provided in two principal ways: 1) removal of the general education revenue property tax via a funding model of greater state aid; and 2) roll in of additional aid for referendum revenue into the basis formula for general education revenue.

General fund revenues were as follows:

	2025	2024	Increase/ (Decrease)
Local property tax levies	\$ 1,738,649	\$ 1,710,973	\$ 27,676
Other local and county sources	665,018	738,493	(73,475)
State sources	7,994,299	7,825,804	168,495
Federal sources	252,512	275,493	(22,981)
Investment income	77,257	39,912	37,345
Total General Fund Revenues	\$ 10,727,735	\$ 10,590,675	\$ 137,060

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FUND BASIS FINANCIAL ANALYSIS (Continued)

Total General Fund expenditures increased \$20,182 from the previous year. The increase in the General Fund expenditures was primarily due to salary increases, property insurance increases, and added transportation expenses.

General fund expenditures were as follows:

	2025	2024	Increase/ (Decrease)
District and school administration	\$ 646,166	\$ 609,846	\$ 36,320
District support services	644,815	676,996	(32,181)
Regular instruction	4,476,133	4,588,258	(112,125)
Vocational instruction	167,928	195,595	(27,667)
Special education	1,782,327	1,708,695	73,632
Instructional support services	227,166	216,829	10,337
Pupil support services	1,232,551	1,247,000	(14,449)
Site, buildings, and equipment	1,141,341	1,078,706	62,635
Fiscal and other fixed cost programs	264,386	240,706	23,680
Total General Fund Expenditures	\$ 10,582,813	\$ 10,562,631	\$ 20,182

The total General Fund balance on June 30, 2025 is (\$1,629,370). Of the total amount, certain amounts are nonspendable, restricted or assigned – leaving an amount of (\$1,743,271) in the Unassigned General Fund Balance.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FUND BASIS FINANCIAL ANALYSIS (Continued)

Food Service Fund. The Food Service Fund accounts for the activities related to providing child nutrition services to support K-12 academic programs. The fund operates with the goal that revenues exceed expenditures on day-to-day school breakfast and lunch operations so that the excess can be used to systematically replace and upgrade kitchen equipment. The goal for the food service fund is that the child nutrition services program is self-supporting and does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Food Service Fund Balance increased by \$6,242. On June 30, 2025 the fund balance was \$84,832; compared to the prior year balance of \$78,590.

The Food Service revenue for 2024-2025 totaled \$624,274 compared to \$633,778 the previous year – a decrease of \$9,504. The decrease was primarily due to districts no longer receiving Supply Chain Assistance Funds.

The Food Service expenditures for 2024-2025 totaled \$618,032 compared to \$639,035 the previous year – a decrease in expenditures of \$21,003. This decrease was primarily due to changes in food costs.

Community Service Fund. The Community Service Fund accounts for the activities related to providing education and recreation programs for Pre-Kindergarten and Post-Grade 12 students. The fund operates on the goal of breaking even on a yearly basis so that it does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Community Service Fund realized a decrease in fund balance of \$31,998.

Community Service Fund revenues for 2024-2025 totaled \$472,671 compared to \$529,575 in the previous year. This decrease in revenue of \$56,904 is mainly due to decreased programming being offered.

Community Service Fund expenditures for 2024-2025 totaled \$504,669; compared to \$615,858 in the previous year. A decrease in expenditures of \$111,189 from the previous year.

Debt Service Fund. The Debt Service fund exists to service the principal and interest on long-term debt issued by the District to construct school facilities or acquire school equipment. Annual levies will provide revenue at a rate of 105% or pending debt service payments for a fiscal year. This rate is specified in statute to ensure that principal and interest payment can be made as scheduled even if there are late property tax payments or delinquencies that may arise.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District provided a Revised 2024-2025 Budget in February of 2025. The revenue was increased \$171,118 due to adding in Student Support Aid and Library Aid to the budget.

The Actual 2025 revenue was \$237,323 more than the Revised Budget Revenue, primarily due to conservative Special Education revenue projections.

The Revised 2025 Budget stated expenditures at \$271,873 more than the Original 2025 Budget. The Actual expenditures were \$324,498 more than projected.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2025, the District had invested \$20,464,100 (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, technology equipment, and other types of equipment. Capital assets are recorded in the District-wide financial statements, but are not reported in the Fund financial statements.

	Total (Net of Depreciation)	
	2025	2024
Land	\$ 173,150	\$ 173,150
Land improvements	167,746	189,837
Buildings	19,855,858	21,023,786
Machinery and equipment	267,346	293,552
Total	<u>\$ 20,464,100</u>	<u>\$ 21,680,325</u>

Long Term Liabilities. As of June 30, 2025, the District had \$13,588,375 in bonds payable and premium outstanding. The District also had a net pension liability of \$4,268,537, post-employment benefit obligation of \$519,173, severance payable of \$62,253, and compensated absences of \$638,577 at the end of the year. A summary of outstanding long-term liabilities as of June 30, 2025, is as follows:

	Total	
	2025	2024
General obligation bonds	\$ 13,425,000	\$ 14,620,000
Bond premium	163,375	220,283
Severance payable	62,253	41,346
Compensated absences	638,577	649,967
Capital leases		54,342
Total	<u>\$ 14,289,205</u>	<u>\$ 15,585,938</u>

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of a voter-approved excess levy referendum, the District is dependent on the State of Minnesota for its revenue authority. Legislative increases have helped, but are not keeping with inflation or expenses.

Unassigned fund balance is the single best measure of overall financial health. The UFARS unassigned fund balance is (\$1,533,877) as of June 30, 2025. This means, according to Minnesota Statutes, Section 123B.81, subdivision 2, the district is currently in Statutory Operating Debt (SOD). This occurred because the District is reporting their year-end net negative unassigned General Fund balance exceeding more than 2.5% of its unrestricted operating expenditures.

The District has continued to see declining enrollment and has consolidated into one building in Kenyon, and is currently in the process of selling the Wanamingo building. District staff along with the school board will continue working with the staff from Minnesota Department of Education to put together a long-term plan to correct the SOD position the District is in.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office, Independent School District #2172, 400 6th Street, Kenyon, Minnesota 55946.

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**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

BASIC FINANCIAL STATEMENTS

JUNE 30, 2025

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INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2025

	Governmental Activities
Assets	
Cash and investments	\$ 2,748,553
Taxes receivable	2,037,299
Other receivables	4,775
Due from other governmental units	1,229,460
Prepaid items	21,436
Inventory	595
Capital Assets:	
Nondepreciable	173,150
Depreciable, net	20,290,950
TOTAL ASSETS	26,506,218
Deferred Outflows of Resources	
Deferred outflows from pension activity	1,119,591
Deferred outflows from other post employment benefit obligation	28,401
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,147,992
Liabilities	
Accounts payable	148,063
Due to other governmental units	168,489
Accrued interest payable	285,970
Salaries and accrued liabilities payable	736,067
General obligation aid and tax anticipation certificates	3,000,000
Noncurrent liabilities:	
Due within one year:	
Long term liabilities	1,235,000
Other post employment benefit obligation	31,782
Due in more than one year:	
Long term liabilities	13,054,205
Other post employment benefit obligation	487,391
Net pension liability	4,268,537
TOTAL LIABILITIES	23,415,504
Deferred Inflows of Resources	
Deferred inflows from pension activity	1,830,576
Deferred inflows from other post employment benefit obligation	150,956
Property taxes levied for subsequent year	3,374,761
TOTAL DEFERRED INFLOWS OF RESOURCES	5,356,293
Net Position	
Net investment in capital assets	6,875,725
Restricted:	
State-mandated restrictions	92,465
Food service	84,237
Unrestricted	(8,170,014)
TOTAL NET POSITION	\$ (1,117,587)

