

**Independent School District No. 656
Faribault, Minnesota**

Basic Financial Statements

June 30, 2025

Independent School District No. 656
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**Independent School District No. 656
Board of Education and Administration
June 30, 2025**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
John Bellingham	Chairperson	December 31, 2026
Chad Wolff	Vice Chairperson	December 31, 2026
Casie Steeves	Clerk	December 31, 2028
Lynda Boudreau	Treasurer	December 31, 2026
Candace Knudson	Director	December 31, 2028
Jerry Robicheau	Director	December 31, 2028
Linda Moore	Director	December 31, 2026
 <u>Administration</u>		
Jamie Bente	Superintendent	
Barbie Roessler	Director of Finance and Operations	

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Independent Auditor's Report

To the School Board
Independent School District No. 656
Faribault, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656, Faribault, Minnesota, as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 656, Faribault, Minnesota, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 656 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 656 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 19, 2025

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Independent School District No. 656 Management's Discussion and Analysis

This section of the District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued in June 1999. Certain comparative information between the current year (2024-2025) and the prior year (2023-2024) is required to be presented in the MD&A.

Financial Highlights

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

- Student Average Daily Membership (ADM) - The student number upon which funding is calculated (includes resident students tuitioned out to other districts) decreased from 3,060 in 2023-24 to 3,044 in 2024-25. This represents a 16 ADM drop year over year which is less than has been seen in recent prior years. The District continues to lose more students to open enrollment than gain.
- Net Position increased from \$23,358,244, to \$25,223,810 an increase of \$1,865,566 and 8% more than the prior year.
- General Fund revenues were \$65,211,144 compared to expenditures of \$64,034,595 for revenue over expenditures of \$1,176,549.
- Total General Fund balance increased by \$1,224,431. Unassigned General Fund Balance decreased by \$118,802 due to careful planning of restricted funds to not offset the unassigned fund balance.

Overview of the Financial Statements

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

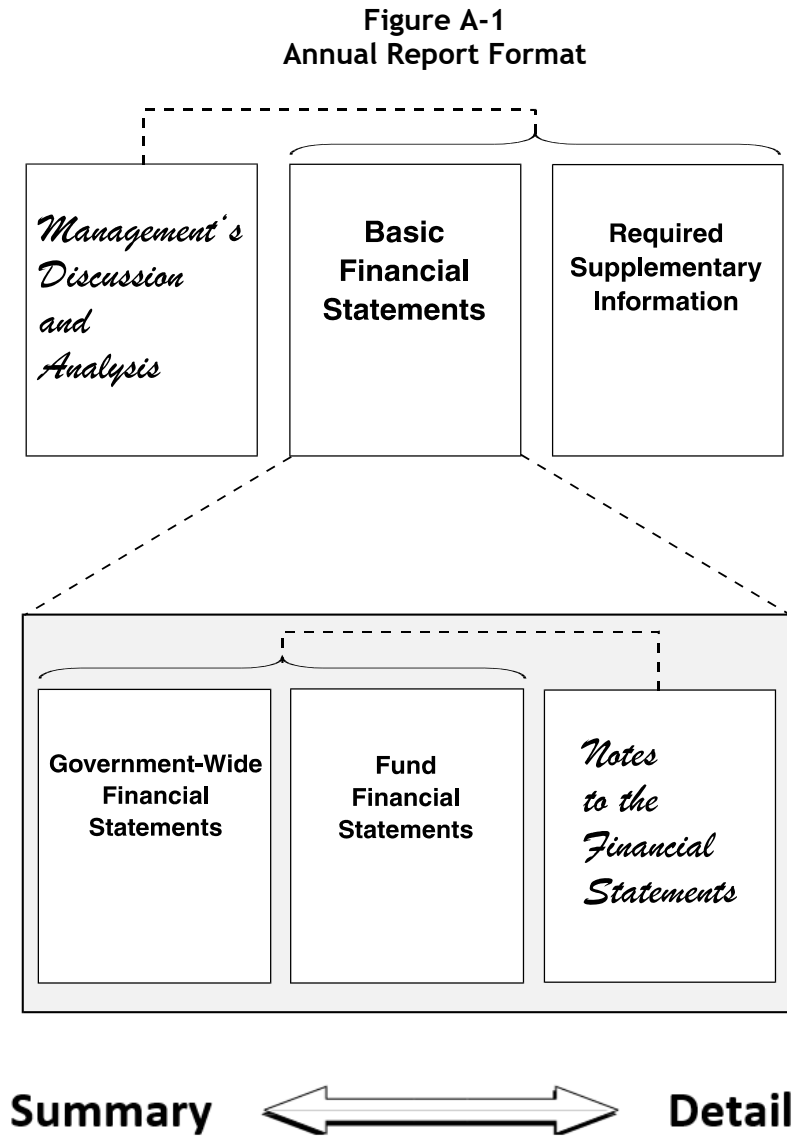
- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Independent School District No. 656
Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



Independent School District No. 656 **Management's Discussion and Analysis**

Overview of the Financial Statements (Continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements				
Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds) and the District's Component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	♦ Statement of net position	♦ Balance sheet	♦ Statement of net position	♦ Statement of fiduciary net position
	♦ Statement of activities	♦ Statement of revenues, expenditures, & changes in fund balances	♦ Statement of changes in net position	♦ Statement of changes in fiduciary net assets
			♦ Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, 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 government-wide statements report the District's Net Position and how they have changed. Net Position: the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's Net Position are an indicator of whether its financial position is improving or deteriorating, respectively.

Independent School District No. 656 Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

Government-Wide Statements (Continued)

To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

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 may establish other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has three types of funds:

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

**Independent School District No. 656
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole

Net Position

The District's combined Net Position was \$25,223,810 on June 30, 2025, an increase of \$1,865,566 (See Table A-1). The fluctuations in the deferred outflows and deferred inflows of resources are related to various TRA and PERA state pension differences and changes in assumptions and proportion.

Table A-1

	Governmental Activities		Percentage
	2025	2024	Change
Current and other assets	\$ 38,223,896	\$ 41,892,505	-8.76%
Capital and noncurrent assets	59,988,609	56,369,588	6.42%
Total assets	98,212,505	98,262,093	-0.05%
Deferred outflows of resources	8,488,086	10,269,824	-17.35%
Current liabilities	10,853,260	10,698,460	1.45%
Long-term liabilities	47,840,476	58,032,047	-17.56%
Total liabilities	58,693,736	68,730,507	-14.60%
Deferred inflows of resources	22,783,045	16,443,166	38.56%
Net position			
Invested in capital assets, net of related debt	47,282,453	45,785,444	3.27%
Restricted	6,291,178	5,194,001	21.12%
Unrestricted	(28,349,821)	(27,621,201)	-2.64%
Net position	<u>\$ 25,223,810</u>	<u>\$ 23,358,244</u>	<u>7.99%</u>

Changes in Net Position

The District's total revenues were \$77,437,864 for the year ended June 30, 2025. Property taxes, unrestricted state formula aid, and other revenue accounted for 49% of total revenue for the year (See Figure A-3). The remaining 51% came from other program revenues (charges for services, operating and capital grants, and contributions). Investment earnings increased significantly as a result of a rising interest rate market due to inflationary pressures. The accounting team is also actively investing excess funds to continue the increase of interest revenue.

**Independent School District No. 656
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (Continued)

**Table A-2
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Total Percentage Change
	2025	2024	
Revenues			
Program revenues			
Charges for services	\$ 2,944,714	\$ 2,871,042	2.57%
Operating grants and contributions	36,167,969	34,518,233	4.78%
Capital grants and contributions	313,650	351,645	-10.80%
General revenues			
Property taxes	12,354,351	11,836,962	4.37%
Unrestricted state aid	24,621,549	24,579,076	0.17%
Investment earnings	1,004,254	767,994	30.76%
Other	31,377	289,435	-89.16%
Total revenues	<u>77,437,864</u>	<u>75,214,387</u>	<u>2.96%</u>
Expenses			
Administration	2,404,569	2,263,029	6.25%
District support services	1,844,265	1,906,827	-3.28%
Regular instruction	23,525,154	22,249,654	5.73%
Vocational education instruction	602,203	753,754	-20.11%
Special education instruction	16,363,357	14,157,299	15.58%
Instructional support services	5,101,541	5,063,638	0.75%
Pupil support services	7,162,130	6,975,713	2.67%
Sites and buildings	7,617,557	7,650,665	-0.43%
Fiscal and other fixed cost programs	337,662	249,844	35.15%
Food service	2,662,881	2,617,882	1.72%
Community service	5,397,076	3,985,471	35.42%
Interest and fiscal charges on Long-term liabilities	526,963	445,009	18.42%
Total expenses	<u>73,545,358</u>	<u>68,318,785</u>	<u>7.65%</u>
Increase (decrease) in net position	<u>3,892,506</u>	<u>6,895,602</u>	<u>-43.55%</u>
Beginning net position	23,358,244	16,345,250	
Change in accounting principle	<u>(2,026,940)</u>	<u>117,392</u>	
Ending net position	<u>\$ 25,223,810</u>	<u>\$ 23,358,244</u>	