See Notes to Financial Statements

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INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<u>Functions/Programs</u>					
District and school administration	\$ 626,558	\$ 47,116	\$ 66	\$	\$ (579,376)
District support services	595,515		69		(595,446)
Regular instruction	4,338,034	576,132	1,920,773		(1,841,129)
Vocational instruction	157,378		5,317		(152,061)
Special education	1,730,084		1,530,468		(199,616)
Community service	482,838	289,253	87,028		(106,557)
Instructional support services	225,358		11		(225,347)
Pupil support services	1,227,749		96		(1,227,653)
Site, buildings, and equipment	2,341,283		33,341	28,910	(2,279,032)
Food service	618,032	87,238	532,257		1,463
Fiscal and other fixed cost programs	587,108				(587,108)
Total governmental activities	\$ 12,929,937	\$ 999,739	\$ 4,109,426	\$ 28,910	(7,791,862)
General Revenues:					
Property taxes and other county sources					2,780,024
State aid not restricted to specific purposes					5,501,345
Investment income					101,911
Miscellaneous					40,895
Total general revenues					<u>8,424,175</u>
Change in net position					<u>632,313</u>
Net Position - beginning as originally stated					(1,099,933)
Restatement (Note 16)					<u>(649,967)</u>
Net Position - beginning as restated					<u>(1,749,900)</u>
Net Position - ending					<u><u>\$ (1,117,587)</u></u>

INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025
With Partial Comparative Data as of June 30, 2024

	General	Food Service	Community Service
Assets			
Cash and investments	\$ 2,084,010	\$ 108,643	\$
Current property taxes receivable	799,132		35,482
Delinquent property taxes receivable	8,151		464
Accounts receivable	4,775		
Due from other Minnesota school districts	154,132		
Due from Minnesota Department of Education	839,599		5,393
Due from Federal through Minnesota Department of Education	153,296		
Due from other funds	11,709		
Inventory		595	
Prepaid items	21,436		
TOTAL ASSETS	\$ 4,076,240	\$ 109,238	\$ 41,339
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Accounts payable	\$ 123,008	\$ 23,485	\$ 1,570
Salaries and accrued liabilities payable	697,314	748	38,005
Due to other Minnesota school districts	158,913		
Due to other governmental units	9,403	173	
Due to other funds			11,709
Unearned revenue			
Interest payable	116,250		
General obligation aid and tax anticipation certificates	3,000,000		
TOTAL LIABILITIES	4,104,888	24,406	51,284
Deferred Inflows of Resources			
Unavailable revenue:			
Delinquent taxes	8,151		464
Taxes levied for subsequent year	1,592,571		75,309
TOTAL DEFERRED INFLOWS OF RESOURCES	1,600,722		75,773
Fund Balances			
Nonspendable	21,436	595	
Restricted	92,465	84,237	99,719
Unassigned	(1,743,271)		(185,437)
TOTAL FUND BALANCES	(1,629,370)	84,832	(85,718)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,076,240	\$ 109,238	\$ 41,339

See Notes to Financial Statements

Total Governmental Funds		
Debt Service	2025	2024
\$ 555,900	\$ 2,748,553	\$ 2,894,827
1,185,961	2,020,575	2,053,710
8,109	16,724	15,480
	4,775	3,261
	154,132	135,929
77,040	922,032	705,958
	153,296	116,419
	11,709	
	595	907
	21,436	31,825
<u>\$ 1,827,010</u>	<u>\$ 6,053,827</u>	<u>\$ 5,958,316</u>

\$	\$ 148,063	\$ 90,974
	736,067	695,404
	158,913	162,907
	9,576	10,268
	11,709	
		4,800
	116,250	107,417
	3,000,000	3,250,000
	<u>4,180,578</u>	<u>4,321,770</u>

8,109	16,724	15,480
1,706,881	3,374,761	3,350,792
<u>1,714,990</u>	<u>3,391,485</u>	<u>3,366,272</u>

	22,031	32,732
112,020	388,441	245,115
	(1,928,708)	(2,007,573)
<u>112,020</u>	<u>(1,518,236)</u>	<u>(1,729,726)</u>
<u>\$ 1,827,010</u>	<u>\$ 6,053,827</u>	<u>\$ 5,958,316</u>

INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2025
With Partial Comparative Data for the Year Ended June 30, 2024

	General	Food Service	Community Service
Revenues			
Local sources:			
Property tax levies	\$ 1,738,649	\$	\$ 94,187
Other local and county sources	571,909		301,084
Investment income	77,257	4,779	
State sources	7,994,299	309,700	77,400
Federal sources	252,512	222,557	
Sales and other conversions of assets	93,109	87,238	
TOTAL REVENUES	10,727,735	624,274	472,671
Expenditures			
District and school administration	646,166		
District support services	644,815		
Regular instruction	4,476,133		
Vocational instruction	167,928		
Special education	1,782,327		
Community service			504,669
Instructional support services	227,166		
Pupil support services	1,232,551		
Site, buildings, and equipment	1,141,341		
Food service		618,032	
Fiscal and other fixed cost programs	264,386		
Debt service:			
Principal			
Interest and fiscal			
TOTAL EXPENDITURES	10,582,813	618,032	504,669
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	144,922	6,242	(31,998)
Other Financing Sources (Uses)			
Transfers in			
Transfers out			
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	144,922	6,242	(31,998)
FUND BALANCE - BEGINNING	(1,774,292)	78,590	(53,720)
FUND BALANCE - ENDING	\$ (1,629,370)	\$ 84,832	\$ (85,718)

See Notes to Financial Statements

Total Governmental Funds		
Debt Service	2025	2024
\$ 945,944	\$ 2,778,780	\$ 2,829,358
	872,993	987,500
19,875	101,911	60,284
770,507	9,151,906	8,904,034
	475,069	558,684
	180,347	172,704
1,736,326	13,561,006	13,512,564
	646,166	609,846
	644,815	676,996
	4,476,133	4,588,258
	167,928	195,595
	1,782,327	1,708,695
	504,669	615,858
	227,166	216,829
	1,232,551	1,247,000
	1,141,341	1,078,706
	618,032	639,035
	264,386	240,706
1,195,000	1,195,000	1,250,414
449,002	449,002	488,426
1,644,002	13,349,516	13,556,364
92,324	211,490	(43,800)
		132,171
		(132,171)
92,324	211,490	(43,800)
19,696	(1,729,726)	(1,685,926)
\$ 112,020	\$ (1,518,236)	\$ (1,729,726)

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
DISTRICT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
June 30, 2025**

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

Total governmental fund balances (pages 16 and 17)	\$ (1,518,236)
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental funds - capital assets	\$ 39,165,036	
Less: Accumulated depreciation	18,700,936	
		20,464,100

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

Delinquent property taxes	16,724
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Long-term liabilities, including bonds payable, unamortized bond premiums, other postemployment benefits payable, net pension liability, severance payable, compensated absences, and accrued interest payable are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable	(13,425,000)	
Unamortized bond premiums	(163,375)	
Other postemployment benefits payable	(641,728)	
Net pension liability	(4,979,522)	
Severance leave payable	(62,253)	
Compensated absences	(638,577)	
Accrued interest payable	(169,720)	
		(20,080,175)

Net position of governmental activities (page 14)	\$ (1,117,587)
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**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025**

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

Net change in fund balances - total governmental funds (pages 18 and 19)		\$ 211,490
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	\$ 27,251	
Depreciation expense	<u>(1,243,476)</u>	
		(1,216,225)
Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent property taxes		1,244
The governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows.		
Principal retirement on long-term debt	1,195,000	
Amortization of bond premium	56,908	
Change in accrued interest	<u>15,030</u>	
		1,266,938
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Principal retirement on capital lease		54,342
In the statement of activities, certain operating expenses - net pension liability, severance payable, and other postemployment benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Change in net pension liability	315,402	
Change in severance payable	(20,907)	
Change in compensated absences	11,390	
Change in other postemployment benefits payable	<u>8,639</u>	
		314,524
Change in net position of governmental activities (pages 15)		<u>\$ 632,313</u>

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND

For the Fiscal Year Ended June 30, 2025
With Partial Comparative Data for the Year Ended June 30, 2024