Independent School District No. 656
Management's Discussion and Analysis

Financial Analysis of the District as A Whole (Continued)

Figure A-3 Sources of District Revenue for Fiscal 2025

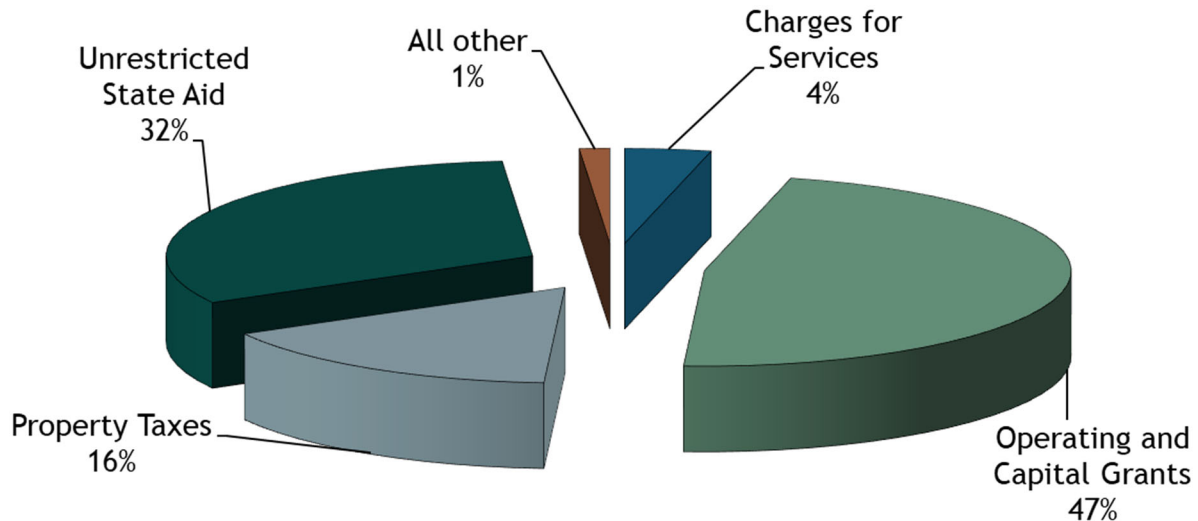
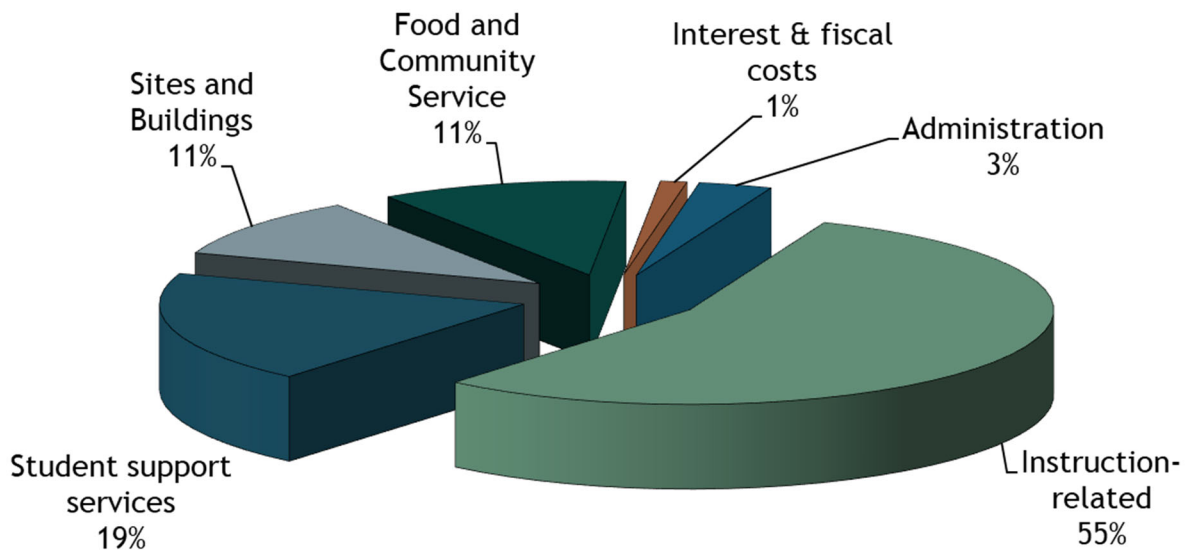


Figure A-4 District Expenses for Fiscal 2025



The total cost of all programs and services was \$73,545,358 for fiscal year 2025. The District's expenses are predominately related to educating and caring for students (85%). (See Figure A-4).

- The federal and state governments subsidized certain programs with grants and contributions (\$36,481,619).
- The District's remaining costs (\$34,119,025), however, were paid for by District taxpayers and taxpayers of the State of Minnesota.

**Independent School District No. 656
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (Continued)

Typically, the District does not incorporate funds allocated to direct instruction as part of an analysis of expenditures in all governmental funds. Funding for general operation of the District is controlled by the state, and the District does not have latitude to allocate money received from entrepreneurial-type funds like Food Service and Community Education. Therefore, a more accurate analysis would be limited to the allocation of resources received for the general operation of the District and would show that 85% of those resources are spent on instruction and support services associated with education.

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2025	2024		2025	2024	
Administration	\$ 2,404,569	\$ 2,263,029	6.25%	\$ 2,404,569	\$ 2,263,029	6.25%
District support services	1,844,265	1,906,827	-3.28%	1,768,331	1,903,481	-7.10%
Regular instruction	23,525,154	22,249,654	5.73%	9,440,929	5,969,488	58.15%
Vocational education instruction	602,203	753,754	-20.11%	602,203	753,754	-20.11%
Special education instruction	16,363,357	14,157,299	15.58%	1,570,634	1,432,298	9.66%
Instructional support services	5,101,541	5,063,638	0.75%	3,700,385	4,016,449	-7.87%
Pupil support services	7,162,130	6,975,713	2.67%	6,756,348	6,681,230	1.12%
Sites and buildings	7,617,557	7,650,665	-0.43%	7,069,751	7,117,240	-0.67%
Fiscal and other fixed cost programs	337,662	249,844	35.15%	337,662	249,844	35.15%
Food service	2,662,881	2,617,882	1.72%	(60,236)	(293,845)	-79.50%
Community service	5,397,076	3,985,471	35.42%	1,486	39,888	-96.27%
Interest and fiscal charges on long-term liabilities	526,963	445,009	18.42%	526,963	445,009	18.42%
Total	\$ 73,545,358	\$ 68,318,785	7.65%	\$ 34,119,025	\$ 30,577,865	11.58%

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$18,450,539. The Construction fund contributed to \$2,358,884 of that amount.

Independent School District No. 656 Management's Discussion and Analysis

General Fund

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

The majority of General Fund revenue is generated by state general education aid. The basic formula allowance in 2025 was \$7,281 per pupil unit (PU). Other factors that influence the general education aid formula include operating referendum allowance, age of school buildings, transportation sparsity index, percent of eligible free and reduced students, number of English Learner (EL) students, number of Gifted and Talented students, and number of open enrolled students in and out of the District. Total general education aid was \$33,429,678, which represents 51.3% of total General Fund revenue. The other major General Fund revenue is state special education aid. Total special education aid in 2025 was \$13,060,910, or 20% of total General Fund revenue. Other state formulas then determine what portion of the general fund revenue will be provided by property taxes. Property taxes totaled \$9,977,929, or 15.3% of total General Fund revenue. Federal grants totaled \$3,077,620, or 4.7% of total General Fund Revenue. After factoring in general education aid, special education aid and property taxes, which are all formula driven, and Federal grants, only 8.7% of General Fund revenues are generated by other miscellaneous state aids and local revenues such as fees or sales.

General Fund - Revenues/Expenditures

The table below presents a summary of General Fund Revenues:

Table A-5
General Fund Revenues

Fund	Year Ended		Change	
	June 30,		Increase	
	2025	2024	(Decrease)	Percent
Local sources				
Property taxes	\$ 9,977,929	\$ 9,391,155	\$ 586,774	6.25%
Investment earnings	643,800	569,416	74,384	13.06%
Other	1,749,594	1,854,661	(105,067)	-5.67%
State sources	49,762,201	47,295,774	2,466,427	5.21%
Federal sources	3,077,620	6,139,757	(3,062,137)	-49.87%
Total	<u>\$ 65,211,144</u>	<u>\$ 65,250,763</u>	<u>\$ (39,619)</u>	<u>-0.06%</u>

Revenues from the General Fund totaled \$65,211,144, which is a slight decrease from the prior year. Property taxes increased in the general fund mainly due to increased property value and decreased equalization aid from the state of Minnesota, resulting in a greater property tax burden on the local taxpayers. State sources increased due to an increase in Special Education funding from the state coming from legislative changes in the 2023 session as well as English Learner aid. Compensatory funding was increased due to changes in how the formula is calculated. Federal sources decreased as a result of the final spending of COVID funding and a large literacy grant.