	Budgeted Amounts		2025	Over (Under)	2024
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	\$ 1,759,616	\$ 1,725,344	\$ 1,738,649	\$ 13,305	\$ 1,710,973
Other local and county sources	647,637	575,202	571,909	(3,293)	642,361
Investment income	40,000	60,000	77,257	17,257	39,912
State sources	7,626,003	7,912,252	7,994,299	82,047	7,825,804
Federal sources	191,214	148,209	252,512	104,303	275,493
Sales and other conversions of assets	54,824	69,405	93,109	23,704	96,132
TOTAL REVENUES	10,319,294	10,490,412	10,727,735	237,323	10,590,675
Expenditures					
District and school administration	693,639	626,367	646,166	19,799	609,846
District support services	641,758	633,807	644,815	11,008	676,996
Regular instruction	4,663,687	4,619,470	4,476,133	(143,337)	4,588,258
Vocational instruction	132,557	141,289	167,928	26,639	195,595
Special education	1,446,041	1,677,388	1,782,327	104,939	1,708,695
Instructional support services	182,559	216,462	227,166	10,704	216,829
Pupil support services	925,056	1,129,911	1,232,551	102,640	1,247,000
Site, buildings, and equipment	1,214,048	1,106,962	1,141,341	34,379	1,078,706
Fiscal and other fixed cost programs	87,097	106,659	264,386	157,727	240,706
TOTAL EXPENDITURES	9,986,442	10,258,315	10,582,813	324,498	10,562,631
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	332,852	232,097	144,922	(87,175)	28,044
Other Financing Uses					
Transfers out					(132,171)
NET CHANGE IN FUND BALANCE	332,852	232,097	144,922	(87,175)	(104,127)
FUND BALANCE - BEGINNING	(1,774,292)	(1,774,292)	(1,774,292)		(1,670,165)
FUND BALANCE - ENDING	\$(1,441,440)	\$(1,542,195)	\$(1,629,370)	\$ (87,175)	\$(1,774,292)

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE FUND

For the Fiscal Year Ended June 30, 2025
With Partial Comparative Data for the Year Ended June 30, 2024

	Budgeted Amounts		2025	Over (Under)	2024
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Other local and county sources	\$ 730	\$	\$	\$	\$
Investment income		3,300	4,779	1,479	3,136
State sources	270,500	307,500	309,700	2,200	292,583
Federal sources	242,425	246,925	222,557	(24,368)	261,487
Sales and other conversions of assets	74,200	76,050	87,238	11,188	76,572
TOTAL REVENUES	587,855	633,775	624,274	(9,501)	633,778
Expenditures					
Food service	562,840	613,898	618,032	4,134	639,035
NET CHANGE IN FUND BALANCES	25,015	19,877	6,242	(13,635)	(5,257)
FUND BALANCES - BEGINNING	78,590	78,590	78,590		83,847
FUND BALANCES - ENDING	\$ 103,605	\$ 98,467	\$ 84,832	\$ (13,635)	\$ 78,590

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND

For the Fiscal Year Ended June 30, 2025
With Partial Comparative Data for the Year Ended June 30, 2024

	Budgeted Amounts		2025	Over (Under)	2024
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	\$ 95,799	\$ 93,668	\$ 94,187	\$ 519	\$ 112,595
Other local and county sources	302,500	337,969	301,084	(36,885)	345,139
Investment income		3,000		(3,000)	3,051
State sources	42,599	54,590	77,400	22,810	47,086
Federal sources	18,000	21,000		(21,000)	21,704
TOTAL REVENUES	458,898	510,227	472,671	(37,556)	529,575
Expenditures					
Community service	456,877	510,537	504,669	(5,868)	615,858
NET CHANGE IN FUND BALANCES	2,021	(310)	(31,998)	(31,688)	(86,283)
FUND BALANCES - BEGINNING	(53,720)	(53,720)	(53,720)		32,563
FUND BALANCES - ENDING	\$ (51,699)	\$ (54,030)	\$ (85,718)	\$ (31,688)	\$ (53,720)

See Notes to Financial Statements

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2025

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Independent School District #2172 was formed and operates pursuant to applicable Minnesota laws and statutes.

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 Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments. The following is a summary of the more significant accounting policies:

Financial Reporting Entity

Independent School District #2172 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting principles generally accepted in the United States of America (GAAP) require that the District's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. Based on the aforementioned criteria, the District has no component units.

Basic Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized when the exchange takes place. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State aids are recorded as revenue in the fiscal year for which the aids are designated by statute.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund types are accounted for using the modified accrual basis of accounting. Under this method revenues are recognized when susceptible to accrual, i.e. both measurable and available to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, state aids, fees, and interest. For this purpose, the District considers all revenue to be available if they are collected within 60 days after the end of the current period.

Expenditures are generally recognized using the modified accrual basis of accounting when a related fund liability is incurred. Exceptions to this rule include (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

These methods are in accordance with the Uniform Financial Accounting and Reporting System (UFARS), which the School District uses to prepare its financial statements.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

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

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

Description of Funds

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The major funds of the District are presented as follows:

The *general fund* is the District's primary operating fund. It accounts for all financial resources and transactions except those required to be accounted for in other funds.

The *food service fund* accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities.

The *community service fund* accounts for the resources designated for programs other than those for elementary and secondary students.

The *debt service fund* accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Budgets and Budgetary Accounting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

Total fund expenditures in excess of the budget require approval of the School Board. Spending control for most funds is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Cash and Investments

Cash and investments consist of demand deposits accounts, MN Trust investment accounts, MSDLAF investment accounts, and interest-bearing accounts. Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from pooled investments are allocated to the respective funds on the basis applicable cash balance participation by each fund.

Accounts Receivable

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

Prepaid Items

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

Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred revenue (property taxes levied for subsequent year). The majority of District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift", which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$153,943 of the property tax levy collectible in 2025 as revenue to the District in fiscal year 2024-2025. The remaining portion of the taxes collectible in 2025 is recorded as deferred inflows of resources.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Property Taxes (continued)

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred inflows of resources because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2025, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a capitalization threshold level of \$1,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement, but are not reported in the Fund financial statements. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Deprecation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life in Years
Buildings and improvements	20 - 50
Equipment	5 - 15

Capital assets not being depreciated include land. The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Use of Estimates

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

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expense in the period they are incurred.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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 from the actual debt proceeds received, are reported as debt service expenditures.

Severance Payable

The District has employee and union contracts with several different employee groups. Employee benefits under the contracts are different, but generally include provisions for sick leave and vacation leave. The District accounts for the employee benefits as follows:

Substantially all District employees are entitled to sick leave at various rates based on length of service to the District. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

Teachers

A teacher terminating employment after having reached the age of 55 and having completed no less than 25 years of employment as a teacher with the District shall be entitled upon retirement to payment for unused, accumulated sick leave at the teacher's daily rate of pay based on the salary schedule rates in effect at the time of retirement up to a maximum of 100 days leave. The amount paid shall not exceed \$10,000. The benefit shall apply only to teachers who were hired prior to July 1, 1993, and who did not elect to participate in the matching plan.

Principals

A principal terminating employment after having reached the age of 55 and having completed no less than ten years of employment as a principal with the District will, upon retirement, receive up to \$3,860 per year towards health and hospitalization benefits until eligibility of Medicare. The early retirement incentive benefit shall apply only to principals who were hired prior to July 2, 2010.

A principal terminating employment shall be entitled to severance pay for unused sick leave at the time of separation from the District. This payment shall be calculated by taking the number of unused sick days whole under administrative contract times one-half times the daily rate of pay. The amount paid shall not exceed \$15,000.

Superintendent

The superintendent, upon the involuntary termination of employment for any reason, shall be paid severance pay in an amount equal to accumulated unused sick leave days up to a maximum of 55 days. The daily rate of pay used for calculating severance shall be the last year's annual salary divided by 260. Severance pay is available at the time of resignation from the District.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The District has employees and union contracts with several different employee groups. Employee benefits under the contract are different, but generally include provisions for sick leave and vacation. Sick and vacation leave do not vest and are accounted for as an expenditure when paid.

The District compensates employees for sick leave and vacation benefits at various rates based on language in their respective agreements. The expenditure for leave is recognized when payment is made.

Other Postemployment Benefits Payable

Under provisions of various employee and union contracts the District provides health coverage until age 65 if certain criteria are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB Statement No. 75.

Pension

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. This 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 in 2015.