**Independent School District No. 656
Management's Discussion and Analysis**

General Fund - Revenues/Expenditures (Continued)

The following schedule presents a summary of General Fund Expenditures:

**Table A-6
General Fund Expenditures**

	Year Ended June 30,		Change	
	2025	2024	Increase (Decrease)	Percent
Salaries	\$ 34,940,944	\$ 34,805,219	\$ 135,725	0.39%
Employee benefits	13,382,689	12,738,057	644,632	5.06%
Purchased services	10,827,743	10,045,303	782,440	7.79%
Supplies and materials	2,505,646	2,398,218	107,428	4.48%
Capital expenditures	1,259,436	1,256,263	3,173	0.25%
Debt service	742,365	814,996	(72,631)	-8.91%
Other expenditures	375,772	388,826	(13,054)	-3.36%
Total	\$ 64,034,595	\$ 62,446,882	\$ 1,587,713	2.54%

Total General Fund expenditures increased 2.54% from the prior year. Salary and benefit expenses increased by 1.6% combined. Purchased services increased as a result of our District's transportation costs. Supplies and materials increased. Capital expenditures remained almost the same as the prior year.

Total General Fund balance increased \$1,224,431. Unassigned General Fund balance decreased by \$118,802.

Fund balance is the single best measure of overall financial health. It is the goal of the Faribault Board of Education to maintain an unassigned fund balance of 9.5% of general fund operating expenditures. For the fiscal year ended June 30, 2025, the Faribault School District is in compliance with that fund balance goal.

General Fund Budgetary Highlights

Actual revenues and other financing sources were \$1,438,844 more than the final budget, a 2.3% variance. Expenditures and other financing uses were \$451,838 less than budget, a 0.7% variance.

**Independent School District No. 656
Management's Discussion and Analysis**

General Fund - Revenues/Expenditures (Continued)

General Fund Budgetary Highlights (Continued)

The General Fund budget is adjusted throughout the year for changes in enrollment, changes in other state aids, changes in grants awarded, and expenditure changes such as staffing costs, transportation, utilities and capital expenditures. In fiscal year 2025, revenue was adjusted for Title adjustments, Read Act funding, and additional grant awards. As for expenditures, the budget was increased throughout the year for changes in staffing and benefit assumptions, however, the District does not reduce the existing budgeted salaries and benefits when the positions are ongoing. Additional increases were in utility rates and capital purchases for the second half of the year.

Food Service Fund

The Food Service Fund balance decreased by \$188,478 for an ending fund balance of \$1,930,559. An effective food service operation as well as limited allowances of Food Service reserves for various Food Service expenses (such as remodeling) led to the year end result. The USDA increased the net cash surplus allowance to six months. Our current fund balance is well above that limit. We continue to spend down the fund balance while abiding by allowable expenses in this fund.

Community Service Fund

The Community Service Fund balance increased by \$274,460 for the combined restricted fund balances. New grant opportunities and intentional cost control measures were implemented to ensure growth in this fund.

Building Construction Fund

The Building Construction Fund issued General Obligation Bonds in 2024 to use for Long-Term Facility Maintenance projects specifically for HVAC needs in almost all sites. These bonds are liquidated from the Debt Service Fund. The restricted Fund Balance is \$2,358,884. This is a decrease of \$4,749,858 from the previous year.

Debt Service Fund

The Debt Service Fund revenues exceeded expenditures and other financing sources by \$32,913. The increase is the result of collecting 105% of expected debt service payments through taxes and levies, and the timing of the related prior year adjustments.

Capital Assets and Debt Administration

Capital Assets

By the end of 2025, the District had invested approximately \$121 million in a broad range of capital assets, including school buildings, athletic facilities and fields, computers, and other technology equipment. (More detailed information about capital assets can be found in Note 3 of the financial statements.) Total depreciation expense for the year was roughly \$3.1 million. Due to the multiple HVAC projects put in place, the Construction in Progress is substantially larger than the previous year.

**Independent School District No. 656
Management's Discussion and Analysis**

Capital Assets and Debt Administration

Capital Assets (Continued)

**Table A-7
Capital Assets (Net of Accumulated Depreciation)**

	2025	2024	Percentage Change
Land	\$ 1,913,554	\$ 1,913,554	0.00%
Construction on progress	9,729,800	5,261,757	84.92%
Land improvements	4,822,455	5,089,374	-5.24%
Buildings	40,027,623	41,163,928	-2.76%
Equipment	3,386,200	2,741,649	23.51%
Leased equipment	91,664	152,773	-40.00%
Subscription assets	17,313	46,553	-62.81%
Total	<u>\$ 59,988,609</u>	<u>\$ 56,369,588</u>	<u>6.42%</u>

Long-Term Liabilities

At year-end, the District had \$18,805,050 in total long-term debt. See Table A-8. Included in this total is the recently added General Obligation bonds. The District has \$3,662,309 in compensated absence liabilities. (More detailed information about long-term liabilities can be found in Note 4 of the financial statements.)

**Table A-8
Long-Term Liabilities**

	Total Cost of Services 2025	2024	Percentage Change
General obligation bonds	\$ 10,065,000	\$ 11,945,000	-15.74%
Premium	728,909	897,314	-18.77%
Certificates of Participation	3,215,000	3,375,000	-4.74%
Finance Purchase from Direct Borrowing	1,058,092	1,443,151	-26.68%
Subscription Liability	-	4,728	N/A
Lease Liability	75,740	142,436	-46.83%
Compensated absences payable	3,662,309	1,434,547	155.29%
Total	<u>\$ 18,805,050</u>	<u>\$ 19,242,176</u>	<u>-2.27%</u>

Factors Bearing on the District's Future

The District is dependent on the State of Minnesota for its revenue authority. The 2025 legislative session provided 2.0% on the state aid formula which resulted in additional state aid to the District. Unfortunately, these statutory formula increases are insufficient to meet our instructional needs and increased costs due to inflation.

Independent School District No. 656 Management's Discussion and Analysis

Factors Bearing on the District's Future (Continued)

Enrollment is closely monitored, and projections are done using several models. Faribault Public School anticipates an increase in the number of students served for FY26. However, projections then show declining enrollments which significantly impacts our state and federal revenue streams. In light of declining enrollment, budget adjustments will continue to be made to operate a balanced budget.

The District is in a solid financial position. Through continued use of enrollment and financial projection models, we will continue to make data-driven decisions to ensure ongoing fiscal health.

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 Director of Finance and Operations Services, Independent School District 656, 710 17th Street SW, Faribault, Minnesota, 55021.

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BASIC FINANCIAL STATEMENTS

Independent School District No. 656
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and investments	\$ 23,002,681
Current property taxes receivable	5,821,768
Delinquent property taxes receivable	68,733
Accounts receivable	252,659
Interest receivable	88,259
Due from Department of Education	5,956,715
Due from Federal Government through Department of Education	1,611,067
Due from other Minnesota school districts	493,297
Due from other governmental units	534,511
Prepaid items	394,206
Capital assets	
Capital assets not being depreciated/amortized	
Land	1,913,554
Construction in progress	9,729,800
Capital assets being depreciated/amortized (net of depreciation)	
Land improvements	4,822,455
Buildings	40,027,623
Equipment	3,386,200
Leased equipment	91,664
Subscription assets	17,313
Total assets	<u>98,212,505</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	8,141,731
Deferred outflows of resources related to other post employment benefits	346,355
Total deferred outflows of resources	<u>8,488,086</u>
Total assets and deferred outflows of resources	<u>\$ 106,700,591</u>
Liabilities	
Accounts payable	\$ 1,074,616
Salaries and benefits payable	5,329,936
Interest payable	272,442
Due to other Minnesota school districts	926,035
Due to other governmental units	61,103
Unearned revenue	11,359
Bond principal payable, net of premiums	
Payable within one year	1,895,000
Payable after one year	8,898,909
Certificate of Participation	
Payable within one year	165,000
Payable after one year	3,050,000
Lease liability	
Payable within one year	72,956
Payable after one year	2,784
Finance purchases from direct borrowing	
Payable within one year	290,636
Payable after one year	767,456
Compensated absences payable	
Payable within one year	398,351
Payable after one year	3,263,958
Net other post employment benefit (OPEB) liability	
Payable within one year	355,826
Payable after one year	2,473,246
Net pension liability	29,384,123
Total liabilities	<u>58,693,736</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	11,599,660
Deferred inflows of resources related to OPEB	991,305
Deferred inflows of resources related to pensions	10,192,080
Total deferred inflows of resources	<u>22,783,045</u>
Net Position	
Net investment in capital assets	47,282,453
Restricted	
Debt service	344,305
Other purposes	5,946,873
Unrestricted	(28,349,821)
Total net position	<u>25,223,810</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 106,700,591</u>