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section of 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 types of item which occurs related to revenue recognition. The deferred outflow of resources are pension related and OPEB.

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate financial statement element, deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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 three items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type is pension related.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Unearned Revenue

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The District has reported the following items as unearned revenue: lunch accounts and childcare programs.

Fund Balance

In the fund financial statements, governmental fund types report nonspendable, restricted, committed, assigned and unassigned fund balance amounts.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the June 30, 2024 totals column have been reclassified to conform with the current year presentation.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the district-wide financial statements. Net investments 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 statements when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Implementation of New Accounting Principles

During the year, the District implemented GASB Statement No. 101, *Compensated Absences*. This Statement provides guidance on accounting and financial reporting for reporting a liability for certain types of leave (compensated absences). Under this Statement, government organizations are required to recognize a liability for employee's compensated absences if the leave is attributable to employee's services already rendered, if the leave accumulates, or if it is more likely than not to be used for time off or paid in cash upon separation. The liability is measured using an employee's rate of pay at the date of the financial statements. The liability and associated expense are reported in the government-wide statements. The Statement has been implemented and a liability has been reported on the government-wide financial statements.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Stewardship and Accountability

Excess of expenditures over appropriations at the individual fund level during 2025 are as follows:

	Budget	Expenditures	Excess
General Fund	\$ 10,258,315	\$ 10,582,813	\$ 324,498
Food Service Fund	613,898	618,032	4,134

Excess expenditures were the result of a planned process.

The amounts due to and due from other funds as of June 30, 2025 at the individual fund level are as follows:

Funds	Due From Other Funds	Due To Other Funds
General Fund	\$ 11,709	\$
Community Service Fund		11,709
	<u>\$ 11,709</u>	<u>\$ 11,709</u>

Deficit Fund Balance

General Fund had a deficit fund balance of \$1,629,370 at June 30, 2025.

Community Service Fund had a deficit fund balance of \$85,718 at June 30, 2025.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Cash and Investments

Summary of Cash and Investments

As of June 30, 2025, the District's cash and investments consisted of the following items:

Deposits	\$ 252,925
MN Trust Investment Shared Portfolio	1,729,674
MN Trust - Flex	736,339
MSDLAF+ Liquid Class	23,810
MSDLAF+ Max Class	5,805
Cash and Investments per Statement of Net Position	<u>\$ 2,748,553</u>

Investments Authorized by Minnesota Statutes

The District is authorized by Minnesota Statutes to invest idle funds as follows:

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of thirteen months or less.
- c) General obligations rated "A" or better; revenue obligations rated "AA" or better.
- d) General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- e) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- f) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- g) Repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- h) Guaranteed Investments Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's deposit policy for custodial credit risk follows Minnesota Statutes for deposits. The District's deposits are entirely covered by federal depository insurance or by collateral held by the District's custodial banks in the District's name.

Minnesota Statutes require that all District deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds. Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Concentration of Credit Risk

The investment policy of the District contains no limitation on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of total investments are as follows:

MN Trust Investment Shared Portfolio	69%
MN Trust - Flex	30%

Fair Value Measurement

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical assets or liabilities in inactive markets
 - Inputs other than quoted prices that are observable for the asset or liability
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Cash and Investments (Continued)

Fair Value Measurement (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District had the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk - Maturity Duration in Years				Total
	Rating	Agency		No Maturity Date	Less Than 1	1 to 5	6 to 10	
MN Trust Investment Shared Portfolio	AAA	S&P	N/A	\$ 1,729,674	\$	\$	\$	\$ 1,729,674
MN Trust - Flex	AAAf	Fitch	N/A	736,339				736,339
MSDLAF+ Liquid Class	AAAa	S&P	N/A	23,810				23,810
MSDLAF+ Max Class	AAAa	S&P	N/A	5,805				5,805
Total Investments				\$ 2,495,628	\$	\$	\$	\$ 2,495,628

N/A - Not applicable

The Minnesota School District Liquid Asset Fund (MSDLAF) Plus Liquid Class and MSDLAF Plus Max Class are external investment pools not registered with the Securities and Exchange Commission regulated by Minnesota Statutes. The District's investments in these investment pools are measured at the net asset value per share provided by the pool, which is based on amortized cost method that approximates fair value. For the MSDLAF Plus Liquid Class and MSDLAF Plus Max Class investment pools, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required.

The Minnesota Trust (MNTrust) Investment Shares Portfolio is an external investment pool not registered with the Securities and Exchange Commission regulated by Minnesota Statutes. The District's investments in these investment pools are measured at the net asset value per share provided by the pool, which is based on amortized cost method that approximates fair value.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2025 are as follows:

Fund	Minnesota Department of Education	Federal Government Through MDE	Other Minnesota School Districts	Total
General	\$ 839,599	\$ 153,296	\$ 154,132	\$ 1,147,027
Community Service	5,393			5,393
Debt Service	77,040			77,040
	<u>\$ 922,032</u>	<u>\$ 153,296</u>	<u>\$ 154,132</u>	<u>\$ 1,229,460</u>

5. General Obligation Aid and Tax Anticipation Certificates of Indebtedness

For the purpose of providing funds to meet current expenditures of the District, General Obligation Aid Anticipation Certificates of Indebtedness were issued in the aggregate principal amount of \$3,000,000. Proceeds net of premium and issuance costs were \$3,026,645. The Certificates were issued in September 2024, bearing interest at the annual rate of 5% and mature in September of 2025.

Last fiscal year, the District issued \$2,000,000 of General Obligation Aid Anticipation Certificates of Indebtedness in September 2023, bearing interest at the annual rate of 5% and matured in September 2024. The District also issued \$1,250,000 of General Obligation Tax Anticipation Certificates of Indebtedness in January 2024, bearing interest at the annual rate of 5.4% and matured in September 2024.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Capital Assets

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

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 173,150	\$	\$	\$ 173,150
Capital assets, being depreciated:				
Buildings	36,681,717			36,681,717
Land improvements	723,725			723,725
Eligible pupil vehicles	142,102			142,102
Equipment	1,417,091	27,251		1,444,342
Total capital assets, being depreciated	38,964,635	27,251		38,991,886
Less accumulated depreciation for:				
Buildings	15,657,931	1,167,928		16,825,859
Land improvements	533,888	22,091		555,979
Eligible pupil vehicles	132,827	6,183		139,010
Equipment	1,132,814	47,274		1,180,088
Total accumulated depreciation	17,457,460	1,243,476		18,700,936
Total capital assets, being depreciated, net	21,507,175	(1,216,225)		20,290,950
Governmental activities capital assets, net	<u>\$ 21,680,325</u>	<u>\$ (1,216,225)</u>	<u>\$</u>	<u>\$ 20,464,100</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
District support services	\$ 42
Regular instruction	13,430
Vocational instruction	156
Special education	380
Community education	71
Instructional support services	2,795
Pupil support services	4,533
Site, buildings and equipment	1,222,069
Total depreciation expense - governmental activities	<u>\$ 1,243,476</u>

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Liabilities

The long-term debt obligations outstanding and related maturities and interest rates are summarized in the following schedules. General Obligation Bonds are serviced by the Debt Service Fund. They are backed by the full faith and credit of the District.

A summary of interest rates, maturities and June 30, 2025 balances is as follows:

	Original Amount of Debt	Range of Interest Rates	Final Maturity	Balance June 30, 2025
General Obligation Bonds:				
2016A Alternative Facilities Refunding	\$ 3,475,000	3.00%	2/1/2026	\$ 910,000
2017A School Building Refunding & Facilities Maintenance	5,315,000	3.00%	2/1/2033	1,155,000
2017B School Building	4,685,000	3.00%	2/1/2038	4,265,000
2018A School Building	6,830,000	3.00% - 3.25%	2/1/2038	6,830,000
2019A Tax Abatement	480,000	3.50%	2/1/2030	265,000
Unamortized Bond Premium				163,375
Severance Payable				62,253
Compensated absences				638,577
				<hr/>
Total				\$ 14,289,205

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Liabilities (Continued)

The following is a summary of the changes in long-term debt obligations for the year ended June 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds Payable:					
General Obligation Bonds:					
2016A Alternative Facilities Refunding	\$ 1,790,000	\$	\$ 880,000	\$ 910,000	\$ 910,000
2017A School Building Refunding & Facilities Maintenance	1,280,000		125,000	1,155,000	130,000
2017B School Building	4,410,000		145,000	4,265,000	145,000
2018A School Building	6,830,000			6,830,000	
2019A Tax Abatement	310,000		45,000	265,000	50,000
Unamortized Bond Premium	220,283		56,908	163,375	
Other Liabilities:					
Severance payable	41,346	35,770	14,863	62,253	
Compensated absences	* 649,967		11,390	638,577	
Capital Leases Payable:					
Energy Efficiency Improvements	54,342		54,342		
Governmental Activities					
Long-term Liabilities	<u>\$ 15,585,938</u>	<u>\$ 35,770</u>	<u>\$ 1,332,503</u>	<u>\$ 14,289,205</u>	<u>\$ 1,235,000</u>

*Beginning balance restated as described in Note 16.

Compensated absences are presented as the net change of increases and decreases to arrive at the presentation of the ending balance.

The annual requirements to amortize all long-term debt outstanding as of June 30, 2025, excluding compensated absences and severance payable over the life of the debt, are summarized below:

Years	General Obligation Bonds		Total
	Principal	Interest	
2026	\$ 1,235,000	\$ 389,550	\$ 1,624,550
2027	970,000	326,225	1,296,225
2028	990,000	296,650	1,286,650
2029	1,010,000	296,375	1,306,375
2030	1,040,000	264,800	1,304,800
2031-2035	5,070,000	857,150	5,927,150
2036-2038	3,110,000	147,657	3,257,657
Totals	<u>\$ 13,425,000</u>	<u>\$ 2,578,407</u>	<u>\$ 16,003,407</u>

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fund Balance

In accordance with Government Accounting Standards, the District classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained to due constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has a formal minimum fund balance policy for the general fund unassigned fund balance to be at least 10% percent of the annual budgeted expenditures.

Restriction of fund balance indicates that a portion of the fund balance is legally segregated for a specific future use. The following is a summary of the restricted fund balances for the governmental funds:

Restricted for Safe Schools – Represents unspent resources available from the safe schools revenue.

Restricted for Scholarships – In accordance with donor restrictions, the fund balance restriction represents available resources dedicated exclusively for scholarships.

Restricted for Student Activities – Represents the resources available for the extracurricular activity funds raised by students.

Restricted for Operating Capital – Represents available resources to be used to purchase equipment and facilities.

Restricted for Long-Term Facilities Maintenance – Represents available resources to be used for LTFM projects in accordance with the 10-year plan.

Restricted for READ Act – Teacher Compensation - Represents the resources available for teacher compensation for Read Act Training.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fund Balance (Continued)

Restricted for Community Education - Represents available resources within the Community Service Fund for enrichment programs for any age level that are not part of the K-12 education program which are not taken for credit or required for graduation.

Restricted for Early Childhood and Family Education - Represents available resources within the Community Service Fund whose focus is to improve parenting skills of new and expectant parents, and/or to provide learning experiences for parents and children.

Restricted for School Readiness - Represents the resources available to provide for services for school readiness programs.

The following is a summary of fund balances as of June 30, 2025 with comparative totals for June 30, 2024:

	General	Food Service	Community Service	Debt Service	2025 Totals	2024 Totals
Nonspendable						
Inventory	\$	\$ 595	\$	\$	\$ 595	\$ 907
Prepaid items	21,436				21,436	31,825
Total nonspendable	21,436	595			22,031	32,732
Restricted						
Student activities	13,340				13,340	8,992
Scholarships	24,266				24,266	30,881
Operating capital	41,561				41,561	15,529
Safe schools	1,969				1,969	
Read act - teacher compensation	11,329				11,329	
Food service		84,237			84,237	77,683
Community education			61,333		61,333	59,787
Community service			38,386		38,386	32,547
Debt service				112,020	112,020	19,696
Total restricted	92,465	84,237	99,719	112,020	388,441	245,115
Unassigned	(1,743,271)		(185,437)		(1,928,708)	(2,007,573)
Total Fund Balance	<u>\$ (1,629,370)</u>	<u>\$ 84,832</u>	<u>\$ (85,718)</u>	<u>\$ 112,020</u>	<u>\$ (1,518,236)</u>	<u>\$ (1,729,726)</u>

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fund Balance (Continued)

The Uniform Financial Accounting and Reporting Standards (UFARS) fund balance reporting standards are slightly different than the reporting standards under GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balances following GASB standards and UFARS reporting standards:

	<u>GASB Balance</u>	<u>Reconciling Balance</u>	<u>UFARS Balance June 30, 2025</u>	<u>UFARS Balance June 30, 2024</u>
Nonspendable				
Inventory	\$ 595	\$	\$ 595	\$ 907
Prepaid items	21,436		21,436	31,825
Total nonspendable	<u>22,031</u>		<u>22,031</u>	<u>32,732</u>
Restricted				
Student activities	13,340		13,340	8,992
Scholarships	24,266		24,266	30,881
Operating capital	41,561		41,561	15,529
Long term facilities maintenance		(209,394)	(209,394)	(200,221)
Safe schools	1,969		1,969	
Read act - teacher compensation	11,329		11,329	
Food service	84,237		84,237	77,683
Community education	61,333		61,333	59,787
Early childhood and family education		(14,899)	(14,899)	(5,131)
School readiness		(170,538)	(170,538)	(140,923)
Community service	38,386		38,386	32,547
Debt service	112,020		112,020	19,696
Total restricted	<u>388,441</u>	<u>(394,831)</u>	<u>(6,390)</u>	<u>(101,160)</u>
Unassigned	<u>(1,928,708)</u>	<u>394,831</u>	<u>(1,533,877)</u>	<u>(1,661,298)</u>
Total Fund Balance	<u>\$ (1,518,236)</u>	<u>\$</u>	<u>\$ (1,518,236)</u>	<u>\$ (1,729,726)</u>

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Commitments and Contingencies

The District participates in a number of federal and state agency assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District does not anticipate any audit adjustments or disallowed program expenditures that would-be material in relation to the general purpose financial statements taken as a whole.

10. Defined Benefit Pension Plans – Statewide

Plan Description

1. General Employees Retirement Fund (General Plan)

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

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

2. Teachers Retirement Association (TRA)

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Benefits Provided

1. General Employees Plan Benefits

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

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

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

2. TRA Benefits

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.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Benefits Provided (continued)

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

With these provisions:

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

Or

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

Tier II Benefits

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

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 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 also 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.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Contributions

1. General Employees Fund 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 Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025 were \$109,926. The District's contributions were equal to the required contributions as set by the state statute.

2. TRA 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 the TRA Fund for the year ended June 30, 2025 were \$330,803. The District's contributions were equal to the required contributions as set by the state statute.

Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$640,220 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 \$16,555.

District's proportionate share of the net pension liability	\$ 640,220
State's proportionate share of the net pension liability associated with the district	<u>16,555</u>
Total	<u>\$ 656,775</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the District's proportion was 0.0173 percent at the end of the measurement period and 0.0189 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of (\$102,710) for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$444 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$29,427 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 61,842	\$
Net difference between projected and actual earnings on pension plan investments		201,471
Changes in actuarial assumptions	3,267	258,482
Changes in proportion	31,680	80,243
Employer contributions subsequent to the measurement date	102,887	
Total	\$ 199,676	\$ 540,196

The \$102,887 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2026	\$ (247,086)
2027	(44,771)
2028	(102,482)
2029	(49,068)

INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs (continued)

2. TRA Pension Costs

At June 30, 2025, the District reported a liability of \$3,628,317 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 July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.0571 percent at the end of the measurement period and 0.0585 percent for the beginning of the period.