Independent School District 656
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Administration	\$ 2,404,569	\$ -	\$ -	\$ -	\$ (2,404,569)
District support services	1,844,265	36	75,898	-	(1,768,331)
Elementary and secondary regular instruction	23,525,154	293,902	13,735,876	54,447	(9,440,929)
Vocational education instruction	602,203	-	-	-	(602,203)
Special education instruction	16,363,357	692,221	14,100,502	-	(1,570,634)
Instructional support services	5,101,541	396	1,400,760	-	(3,700,385)
Pupil support services	7,162,130	1,665	404,117	-	(6,756,348)
Sites and buildings	7,617,557	288,603	-	259,203	(7,069,751)
Fiscal and other fixed cost programs	337,662	-	-	-	(337,662)
Food service	2,662,881	224,275	2,498,842	-	60,236
Community education and services	5,397,076	1,443,616	3,951,974	-	(1,486)
Interest and fiscal charges on long-term debt	526,963	-	-	-	(526,963)
Total governmental activities	<u>\$ 73,545,358</u>	<u>\$ 2,944,714</u>	<u>\$ 36,167,969</u>	<u>\$ 313,650</u>	(34,119,025)
General revenues					
Taxes					
Property taxes, levied for general purposes					9,985,818
Property taxes, levied for community service					437,276
Property taxes, levied for debt service					1,931,257
State aid-formula grants					24,621,549
Other general revenues					31,377
Investment income					1,004,254
Total general revenues					<u>38,011,531</u>
Change in net position					3,892,506
Net position - beginning, as previously stated					23,358,244
Change in accounting principle (Note 12)					(2,026,940)
Net position - beginning, as restated					<u>21,331,304</u>
Net position - ending					<u>\$ 25,223,810</u>

Independent School District No. 656
Balance Sheet - Governmental Funds
June 30, 2025

	General	Debt Service	Building Construction	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 15,016,469	\$ 1,544,656	\$ 2,718,649	\$ 2,847,121	\$ 22,126,895
Current property taxes receivable	4,554,306	1,063,248	-	204,214	5,821,768
Delinquent property taxes receivable	52,912	13,308	-	2,513	68,733
Accounts receivable	97,809	-	-	154,850	252,659
Interest receivable	88,259	-	-	-	88,259
Due from Department of Education	5,759,652	40,936	-	156,127	5,956,715
Due from Federal Government through Department of Education	1,178,145	-	-	432,922	1,611,067
Due from other Minnesota school districts	407,111	-	-	86,186	493,297
Due from other governmental units	104,852	-	-	429,659	534,511
Prepaid items	394,206	-	-	-	394,206
Total assets	\$ 27,653,721	\$ 2,662,148	\$ 2,718,649	\$ 4,313,592	\$ 37,348,110
Liabilities					
Accounts payable	\$ 322,942	\$ -	\$ 359,765	\$ 218,038	\$ 900,745
Salaries and benefits payable	5,060,105	-	-	269,831	5,329,936
Due to other Minnesota school districts	926,035	-	-	-	926,035
Due to other governmental units	61,103	-	-	-	61,103
Unearned revenue	-	-	-	11,359	11,359
Total liabilities	6,370,185	-	359,765	499,228	7,229,178
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	52,912	13,308	-	2,513	68,733
Property taxes levied for subsequent year's expenditures	9,117,329	2,045,401	-	436,930	11,599,660
Total deferred inflows of resources	9,170,241	2,058,709	-	439,443	11,668,393
Fund Balances					
Nonspendable	713,033	-	-	-	713,033
Restricted	2,569,439	603,439	2,358,884	3,374,921	8,906,683
Unassigned	8,830,823	-	-	-	8,830,823
Total fund balances	12,113,295	603,439	2,358,884	3,374,921	18,450,539
Total liabilities, deferred inflows of resources, and fund balances	\$ 27,653,721	\$ 2,662,148	\$ 2,718,649	\$ 4,313,592	\$ 37,348,110

Independent School District No. 656
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2025

Total fund balances - governmental funds	\$ 18,450,539
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	121,090,214
Less accumulated depreciation/amortization	(61,101,605)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable, net of premiums	(10,793,909)
Certificate of participation	(3,215,000)
Lease liability	(75,740)
Finance purchase from direct borrowing	(1,058,092)
Compensated absences payable	(3,662,309)
Net OPEB liability	(2,829,072)
Net pension liability	(29,384,123)
Deferred outflows of resources and deferred inflows of resources are created as a result of differences in timing and estimates related to pension and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	8,141,731
Deferred inflows of resources related to pensions	(10,192,080)
Deferred outflows of resources related to OPEB	346,355
Deferred inflows of resources related to OPEB	(991,305)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
	68,733
The Health Internal Service Fund is used by management to charge the cost of the self-insured plan. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position and interfund activity is removed.	
	701,915
Governmental funds do not report a liability for accrued interest on bonds and other long-term debt until due and payable.	
	(272,442)
Total net position - governmental activities	<u>\$ 25,223,810</u>

Independent School District No. 656
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2025

	General	Debt Service	Building Construction	Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 9,977,929	\$ 1,930,804	\$ -	\$ 437,013	\$ 12,345,746
Other local and county revenues	2,381,877	25,304	286,758	2,918,042	5,611,981
Revenue from state sources	49,762,201	510,088	-	1,833,227	52,105,516
Revenue from federal sources	3,077,620	-	-	3,319,062	6,396,682
Sales and other conversion of assets	11,517	-	-	96,768	108,285
Total revenues	<u>65,211,144</u>	<u>2,466,196</u>	<u>286,758</u>	<u>8,604,112</u>	<u>76,568,210</u>
Expenditures					
Current					
Administration	2,408,281	-	-	-	2,408,281
District support services	1,822,829	-	-	-	1,822,829
Elementary and secondary regular instruction	23,319,209	-	-	-	23,319,209
Vocational education instruction	608,058	-	-	-	608,058
Special education instruction	16,362,078	-	-	-	16,362,078
Instructional support services	5,069,550	-	-	1,729	5,071,279
Pupil support services	6,996,416	-	-	116,360	7,112,776
Sites and buildings	5,119,141	-	293,541	-	5,412,682
Fiscal and other fixed cost programs	327,234	-	-	-	327,234
Food service	-	-	-	2,489,666	2,489,666
Community education and services	-	-	-	5,423,359	5,423,359
Capital outlay					
Administration	4,198	-	-	-	4,198
District support services	46,439	-	-	-	46,439
Elementary and secondary regular instruction	169,853	-	-	-	169,853
Vocational education instruction	12,388	-	-	-	12,388
Special education instruction	48,724	-	-	-	48,724
Instructional support services	524,270	-	-	-	524,270
Pupil support services	53,491	-	-	-	53,491
Sites and buildings	400,071	-	4,743,075	-	5,143,146
Food service	-	-	-	458,729	458,729
Community education and services	-	-	-	28,654	28,654
Debt service					
Principal	616,484	1,880,000	-	-	2,496,484
Interest and fiscal charges	125,881	553,283	-	-	679,164
Total expenditures	<u>64,034,595</u>	<u>2,433,283</u>	<u>5,036,616</u>	<u>8,518,497</u>	<u>80,022,991</u>
Excess of revenues over (under) expenditures	1,176,549	32,913	(4,749,858)	85,615	(3,454,781)
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	46,100	-	-	-	46,100
Insurance proceeds	2,149	-	-	-	2,149
Transfers in	-	-	-	367	367
Transfers out	(367)	-	-	-	(367)
Total other financing sources (uses)	<u>47,882</u>	<u>-</u>	<u>-</u>	<u>367</u>	<u>48,249</u>
Net change in fund balances	1,224,431	32,913	(4,749,858)	85,982	(3,406,532)
Fund Balances					
Beginning of year	10,888,864	570,526	7,108,742	3,288,939	21,857,071
End of year	<u>\$ 12,113,295</u>	<u>\$ 603,439</u>	<u>\$ 2,358,884</u>	<u>\$ 3,374,921</u>	<u>\$ 18,450,539</u>

Independent School District No. 656
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2025

Net change in fund balances - total governmental funds \$ (3,406,532)

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

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

Capital outlays	6,795,083
Depreciation/amortization expense	(3,083,936)
Disposal of capital assets	(92,126)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(200,822)
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Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pension on a full accrual perspective.	1,354,196
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Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to OPEB on a full accrual perspective.	141,950
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Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	2,496,483
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus, requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(16,203)
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Governmental funds report bond premiums as an other financing source at the time of issuance. Premiums are reported as a liability in the government-wide financial statements and amortized over the life of the bond.	168,405
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The self-insured Health Internal Service Fund is used by management to charge the cost of the self-insured plan. The change in net position is reported within the governmental activities in the Statement of Activities.	(272,597)
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Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	8,605
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Change in net position - governmental activities	\$ 3,892,506
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Independent School District No. 656
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
Revenues				
Local property taxes	\$ 9,736,634	\$ 9,736,634	\$ 9,977,929	\$ 241,295
Other local and county revenues	1,682,358	1,852,881	2,381,877	528,996
Revenue from state sources	48,282,303	48,490,851	49,762,201	1,271,350
Revenue from federal sources	2,491,819	3,634,975	3,077,620	(557,355)
Sales and other conversion of assets	5,900	5,208	11,517	6,309
Total revenues	62,199,014	63,720,549	65,211,144	1,490,595
Expenditures				
Current				
Administration	2,362,574	2,387,441	2,408,281	20,840
District support services	1,798,608	1,850,172	1,822,829	(27,343)
Elementary and secondary regular instruction	23,480,015	24,360,649	23,319,209	(1,041,440)
Vocational education instruction	782,289	742,591	608,058	(134,533)
Special education instruction	15,240,767	15,692,201	16,362,078	669,877
Instructional support services	5,046,588	5,177,467	5,069,550	(107,917)
Pupil support services	6,746,542	6,752,230	6,996,416	244,186
Sites and buildings	5,200,369	5,252,412	5,119,141	(133,271)
Fiscal and other fixed cost programs	315,000	315,000	327,234	12,234
Capital outlay				
Administration	11,000	12,930	4,198	(8,732)
District support services	31,498	32,468	46,439	13,971
Elementary and secondary regular instruction	154,180	188,695	169,853	(18,842)
Vocational education instruction	-	12,280	12,388	108
Special education instruction	46,500	65,000	48,724	(16,276)
Instructional support services	470,254	538,528	524,270	(14,258)
Pupil support services	313	51,819	53,491	1,672
Sites and buildings	150,500	317,500	400,071	82,571
Debt service				
Principal	611,780	611,780	616,484	4,704
Interest and fiscal charges	125,637	125,637	125,881	244
Total expenditures	62,574,414	64,486,800	64,034,595	(452,205)
Excess of revenues over (under) expenditures	(375,400)	(766,251)	1,176,549	1,942,800
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	100,000	100,000	46,100	(53,900)
Insurance proceeds	-	-	2,149	2,149
Transfers out	-	-	(367)	(367)
Total other financing sources (uses)	100,000	100,000	47,882	(52,118)
Net change in fund balances	\$ (275,400)	\$ (666,251)	1,224,431	\$ 1,890,682
Fund Balances				
Beginning of year			10,888,864	
End of year			\$ 12,113,295	

See notes to basic financial statements

Independent School District No. 656
Statement of Net Position - Proprietary Funds
As of June 30, 2025

	Governmental Activities - Health Insurance Internal Service Fund
Assets	
Current	
Cash and cash equivalents	<u>\$ 875,786</u>
Liabilities	
Current	
Incurred but not reported claims	<u>\$ 173,871</u>
Net Position	
Unrestricted	<u>701,915</u>
Total liabilities and net position	<u>\$ 875,786</u>

Independent School District No. 656
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2025

	Governmental Activities - Health Insurance Internal Service Fund
Operating Revenue	
Charges for services	<u>\$ 3,049,367</u>
Operating Expenses	
Insurance	<u>3,321,964</u>
Operating income	(272,597)
Net Position	
Beginning of year	<u>974,512</u>
End of year	<u><u>\$ 701,915</u></u>

Independent School District No. 656
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2025

	Governmental Activities - Internal Service Funds
Cash Flows - Operating Activities	
Receipts from District contributions	\$ 3,049,367
Employee claims paid	(3,316,328)
Net cash flows - operating activities	<u>(266,961)</u>
Cash and Cash Equivalents	
Beginning of year	<u>1,142,747</u>
End of year	<u><u>\$ 875,786</u></u>
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	\$ (272,597)
Adjustments to reconcile operating income to net cash flows - operating activities	
Incurred but not reported claims	<u>5,636</u>
Net cash flows - operating activities	<u><u>\$ (266,961)</u></u>

Independent School District No. 656
Statement of Fiduciary Net Position
June 30, 2025

	OPEB Trust Fund
Assets	
Current	
Investments	
Brokered money markets	\$ 3,719
Mutual funds	<u>2,637,002</u>
Total assets	<u>\$ 2,640,721</u>
Liabilities	
Accounts payable	<u>\$ 123,670</u>
Net Position	
Held in Trust for OPEB	<u><u>\$ 2,517,051</u></u>

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

	OPEB Trust Fund
Additions	
Investment income	<u>\$ 257,881</u>
Deductions	
Health insurance benefits	118,599
Administration fees	17,485
Total deductions	<u>136,084</u>
Change in net position	121,797
Net Position Held in Trust for OPEB	
Beginning of year	<u>2,395,254</u>
End of year	<u><u>\$ 2,517,051</u></u>

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

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

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

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

**Independent School District No. 656
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

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

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

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

Description of Funds:

Major Funds:

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

**Independent School District No. 656
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Major Funds: (Continued)

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

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

Nonmajor Funds:

Food Service Special Revenue Fund - This fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this fund to specifically support the Food Service Program.

Community Service Special Revenue Fund - This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services. The District receipts property tax and local and state revenues that were received for these specific purposes in this fund.

Proprietary Fund:

Health Insurance Internal Service Fund - This fund is used to account for self-insured employee health costs and related stop loss insurance.

Fiduciary Fund:

OPEB Trust Fund - This fund is used to account for financial resources held by the District in a trustee capacity in an irrevocable trust to be used by the District to pay OPEB benefits to employees.

D. Deposits and Investments

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

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

The District's total cash and investments are comprised of two major components, each with its own set of legal and contractual provisions as described below.

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

1. District Funds Other than OPEB Trust Fund

Cash and investments at June 30, 2025, were comprised of deposits and investments as presented in Note 2. In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust shares are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust. Investments in the MSDLAF + Max must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. Nonpooled investments related to bond proceeds from the 2024 A Facility Maintenance Bonds.

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

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

2. OPEB Trust Fund

These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2025, they were comprised of brokered money markets and mutual funds. The District's investment policy extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock, and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

E. Property Tax Receivable

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

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures

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

G. Prepaid Items

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

H. Property Taxes

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

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

I. Capital Assets

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

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Group purchases for technology, furniture or other equipment that is purchased as a per quantity that otherwise may be below the individual item threshold, the total threshold in \$25,000. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

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

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 3 to 15 years for equipment.

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

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

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

The District recorded right-to-use lease assets as a result of implementing GASB Statement No. 87, Leases. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

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

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District uses the interest rate of credit line at the District's bank. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

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

K. Subscription-Based Information Technology Arrangements

The District recorded right-to-use subscription assets as a result of implementing GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription assets are initially measured at the present value at the time of inception. The right-to-use assets are amortized on a straight-line basis over the life of the related subscription.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District uses the interest rate of credit line at the District's bank. The subscription term includes the noncancellable period of the subscription.

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate basic 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/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions and OPEB are recorded for various estimate differences that will be amortized and recognized over future years.

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

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

M. Long-Term Obligations

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

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

N. Compensated Absences

The District compensates substantially all full-time classified employees for vacation benefits at various rates based on length of service. The expenditures for vacation pay are recognized when payment is made.

Substantially all District employees are entitled to sick leave at various rates for each month of full-time service. The District pays clerical, custodial, and educational assistants for one quarter (1/4) of unused sick leave earned, above the maximum accumulation, during the contract year. The District also pays paraprofessionals for one quarter (1/4) of unused paid absence leave earned, above the maximum accumulation during the contract year. The District makes this payment during the month of July each year.

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences (Continued)

Compensated absences payable also includes severance and early retirement incentives that are calculated based on unused sick leave days. The District maintains various severance payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. For substantially all employees, early retirement incentive benefits are eliminated if retirement occurs at the normal retirement age of 65 as specified in their contracts. In addition, certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions.

The District has recorded a liability for accrued convertible sick leave based on the sick leave accumulated at June 30, 2024, by employees currently eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. Under this "vesting method", accruals for those employees expected to become eligible in the future are based on assumptions concerning the probability that the employees will become eligible to receive termination payments (vest) at some point in the future. The District's policy is to record a liability for the teachers lump sum payment for those individuals that are eligible to receive the payments.

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

O. Pensions

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

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

P. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balances** - These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include amounts set aside for inventory and prepaid items.
- **Restricted Fund Balances** - These amounts are subject to externally enforceable legal restrictions by either a) creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balances** - These amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action.
- **Assigned Fund Balances** - Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances. The School Board delegates the Superintendent and the Director of Finance and Operations the power to assign balances for specific purposes.
- **Unassigned Fund Balances** - These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The District has a minimum fund balance policy, which identifies a minimum unassigned General Fund balance of 9.5% of the annual budgeted expenditures excluding Long Term Facilities Maintenance and Student Activity Account expenditures.

R. Net Position

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

S. Use of Estimates

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

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Budgetary Information

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

1. District Funds Other than OPEB Trust Fund

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

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows *Minnesota Statutes* for deposits, which requires that a district's deposits to be collateralized as required by *Minnesota Statutes* § 118A.03 for any amount exceeding Federal Deposit Insurance Corporation (FDIC), SAIF, BIF, FCUA, or other federal deposit coverage.