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

District's proportionate share of net pension liability	\$	3,628,317
State's proportionate share of the net pension liability associated with the district		<u>237,159</u>
Total	\$	<u><u>3,865,476</u></u>

For the year ended June 30, 2025, the District recognized pension expense of (\$212,692). It also recognized (\$2,901) as a decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$100,496 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 #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 175,198	\$ 48,481
Net difference between projected and actual earnings on pension plan investments		514,749
Changes of assumptions	399,160	450,716
Changes in proportion		276,434
Employer contributions subsequent to the measurement date	345,557	
Total	<u>\$ 919,915</u>	<u>\$ 1,290,380</u>

The \$345,557 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) related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2026	\$ (340,462)
2027	266,282
2028	(308,554)
2029	(253,153)
2030	(80,135)

Aggregate Pension Costs

Pension expense recognized by the District for the year ended June 30, 2025 is as follows:

General Employee Retirement Fund	\$ (102,266)
TRA	(215,593)
Total	<u>\$ (317,859)</u>

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Long-Term Expected Return on Investment

1. General Employees Fund Long-Term Expected Return on Investment

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

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

2. TRA Long-Term Expected Return on Investment

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using an individual entry-age normal actuarial cost method and following the actuarial assumptions:

1. General Employees Fund Actuarial Assumptions

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

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

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

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

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

The following changes in PERA 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.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Methods and Assumptions (continued)

2. TRA Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Experience Studies	August 2, 2023 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 - 8.85% before July 1, 2028 and 3.25 - 9.25% after June 30, 2028
Cost of Living Adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions:	
Pre-Retirement:	Pre-retirement mortality rates were based on the 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:	Post-retirement mortality rates were based on the PubT-2010(A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Beneficiary mortality rates were based on the Pub-2010(A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Post-disability	Post-disability mortality rates were based on the PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

The following changes in TRA actuarial assumptions since the 2022 valuation:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Discount Rate

1. General Employees Fund Discount Rate

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

2. TRA Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. There was no change in the discount rate since the prior measurement date.. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 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.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
General Employees Retirement Fund Discount Rate	6.00%	7.00%	8.00%
District's proportionate share of the General Employees Retirement Fund net pension liability	\$ 1,398,344	\$ 640,220	\$ 16,594
TRA Discount Rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	\$ 6,389,679	\$ 3,628,317	\$ 1,355,651

Pension Plan Fiduciary Net Position

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

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

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for employee health, liability, property, and automotive insurance. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2025.

12. Jointly Governed Organization

The District and six other school districts, in conjunction with the Goodhue County Education District (GCED), created a joint powers agreement to provide comprehensive educational programs and other services to participating school districts. The GCED's board is defined in the Joint Powers Agreement. A member may withdraw upon written notice given to the Board and to each participating school district. A withdrawing member shall forfeit its proportionate share of current depreciated value of any real or personal property they helped purchase in accordance with the Joint Powers Agreement. In the event of dissolution, all assets of the education district shall be distributed to the districts which are members at the time of dissolution on a proportionate basis to be determined by the education district board. Separate financial statements of the joint venture may be obtained from GCED upon request. The District had purchases from GCED of \$922,833 for the year ended June 30, 2025, and an outstanding balance due to GCED of \$103,494 at June 30, 2025.

13. Defined Contribution Pension Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Some employees are eligible to receive a match of employee contributions up to the qualifying amounts set forth in their Wage and Benefit Guidelines. Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2025, 2024 and 2023 were \$106,938, \$102,725 and \$98,792 respectively. The related employee contributions were \$138,837, \$135,171 and \$129,560 for the years ended June 30, 2025, 2024 and 2023, respectively.

INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. Other Postemployment Benefit Plan

Plan Description

The District operates a single-employer retiree benefit plan (“the Plan”) that provides health insurance to eligible employees and their spouses through the District’s health insurance plan. There are 98 participants in the plan. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated at various times. The Plan does not issue a publicly available financial report.

The District has no assets accumulated in a trust that meet the criteria of GASB Statement No. 75.

Funding Policy

For the fiscal year 2025, the District will continue on a “pay-as-you-go” funding policy

Total OPEB Liability

The District’s total OPEB liability was measured as of July 1, 2024, and the total OPEB liability was determined by an actuarial valuation as of date. The components of the net OPEB liability of the District at year-end were as follows

Total OPEB liability	<u>\$ 519,173</u>
Covered employee payroll	<u>\$ 4,708,959</u>
Total OPEB Liability as a % of eligible payroll	<u>11.03%</u>

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. Other Postemployment Benefit Plan (Continued)

The total OPEB liability was determined by an actuarial valuation as of July 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Economic Assumptions:	
Discount Rate	4.10%
20-Year Municipal Bond Yield	4.10%
Inflation Rate	2.50%
Salary Increase	See sample rates
Medical Trend Rate	6.25% as of July 1, 2024 grading to 5.00% over 5 years and then to 4.00% over the next 48 years
Dental	N/A
Other Assumptions	
Mortality	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale
Withdrawal	See sample rates in actuarial valuation
Retirement	See sample rates in actuarial valuation
Disability	None
Expenses	Assumed paid outside of Plan
Percent Married	Current Retirees: Actual retiree/spouse elections used. Future Retirees: Males 85%, Females 65%
Age Difference	Actual spouse birthdate for current retirees (if provided). For all others, males assumed to be 3 years older than females.
Retiree Plan Participation	Future Retirees Electing Coverage: Pre-65 subsidy available: 80% Pre-65 subsidy not available: 30%
Percent of Married Retirees Electing Spouse Coverage	Percent Future Retirees Electing Pre-65 Spouse Coverage: Spouse subsidy available: 10% Spouse subsidy not available: 10%
Benefits Not Included	Kenyon-Wanamingo Schools provides access to life insurance during retirement. However, the implicit rate liability is not significant for life insurance and has not been included in this valuation.

The following changes in OPEB actuarial assumptions were changed during fiscal year 2025:

- The discount rate was changed from 3.90% to 4.10%.

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. Other Postemployment Benefit Plan (Continued)

Changes in Total OPEB Liability

	Total OPEB Liability (a)
Beginning Balance 7/1/2024	\$ 489,399
Changes for the Year	
Service Cost	43,855
Interest	20,235
Assumption Changes	(5,217)
Benefit Payments	(29,099)
Net Changes	29,774
Balance End of Year 6/30/2025	<u>\$ 519,173</u>

Total OPEB Liability Sensitivity to Discount and Health-Care Cost Trend Rate Changes

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or on percentage point higher than the current discount rate:

	Total OPEB Liability (a)
1% decrease in Discount Rate (3.10%)	\$ 551,571
Current Discount Rate (4.10%)	519,173
1% increase in Discount Rate (5.10%)	487,580

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	Total OPEB Liability (a)
1% decrease in Trend Rates	\$ 481,457
Current Trend Rates	519,173
1% increase in Trend Rates	563,562

OPEB Related Deferred Outflows of Resources and Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses and gains	\$	\$ 101,726
Changes in actuarial assumptions	6,718	49,230
Contributions paid to OPEB subsequent to the measurement date	21,683	
Total	<u>\$ 28,401</u>	<u>\$ 150,956</u>

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. Other Postemployment Benefit Plan (Continued)

OPEB Related Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

The \$21,683 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2026.

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

Year ending June 30:	Other Post - Employment Expense Amount
2026	\$ (43,311)
2027	(47,043)
2028	(16,652)
2029	(9,164)
2030	(9,164)
Thereafter	(18,904)

15. Tax Abatement

The District may enter into tax abatement agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.1812, 469.1813 and 469.1815. Any parcel of property in the District qualifies for tax abatement. The District negotiates tax abatement agreements on an individual basis generally with the purpose of adding employment or increasing the tax capacity of the parcel. The District has made no commitments, other than tax abatements, under the agreements. The taxpayer submits property taxes annual and is reimbursed by the District for the abatement amount if the taxpayer has filed reports substantiating that it has met the agreements. The District had the following tax abatement agreements as of June 30, 2025.

Property Tax Abatement

The District entered into a tax abatement in December 2018 for the purpose of construction and improvements to District parking lots and related work. Under the agreement, District property taxes not to exceed \$741,410 or up to 10 years. There were no property taxes abated during fiscal year 2025.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

16. Restatement

During the year, the District implemented GASB Statement No. 101, Compensated Absences. This statement provides guidance on accounting and financial reporting for reporting a liability for certain types of leave (compensated absences). Under this Statement, government organizations are required to recognize a liability for employee's compensated absences if the leave is attributable to employee's services already rendered. The liability is measured using an employee's rate of pay at the date of the financial statements. The liability and associated expense are reported in the government-wide statements. The Statement has been implemented and a liability has been reported on the governmentwide financial statements.