As of June 30, 2025, the District's bank balances were not exposed to custodial credit risk because they were fully insured through FDIC and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

As of June 30, 2025, the District's funds other than OPEB Trust Fund had the following deposits:

Checking - pooled	\$ 188,125
Savings - pooled	1,135,956
Certificate of deposits - pooled	3,434,915
Certificate of deposits - facilities maintenance - non-pooled	698,650
	<hr/>
Total	\$ 5,457,646
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Independent School District No. 656
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

As of June 30, 2025, the District's funds other than OPEB Trust Fund had the following investments:

Investment Type	Maturities		1-2 Years	Fair Value
	Rating	Less than 1 Year		
Mutual funds	NR	\$ 27	\$ -	\$ 27
US Treasury securities	AA+	-	991,591	991,591
MNTrust LTD	NR	1,603,092	-	1,603,092
MSDLAF	AAA	1,336,164	-	1,336,164
MSDLAF MAX	AAA	175,181	-	175,181
MNTrust Investment Shares Portfolio	AAA	7,084,353	-	7,084,353
MNTrust Investment Shares Portfolio - non-pooled for bond proceeds	AAA	3,362,879	-	3,362,879
MNTrust Term Series	AAA	-	2,500,000	2,500,000
Certificates of Deposit	NR	-	489,342	489,342
Total investments		<u>\$ 13,561,696</u>	<u>\$ 3,980,933</u>	<u>\$ 17,542,629</u>

Interest Rate Risk: This is the risk related to managing exposure to fair value arising from increasing interest rates. The District's investment policy addresses permissible investments, portfolio diversification, and instrument maturities. Investment maturities are scheduled to coincide with projected school district cash flow needs. Within these parameters, it is the District's policy to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses arising from rising interest rates. The weighted average maturity of the mutual fund investment is 30 days.

Credit Risk: This risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. As of June 30, 2025, the District's investments were rated as disclosed in the table above. Those with an 'NR' rating are investments that are not rated.

Concentration of Credit Risk: This relates to the limit on the amount the District may invest in any one issuer. The District's policy states the District should diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

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

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

1. OPEB Trust Fund

As of June 30, 2025, the District's OPEB Trust Fund had the following investments:

Investment Type	Maturities	
	Less than 1 Year	Total
Money Market	\$ 3,719	\$ 3,719
Mutual funds	2,637,002	2,637,002
Total investments	<u>\$ 2,640,721</u>	<u>\$ 2,640,721</u>

Credit Risk: As of June 30, 2025, the District's OPEB Trust Fund investments in the brokered money markets and mutual funds were unrated.

- \$2,640,749 of investments are valued using a quoted market price (Level 1 inputs).
- \$1,480,933 of investments are valued using a matrix pricing model (Level 2 inputs).

C. Deposits and Investments

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

District Funds Other than OPEB Trust Fund

Petty cash	\$ 2,406
Deposits - pooled (Note 2.A.)	4,758,996
Deposits - non-pooled (Note 2.A.)	698,650
Investments - pooled (Note 2.B.)	14,179,750
Investments - non-pooled (Note 2.B.)	3,362,879
OPEB Trust Fund	
Investments non-pooled (Note 2.B.)	<u>2,640,721</u>
Total deposits and investments	<u>\$ 25,643,402</u>

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

Statement of Net Position	
Cash and investments	\$ 23,002,681
Statement of Fiduciary Net Position	
Investments	<u>2,640,721</u>
Total deposits and investments	<u>\$ 25,643,402</u>

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,913,554	\$ -	\$ -	\$ 1,913,554
Construction in progress	5,261,757	5,450,272	982,229	9,729,800
Total capital assets not being depreciated	<u>7,175,311</u>	<u>5,450,272</u>	<u>982,229</u>	<u>11,643,354</u>
Capital assets being depreciated/amortized				
Land improvements	10,779,889	209,840	-	10,989,729
Buildings and improvements	88,335,263	968,830	-	89,304,093
Leased equipment	305,546	-	-	305,546
Subscription asset	105,878	-	-	105,878
Equipment	7,785,963	1,148,370	192,719	8,741,614
Total capital assets being depreciated/ amortized	<u>107,312,539</u>	<u>2,327,040</u>	<u>192,719</u>	<u>109,446,860</u>
Less accumulated depreciation/amortization for				
Land improvements	5,690,515	476,759	-	6,167,274
Buildings and improvements	47,171,335	2,105,135	-	49,276,470
Leased equipment	152,773	61,109	-	213,882
Subscription asset	59,325	29,240	-	88,565
Equipment	5,044,314	411,693	100,593	5,355,414
Total accumulated depreciation/amortization	<u>58,118,262</u>	<u>3,083,936</u>	<u>100,593</u>	<u>61,101,605</u>
Total capital assets being depreciated/amortized, net	<u>49,194,277</u>	<u>(756,896)</u>	<u>92,126</u>	<u>48,345,255</u>
Governmental activities, capital assets, net	<u>\$ 56,369,588</u>	<u>\$ 4,693,376</u>	<u>\$ 1,074,355</u>	<u>\$ 59,988,609</u>

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 3 - CAPITAL ASSETS (CONTINUED)

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

Administration	\$ 5,194
District Support Services	543
Elementary and Secondary Regular Instruction	185,949
Vocational Education	11,639
Special Education	1,816
Instructional Support Services	173,186
Pupil Support Services	54,198
Sites and Buildings	2,611,709
Food Service	36,594
Community Service	<u>3,108</u>
Total depreciation/amortization expense	<u><u>\$ 3,083,936</u></u>

NOTE 4 - LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. Bonds, including						
Refunding Bonds						
2019A Tax Abatement						
Bonds	04/17/19	3.00%	\$ 1,845,000	02/01/30	\$ 995,000	\$ 185,000
2024A Facilities Maintenance						
Bonds	02/15/24	5.00%	10,770,000	02/01/30	<u>9,070,000</u>	<u>1,710,000</u>
Total G.O. bonds					10,065,000	1,895,000
Certificates of Participation						
2020A Certificate of						
Participation	12/17/20	3.00%	3,820,000	10/01/40	3,215,000	165,000
Unamortized bond premium					728,909	-
Lease Liability					75,740	72,956
Financed purchase from						
direct borrowing					1,058,092	290,636
Compensated absences					<u>3,662,309</u>	<u>398,351</u>
Total all long-term					<u><u>\$ 18,805,050</u></u>	<u><u>\$ 2,821,943</u></u>
liabilities						

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 4 - LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities, parking lot repairs and improvements, computers, and LED lighting. G.O. bonds are liquidated from the Debt Service Fund while certificates of participation, subscriptions, and leases are liquidated from the General Fund. Other long-term liabilities, such as compensated absences, OPEB and pensions are typically liquidated through the General Fund.

B. Minimum Debt Payments for Bonds and Certificate of Participation

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

Year Ended June 30,	G.O. Bonds		
	Principal	Interest	Total
2026	\$ 1,895,000	\$ 483,350	\$ 2,378,350
2027	2,010,000	392,300	2,402,300
2028	2,195,000	295,700	2,490,700
2029	2,295,000	189,950	2,484,950
2030	1,670,000	79,300	1,749,300
Total	<u>\$ 10,065,000</u>	<u>\$ 1,440,600</u>	<u>\$ 11,505,600</u>

Year Ended June 30,	Certificates of Participation		
	Principal	Interest	Total
2026	\$ 165,000	\$ 68,775	\$ 233,775
2027	170,000	63,750	233,750
2028	175,000	58,575	233,575
2029	185,000	53,175	238,175
2030	190,000	48,500	238,500
2031-2035	995,000	184,050	1,179,050
2036-2040	1,100,000	79,500	1,179,500
2041	235,000	2,350	237,350
Total	<u>\$ 3,215,000</u>	<u>\$ 558,675</u>	<u>\$ 3,773,675</u>

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 4 - LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Change in Accounting Principle	Additions	Reductions	Ending Balance
Long-Term Liabilities					
G.O. Bonds	\$ 11,945,000	\$ -	\$ -	\$ 1,880,000	\$ 10,065,000
Unamortized bond premium	897,314	-	-	168,405	728,909
Certificates of participation	3,375,000	-	-	160,000	3,215,000
Lease liability	142,436	-	-	66,696	75,740
Subscription liability	4,728	-	-	4,728	-
Finance purchase from direct borrowing	1,443,151	-	-	385,059	1,058,092
Compensated absences	1,434,547	2,026,940	200,822	-	3,662,309
Total long-term liabilities	<u>\$ 19,242,176</u>	<u>\$ 2,026,940</u>	<u>\$ 200,822</u>	<u>\$ 2,664,888</u>	<u>\$ 18,805,050</u>

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

D. Finance Purchases from Direct Borrowing

On June 18, 2015, the District entered into \$2,062,000 Lease Purchase Financing 2015A and \$1,842,200 Lease Purchase Financing 2015B. The proceeds of this debt were used to help fund the construction of the new district office and adult basic education building project. This debt has interest rates ranging from 2.64% to 3.22% and is due in varying semi-annual installments each February 1 and August 1 through August 1, 2030. The District will use General Fund levies and operating capital revenues in future years to retire this debt.

On October 22, 2020, the District entered into a finance purchase agreement for LED lighting. The finance purchase obligation totaled \$321,590. The finance purchase agreement includes semiannual principal and interest payments of \$20,207 through fiscal year 2027. The individual lights fall below the capitalization threshold and therefore are not capitalized.

Minimum annual principal and interest payments required to retire the finance purchase from direct borrowing are as follows:

Year Ended June 30,	Finance Purchase from Direct Borrowing		
	Principal	Interest	Total
2026	\$ 290,636	\$ 30,583	\$ 321,219
2027	192,316	23,168	215,484
2028	157,811	17,259	175,070
2029	162,934	12,136	175,070
2030	168,222	6,847	175,069
2031	86,173	1,362	87,535
Total	<u>\$ 1,058,092</u>	<u>\$ 91,355</u>	<u>\$ 1,149,447</u>

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 4 - LONG-TERM DEBT (CONTINUED)

E. Lease Liability

The District entered into a lease agreement for copier machines on July 26, 2021. Monthly payments of \$6,401 are due for 60 months, using an annual interest rate of 9.01%. The capital assets related to the copier lease have been capitalized and are being depreciated.

Minimum annual principal and interest payments required to retire the lease liability are as follows:

Year Ended June 30,	Lease Liability		
	Principal	Interest	Total
2026	\$ 72,956	\$ 3,858	\$ 76,814
2027	2,784	21	2,805
Total	<u>\$ 75,740</u>	<u>\$ 3,879</u>	<u>\$ 79,619</u>

F. Subscription Liability

On June 23, 2022, the District entered into a subscription-based information technology arrangement (SBITA) with Goodheart-Willcox Publisher. The arrangement expires on June 30, 2029. The balance was paid at inception of the agreement.

On March 1, 2023, the District entered into a subscription-based information technology arrangement (SBITA) with ParentSquare for Engage 2023 software. The arrangement expires on June 30, 2025. The first payment is not due until Fiscal Year 2024.

On September 14, 2023, the District entered into a subscription-based information technology arrangement (SBITA) with Committee for Children. The arrangement expires on September 14, 2026. The balance was paid at inception of the agreement.

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 5 - 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 purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ended June 30, 2025.

Starting during the year ended June 30, 2021, the District provides a medical program. All funds of the District participate in the program and make payments to the Health Insurance Self-Insurance Internal Service Fund. Based on requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates that it is probable a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. Interfund premiums are charged to user funds as quasi-external transactions. The District has stop loss coverage of \$125,000 for the Health Self-Insurance Internal Service Fund. The total claims liability reported in the Fund at June 30, 2025, was \$173,871 and includes amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability a loss has occurred, and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amounts are as follows:

Year	Beginning Balance	Claims Expense and Estimates	Claims Payments	Ending Balance
2024	\$ 60,324	\$ 2,497,854	\$ 2,389,943	\$ 168,235
2025	168,235	3,185,130	3,179,494	173,871

NOTE 6 - FUND BALANCES/NET POSITION

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

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances

Fund balances are classified below to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Building Construction	Nonmajor Funds	Total
Nonspendable					
Long-Term Receivable	\$ 318,827	\$ -	\$ -	\$ -	\$ 318,827
Prepaid Items	394,206	-	-	-	394,206
Total nonspendable	<u>713,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>713,033</u>
Restricted for					
Student Activities	115,101	-	-	-	115,101
Staff Development	32,751	-	-	-	32,751
Literacy Incentive Aid	4,171	-	-	-	4,171
American Indian Education Aid	33,857	-	-	-	33,857
Operating Capital	569,367	-	-	-	569,367
Area Learning Center	967,929	-	-	-	967,929
Gifted and Talented	28,293	-	-	-	28,293
Basic Skills	263,010	-	-	-	263,010
School Library Aid	72,602	-	-	-	72,602
Safe Schools Levy	72,330	-	-	-	72,330
Literacy Aid	124,094	-	-	-	124,094
Teacher Comp READ Act Training	112,038	-	-	-	112,038
Long-Term Facilities Maintenance	173,896	-	2,358,884	-	2,532,780
Student Support Aid	-	-	-	-	-
Debt Service	-	603,439	-	-	603,439
Community Services	-	-	-	62,211	62,211
Community Education	-	-	-	759,595	759,595
Early Childhood and Family Education	-	-	-	165,157	165,157
School Readiness	-	-	-	248,949	248,949
Adult Basic Education	-	-	-	208,450	208,450
Food Service	-	-	-	1,930,559	1,930,559
Total restricted	<u>2,569,439</u>	<u>603,439</u>	<u>2,358,884</u>	<u>3,374,921</u>	<u>8,906,683</u>
Unassigned for					
General Purposes	<u>8,830,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,830,823</u>
Total fund balance	<u>\$ 12,113,295</u>	<u>\$ 603,439</u>	<u>\$ 2,358,884</u>	<u>\$ 3,374,921</u>	<u>\$ 18,450,539</u>

Nonspendable for Long-Term Receivable - This balance represents a portion of the fund balance that is not available since the amounts have not yet been received by the District.

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

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

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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

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

Restricted/Reserved for American Indian Education Aid - This balance represents resources remaining in the American Indian Education Funds.

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

Restricted/Reserved for Area Learning Center - This balance represents amounts restricted for students attending area learning centers. Each district that sends students to an area learning center must restrict an amount equal to the sum of 1) at least 90 and no more than 100% of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to *Minnesota Statutes* § 126C.10, subd. 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved area learning center, plus (2) the amount of basic skills revenue generated by pupils attending the area learning center. The amount restricted may only be spent on program costs associated with the area learning center.

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

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

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

Restricted/Reserved for Achievement and Integration Revenue - The unspent resources available from the Achievement and Integration program must be restricted in this account for use within the next fiscal year.

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

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

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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

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

Restricted/Reserved for Debt Service - This balance represents the balances of the Debt Service Fund available for future debt principal and interest payments.

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

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

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

Restricted/Reserved for School Readiness - This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* § 124D.16).

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

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

B. Net Position

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2025, was \$2,817,630. The components of pension expense are noted in the following plan summaries.

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

**Independent School District No. 656
Notes to Basic Financial Statements**

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

Teachers' Retirement Association

A. Plan Description

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

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

B. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

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

**Independent School District No. 656
Notes to Basic Financial Statements**

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits

Or

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

Tier II Benefits

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

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

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

C. Contributions

Per *Minnesota Statutes* Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$2,396,140. The District's contributions were equal to the required contributions for each year as set by state statute.

Independent School District No. 656
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

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

Mortality Assumptions

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

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

Independent School District No. 656
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

Changes in actuarial assumptions since the previous valuation:

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

Independent School District No. 656
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

E. Discount Rate

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

F. Net Pension Liability

On June 30, 2025, the District reported a liability of \$25,245,717 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.3973% at the end of the measurement period and 0.3981% for the beginning of the year.

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

District's proportionate share of net pension liability	\$ 25,245,717
State's proportionate share of the net pension liability associated with the District	<u>1,651,322</u>
Total	<u><u>\$ 26,897,039</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$2,349,189. Included in this amount, the District recognized \$90,774 as pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$699,911 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

Independent School District No. 656
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

As of June 30, 2025, the District 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
Differences between expected and actual experience	\$ 1,200,937	\$ 325,918
Net difference between projected and actual earnings on plan investments	-	3,310,221
Changes of assumptions	2,495,312	3,010,620
Changes in proportion	652,702	758,287
Contributions to TRA subsequent to the measurement date	2,396,140	-
	<u>\$ 6,745,091</u>	<u>\$ 7,405,046</u>
Total		

The \$2,396,140 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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

Year Ended June 30,	Pension Expense Amount
2026	\$ (1,450,962)
2027	2,407,470
2028	(1,897,415)
2029	(1,705,753)
2030	(409,435)
	<u>\$ (3,056,095)</u>
Total	

Independent School District No. 656
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

Sensitivity of NPL to Changes in the Discount Rate		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
\$ 44,459,185	\$ 25,245,717	\$ 9,432,577

H. Pension Plan Fiduciary Net Position

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

Independent School District No. 656
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or a age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$791,719. The District's contributions were equal to the required contributions as set by state statute.

Independent School District No. 656
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$4,138,406 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 \$107,011.