	Net Position at June 30, 2024 as Previously Reported	Restatement	Net Position at June 30, 2024 as Restated
Governmental Activities	<u>\$ (1,099,933)</u>	<u>\$ (649,967)</u>	<u>\$ (1,749,900)</u>

17. Subsequent Events

On September 18, 2025, for the purpose of providing funds to meet current expenditures of the District, General Obligation Aid Anticipation Certificates of Indebtedness were issued in the aggregate principal amount of \$2,475,000. Proceeds net of premium and issuance costs were \$2,502,637. The Certificates are bearing interest at the annual rate of 5% and mature in September of 2026.

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**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

INDEPENDENT SCHOOL DISTRICT #2172 KENYON, MINNESOTA

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

Total OPEB Liability

	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 43,855	\$ 43,709	\$ 39,950	\$ 48,989	\$ 64,609	\$ 57,374	\$ 61,679	\$ 59,883
Interest cost	20,235	20,988	11,989	17,482	20,791	23,416	21,589	19,737
Assumption changes	(5,217)	3,836	(44,933)	(66,383)	22,426	(30,309)		
Plan changes		7,427				8,554		
Differences between expected and actual experiences		(81,091)		(115,977)		(51,053)		
Benefit payments	(29,099)	(27,918)	(30,879)	(34,224)	(34,640)	(31,846)	(18,757)	(35,028)
Net change in total OPEB liability	29,774	(33,049)	(23,873)	(150,113)	73,186	(23,864)	64,511	44,592
Total OPEB Liability - beginning of year	489,399	522,448	546,321	696,434	623,248	647,112	582,601	538,009
Total OPEB Liability - end of year	<u>\$ 519,173</u>	<u>\$ 489,399</u>	<u>\$ 522,448</u>	<u>\$ 546,321</u>	<u>\$ 696,434</u>	<u>\$ 623,248</u>	<u>\$ 647,112</u>	<u>\$ 582,601</u>

Total OPEB Liability - End of Year

\$ 519,173	\$ 489,399	\$ 522,448	\$ 546,321	\$ 696,434	\$ 623,248	\$ 647,112	\$ 582,601
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Covered - Employee payroll

\$ 4,708,959	\$ 4,571,805	\$ 4,460,746	\$ 4,330,821	\$ 4,610,237	\$ 4,475,958	\$ 4,373,091	\$ 4,245,719
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**Total OPEB Liability as a Percentage of covered
employee payroll**

11.03%	10.70%	11.71%	12.61%	15.11%	13.92%	14.80%	13.72%
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**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

**Schedule of District's Contributions
General Employees Retirement Funds
Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Payroll (b/c)
2016	PERA	\$ 81,428	\$ 81,428	\$	\$ 1,131,300	7.20%
2017	PERA	85,587	85,587		1,190,897	7.19%
2018	PERA	85,616	85,616		1,141,547	7.50%
2019	PERA	94,647	94,647		1,261,960	7.50%
2020	PERA	94,614	94,614		1,261,520	7.50%
2021	PERA	104,858	104,858		1,398,107	7.50%
2022	PERA	104,638	104,638		1,395,173	7.50%
2023	PERA	101,652	101,652		1,355,360	7.50%
2024	PERA	112,889	112,889		1,505,187	7.50%
2025	PERA	109,926	109,926		1,465,680	7.50%

**Schedule of District's Contributions
TRA Retirement Funds
Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Payroll (b/c)
2016	TRA	\$ 249,835	\$ 249,835	\$	\$ 3,406,442	7.33%
2017	TRA	275,446	275,446		3,735,018	7.37%
2018	TRA	273,949	273,949		3,652,653	7.50%
2019	TRA	271,304	271,304		3,617,387	7.50%
2020	TRA	287,617	287,617		3,730,441	7.71%
2021	TRA	291,802	291,802		3,684,369	7.92%
2022	TRA	291,221	291,221		3,582,054	8.13%
2023	TRA	305,412	305,412		3,662,014	8.34%
2024	TRA	317,763	317,763		3,716,526	8.55%
2025	TRA	330,803	330,803		3,780,606	8.75%

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

**Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
PERA General Employees Retirement Fund
Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	District's Portion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability (b)	Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability (a+b)		Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0184%	\$ 953,583	\$	\$	953,583	\$ 1,131,300	84%	78.20%
2016	0.0181%	1,469,630			1,469,630	1,190,897	123%	68.90%
2017	0.0177%	1,129,956	14,224		1,144,180	1,141,547	100%	75.90%
2018	0.0188%	1,042,947	34,181		1,077,128	1,261,960	85%	79.53%
2019	0.0178%	984,122	30,665		1,014,787	1,261,520	80%	80.23%
2020	0.0196%	1,175,110	36,228		1,211,338	1,398,107	87%	79.06%
2021	0.0194%	828,467	25,309		853,776	1,395,173	61%	87.00%
2022	0.0181%	1,433,526	41,958		1,475,484	1,355,360	109%	76.70%
2023	0.0189%	1,056,867	29,103		1,085,970	1,505,187	72%	83.10%
2024	0.0173%	640,220	16,555		656,775	1,465,680	45%	89.10%

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

**Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
TRA
Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	District's Portion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability (b)	Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability (a+b)		Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0596%	\$ 3,686,849	\$ 452,156	\$ 4,139,005	\$ 3,092,358		119%	76.80%
2016	0.0634%	15,122,413	1,518,685	16,641,098	3,406,442		444%	44.90%
2017	0.0679%	13,554,072	1,310,868	14,864,940	3,652,653		371%	51.57%
2018	0.0655%	4,112,398	386,232	4,498,630	3,617,387		114%	78.07%
2019	0.0657%	4,187,732	370,528	4,558,260	3,730,441		112%	78.07%
2020	0.0634%	4,684,077	392,464	5,076,541	3,684,369		127%	75.48%
2021	0.0599%	2,621,403	221,250	2,842,653	3,582,054		73%	86.63%
2022	0.0592%	4,740,423	351,598	5,092,021	3,662,014		129%	76.17%
2023	0.0585%	4,829,891	338,339	5,168,230	3,716,526		130%	76.42%
2024	0.0571%	3,628,317	237,159	3,865,476	3,780,606		96%	82.07%

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**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

SUPPLEMENTARY INFORMATION

JUNE 30, 2025

INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
COMPARATIVE BALANCE SHEET
GENERAL FUND
June 30, 2025 and 2024

	2025	2024
Assets		
Cash and investments	\$ 2,084,010	\$ 2,303,818
Current property taxes receivable	799,132	827,868
Delinquent property taxes receivable	8,151	7,585
Accounts receivable	4,775	3,261
Due from other Minnesota school districts	154,132	135,929
Due from Minnesota Department of Education	839,599	627,583
Due from Federal through Minnesota Department of Education	153,296	116,419
Due from other funds	11,709	
Prepaid items	21,436	31,825
TOTAL ASSETS	\$ 4,076,240	\$ 4,054,288
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities		
Accounts payable	\$ 123,008	\$ 65,939
Salaries and accrued liabilities payable	697,314	658,845
Due to other Minnesota school districts	158,913	162,907
Due to other governmental units	9,403	10,083
Interest payable	116,250	107,417
General obligation aid and tax anticipation certificates	3,000,000	3,250,000
TOTAL LIABILITIES	4,104,888	4,255,191
Deferred Inflows of Resources		
Unavailable revenue:		
Delinquent property taxes	8,151	7,585
Taxes levied for subsequent year	1,592,571	1,565,804
TOTAL DEFERRED INFLOWS OF RESOURCES	1,600,722	1,573,389
Fund Balances		
Nonspendable	21,436	31,825
Restricted	92,465	55,402
Unassigned	(1,743,271)	(1,861,519)
TOTAL FUND BALANCES	(1,629,370)	(1,774,292)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,076,240	\$ 4,054,288

INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Fiscal Year Ended June 30, 2025
With Partial Comparative Data for the Year Ended June 30, 2024

	Budgeted Amounts		2025	Over (Under)	2024
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	\$ 1,688,359	\$ 1,651,147	\$ 945,944	\$ (705,203)	\$ 1,005,790
Investment income		5,000	19,875	14,875	14,185
State sources	46,940	70,212	770,507	700,295	738,561
TOTAL REVENUES	1,735,299	1,726,359	1,736,326	9,967	1,758,536
Expenditures					
Debt Service:					
Principal	1,287,000	1,287,000	1,195,000	(92,000)	1,250,414
Interest and fiscal charges	515,000	515,000	449,002	(65,998)	488,426
TOTAL EXPENDITURES	1,802,000	1,802,000	1,644,002	(157,998)	1,738,840
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(66,701)	(75,641)	92,324	167,965	19,696
Other Financing Sources					
Transfers in					132,171
NET CHANGE IN FUND BALANCES	(66,701)	(75,641)	92,324	167,965	151,867
FUND BALANCE - BEGINNING	19,696	19,696	19,696		(132,171)
FUND BALANCE - ENDING	\$ (47,005)	\$ (55,945)	\$ 112,020	\$ 167,965	\$ 19,696

INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA
SUPPLEMENTAL COST SCHEDULES
For the Fiscal Years Ended June 30, 2025 and 2024
(Unaudited)

	2024 - 2025 Expenditures	Cost Per Adjusted Average Daily Membership (All Funds)
Fiscal Year Ended June 30, 2025		
District and school administration	\$ 646,166	\$ 992
District support services	644,815	990
Regular instruction	4,476,133	6,875
Vocational instruction	167,928	258
Special education	1,782,327	2,738
Community service	504,669	775
Instructional support services	227,166	349
Pupil support services	1,232,551	1,893
Site, buildings, and equipment	1,141,341	1,753
Food service	618,032	949
Fiscal and other fixed cost programs	264,386	406
TOTALS	\$ 11,705,514	\$ 17,979

2024-2025 Adjusted Average Daily Membership - 651.06

	2023 - 2024 Expenditures	Cost Per Adjusted Average Daily Membership (All Funds)
Fiscal Year Ended June 30, 2024		
District and school administration	\$ 609,846	\$ 913
District support services	676,996	1,014
Regular instruction	4,588,258	6,869
Vocational instruction	195,595	293
Special education	1,708,695	2,558
Community service	615,858	922
Instructional support services	216,829	325
Pupil support services	1,247,000	1,867
Site, buildings, and equipment	1,078,706	1,615
Food service	639,035	957
Fiscal and other fixed cost programs	240,706	360
TOTALS	\$ 11,817,524	\$ 17,692

2023-2024 Adjusted Average Daily Membership - 667.95

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

TAX LEVY HISTORY

	24 Pay 25 Fiscal 26	23 Pay 24 Fiscal 25	22 Pay 23 Fiscal 24	21 Pay 22 Fiscal 23	20 Pay 21 Fiscal 22
Tax Levy*					
General	\$ 1,746,514	\$ 1,697,022	\$ 1,708,564	\$ 1,711,675	\$ 1,235,398
Community Service	75,309	96,629	115,340	125,832	130,291
Debt Service	1,706,882	1,688,359	1,679,958	1,799,663	1,751,711
TOTAL TAX LEVY	\$ 3,528,705	\$ 3,482,010	\$ 3,503,862	\$ 3,637,170	\$ 3,117,400

* The tax levy includes property tax apportionments from Dodge, Goodhue, Rice, and Steele counties and state aid credits from the State of Minnesota.

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**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

OTHER REQUIRED REPORTS

JUNE 30, 2025

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

To the Board of Education
Independent School District #2172
Kenyon, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the District, as of and for the year ended June 30, 2025, and the related notes to financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 18, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contract – 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 Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
November 18, 2025

**INDEPENDENT SCHOOL DISTRICT #2172
KENYON, MINNESOTA**

COMPLIANCE TABLE

JUNE 30, 2025

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Fiscal Compliance Report - 6/30/2025
District: KENYON-WANAMINGO (2172-1)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$10,727,735	<u>\$10,727,731</u>	\$4	Total Revenue	\$0	<u>\$0</u>	\$0
Total Expenditures	\$10,582,813	<u>\$10,582,809</u>	\$4	Total Expenditures	\$0	<u>\$0</u>	\$0
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$21,436	<u>\$21,436</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
Restricted / Reserved:				Restricted / Reserved:			
4.01 Student Activities	\$13,340	<u>\$13,340</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.02 Scholarships	\$24,266	<u>\$24,266</u>	\$0	4.13 Funded by COP/FP	\$0	<u>\$0</u>	\$0
4.03 Staff Development	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	Restricted:			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.12 Literacy Incentive Aid	\$0	<u>\$0</u>	\$0	Unassigned:			
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	07 DEBT SERVICE			
4.20 American Indian Education Aid	\$0	<u>\$0</u>	\$0	Total Revenue	\$1,736,326	<u>\$1,736,325</u>	\$1
4.24 Operating Capital	\$41,561	<u>\$41,561</u>	\$0	Total Expenditures	\$1,644,002	<u>\$1,644,000</u>	\$2
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Non Spendable:			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.28 Learning & Development	\$0	<u>\$0</u>	\$0	Restricted / Reserved:			
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.37 Q Comp	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$0	<u>\$0</u>	\$0	Restricted:			
4.39 English Learner	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$112,020	<u>\$112,021</u>	(\$1)
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	Unassigned:			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.43 School Library Aid	\$0	<u>\$0</u>	\$0				
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	08 TRUST			
4.49 Safe Schools Levy	\$1,969	<u>\$1,969</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Restricted / Reserved:			
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	\$0
4.57 READ Act - Tohr Training Compensation	\$11,329	<u>\$11,329</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	\$0				
4.67 LTFM	(\$209,394)	<u>(\$209,394)</u>	\$0	18 CUSTODIAL			
4.71 Student Support Personnel Aid	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.72 Medical Assistance	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Restricted:				Restricted / Reserved:			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	\$0
4.78 Payments in Lieu of Taxes	\$0	<u>\$0</u>	\$0	4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0
Committed:				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.18 Committed for Separation	\$0	<u>\$0</u>	\$0				
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0	20 INTERNAL SERVICE			
Assigned:				Total Revenue	\$0	<u>\$0</u>	\$0
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Unassigned:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.22 Unassigned Fund Balance	(\$1,533,877)	<u>(\$1,533,877)</u>	\$0				
02 FOOD SERVICES				25 OPEB REVOCABLE TRUST			
Total Revenue	\$624,274	<u>\$624,275</u>	(\$1)	Total Revenue	\$0	<u>\$0</u>	\$0
Total Expenditures	\$618,032	<u>\$618,032</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Non Spendable:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.60 Non Spendable Fund Balance	\$595	<u>\$595</u>	\$0				
Restricted / Reserved:				45 OPEB IRREVOCABLE TRUST			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
Restricted:				Total Expenditures	\$0	<u>\$0</u>	\$0
4.64 Restricted Fund Balance	\$84,237	<u>\$84,238</u>	(\$1)	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
Unassigned:							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0				
04 COMMUNITY SERVICE				47 OPEB DEBT SERVICE			
Total Revenue	\$472,671	<u>\$472,670</u>	\$1	Total Revenue	\$0	<u>\$0</u>	\$0
Total Expenditures	\$504,669	<u>\$504,669</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
Restricted / Reserved:				Restricted:			
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.31 Community Education	\$61,333	<u>\$61,333</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.32 E.C.F.E	(\$14,899)	<u>(\$14,899)</u>	\$0	Unassigned:			
4.37 Q Comp	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0				
4.44 School Readiness	(\$170,538)	<u>(\$170,538)</u>	\$0				
4.47 Adult Basic Education	\$0	<u>\$0</u>	\$0				
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	\$0				
4.57 READ Act - Tohr Training Compensation	\$0	<u>\$0</u>	\$0				
Restricted:							
4.64 Restricted Fund Balance	\$38,386	<u>\$38,386</u>	\$0				
Unassigned:							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0				