School's proportionate share of net pension liability	\$ 4,138,406
State of Minnesota's proportionate share of the net pension liability associated with the School	<u>107,011</u>
Total	<u><u>\$ 4,245,417</u></u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1119% at the end of the measurement period and 0.1106% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$468,441 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$2,869 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedule for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$190,413 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

Independent School District No. 656
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 386,779	\$ -
Changes in actuarial assumptions	19,311	1,552,608
Net difference between projected and actual investment earnings	-	1,225,885
Change in proportion	198,831	8,541
Contributions paid to PERA subsequent to the measurement date	<u>791,719</u>	<u>-</u>
Total	<u><u>\$ 1,396,640</u></u>	<u><u>\$ 2,787,034</u></u>

The \$791,719 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
	<u> </u>
2026	\$ (1,215,667)
2027	(162,603)
2028	(486,662)
2029	<u>(317,181)</u>
Total	<u><u>\$ (2,182,113)</u></u>

Independent School District No. 656
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

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

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

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

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

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

Independent School District No. 656
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

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

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	\$ 9,038,941	\$ 4,138,406	\$ 107,266

I. Pension Plan Fiduciary Net Position

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

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers health insurance and subsidized benefits to eligible employees and their spouses through the District's health insurance plan. Medical coverage is administered by Blue Cross Blue Shield. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

The OPEB plan is included in the report of the District. A separate financial report is not issued.

B. Benefits Provided

Teachers who are at least 55 years of age upon retirement and have been employed by the District for 15 years (or 50 years of age with 20 years of employment in the District) are eligible to remain on the District's medical insurance until becoming eligible for Medicare. The District will contribute \$400 per month until becoming eligible for Medicare.

Certain non-teaching employees who are at least 55 years of age with year of service, depending upon service group, ranging from three years to 15 years or satisfying Rule of 90 are also eligible to remain on the District's medical insurance until becoming eligible for Medicare. The District's contribution ranges, depending upon service group, from \$100 to \$300 per month, or contributing the single premium amount plus \$1,200 to a VEBA, or \$3,125 to an HSA if on a high deductible plan.

C. Members

As of July 1, 2023, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Active employees	530
	<hr/>
Total	558
	<hr/> <hr/>

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2025, the District contributed \$180,657 to the plan.

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2023, with a measurement date of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Inflation	2.50%
Healthcare cost trend increases	6.25% gradually decreasing over several decades to an ultimate rate of 4.0% over 54 years.
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale

The following are changes to plan provisions since the prior valuation:

- None

The following are changes to actuarial assumptions since the prior valuation:

- The long-term expected investment return was changed from 5.80% to 6.10%.
- The discount rate was changed from 4.20% to 4.60%.

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The long-term expected rate of return on OPEB 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 rate of return by weighing the expected future real related of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33 %	7.50 %
Fixed income	50	4.90
International equity	17	7.20
Real Estate	-	7.00
Cash	-	2.00
 Total	 100 %	 6.10 %

The details of the investments and the investment policy are described in Note 2 of the District's basic financial statements. For the year ended June 30, 2024, the annual money-weighted rate of return on investments was 6.7%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 4.20%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. Changes in Net OPEB Liability

The District's total OPEB liability of \$2,829,072 was measured as of June 30, 2024, and was determined by an actuarial valuation as of July 1, 2023.

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2023	\$ 5,150,947	\$ 2,341,714	\$ 2,809,233
Changes for the year			
Service cost	361,252	-	361,252
Interest	223,325	-	223,325
Assumption changes	(117,270)	-	(117,270)
Differences between expected and actual economic experience	-	110,329	(110,329)
Employer contributions	-	211,879	(211,879)
Projected investment returns	-	142,845	(142,845)
Benefit payments	(393,928)	(393,928)	-
Administrative expense	-	(17,585)	17,585
Net changes	73,379	53,540	19,839
Balances at June 30, 2024	\$ 5,224,326	\$ 2,395,254	\$ 2,829,072

Plan fiduciary net position as a percentage of the total OPEB liability is 46%.

H. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 4.60% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (3.6%)	Current Discount Rate (4.6%)	1% Increase in Discount Rate (5.6%)
Net OPEB Liability	\$ 3,184,584	\$ 2,829,072	\$ 2,490,214

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Liability Sensitivity (Continued)

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

	1% Decrease in Trend Rate (5.25% Decreasing to 4.00%)	Current Trend Rate (6.25% Decreasing to 5.00%)	1% Increase in Trend Rate (7.25% Decreasing to 6.00%)
Net OPEB Liability	\$ 2,338,337	\$ 2,829,072	\$ 3,411,800

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$38,707. 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
Investment losses	\$ 28,376	\$ -
Liability gains	-	596,068
Changes of assumptions	137,322	395,237
Employer Contributions	180,657	-
Total	<u>\$ 346,355</u>	<u>\$ 991,305</u>

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

The \$180,657 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Total
2026	\$ (423,397)
2027	(72,989)
2028	(202,568)
2029	(91,929)
2030	(17,972)
Thereafter	(16,752)
Total	<u>\$ (825,607)</u>

NOTE 9 - JOINT POWERS AGREEMENT

The District and 13 other school districts in Minnesota have entered into a Joint Powers Agreement to form the Minnesota Schools Wind Energy Cooperative (the Cooperative). The purpose of the Cooperative is to acquire, develop, construct, finance, operate, and maintain a wind energy project to be located in Minnesota. The Cooperative is governed by a Joint Powers Board, which consists of two members (a Board of Education member and the superintendent or another District employee) from each of the participating districts. Any district may withdraw from the Cooperative prior to the issuance of any project financing instruments, provided that the withdrawing district reimburses the Cooperative for its pro rata portion of the total development or other project costs, or other obligations incurred by the Cooperative. Once financing instruments, other than Clean Renewable Energy Bonds (CREBs), have been issued, a district may withdraw provided it prepays the outstanding balance of its pro rata portion of any outstanding finance instruments. Upon issuance of the CREBs, no district may withdraw membership until the CREBs have been repaid in full. The District has not committed any financial resources to the Cooperative as of June 30, 2025.

NOTE 10 - JOINTLY GOVERNED ORGANIZATION

The District is a member of the Rice County Family Services Collaborative (Collaborative). The Collaborative was established to provide comprehensive services to strengthen family functioning. As a result, the Collaborative members share certain costs related to social workers and split related time study revenues.

Independent School District No. 656
Notes to Basic Financial Statements

NOTE 10 - JOINTLY GOVERNED ORGANIZATION (CONTINUED)

The Cannon Valley Special Education Cooperative (CVSEC) was established by a joint powers agreement pursuant to *Minnesota Statutes* § 471.59. The purpose of the agreement was to optimize resources and increase efficiencies by creating a special education cooperative to serve children with low incidence disabilities. CVSEC is comprised of four member districts. Each member district shares in the costs of providing all off-site special education programs.

NOTE 11 - COMMITMENTS

	Revised Contract Amount	Total Completed	Commitment Outstanding
Middle school boiler replacement	\$ 3,244,472	\$ 1,331,727	\$ 1,912,745
McKinley boiler Replacement	1,565,572	234,014	1,331,558
Jefferson boiler replacement	1,083,200	230,163	853,037
	<u>\$ 5,893,244</u>	<u>\$ 1,795,904</u>	<u>\$ 4,097,340</u>
Total Commitments	<u>\$ 5,893,244</u>	<u>\$ 1,795,904</u>	<u>\$ 4,097,340</u>

NOTE 12 - ACCOUNTING CHANGES

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

Reporting Units Affected by Restatements of Beginning Balances	Government- Wide
	Governmental Activities
6/30/2024, as previously reported	\$ 23,358,244
Change in accounting principle	(2,026,940)
6/30/2024, as restated	<u>\$ 21,331,304</u>

NOTE 13 - GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 656
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Total OPEB Liability				
Service cost	\$ 361,252	\$ 372,244	\$ 348,326	\$ 416,793
Interest	223,325	202,519	137,915	170,746
Differenced between expected and actual experience	-	(32,660)	-	(916,935)
Changes of assumptions	(117,270)	24,133	(363,281)	170,220
Plan changes	-	109,760	-	35,675
Benefit payments	(393,928)	(427,385)	(351,168)	(430,834)
Other changes	-	-	-	-
Net change in total OPEB liability	<u>73,379</u>	<u>248,611</u>	<u>(228,208)</u>	<u>(554,335)</u>
Beginning of year	<u>5,150,947</u>	<u>4,902,336</u>	<u>5,130,544</u>	<u>5,684,879</u>
End of year	<u>\$ 5,224,326</u>	<u>\$ 5,150,947</u>	<u>\$ 4,902,336</u>	<u>\$ 5,130,544</u>
Plan Fiduciary Net Pension (FNP)				
Employer contributions	\$ 211,879	\$ 239,537	\$ 227,444	\$ 284,354
Projected investment income	142,845	138,538	167,835	167,835
Differences between expected and actual experience	110,329	19,792	(530,060)	417,555
Benefit payments	(393,928)	(427,385)	(351,168)	(430,834)
Administrative expense	(17,585)	(17,356)	(19,168)	(17,420)
Other changes	-	-	-	-
Net change in plan fiduciary net position	<u>53,540</u>	<u>(46,874)</u>	<u>(505,117)</u>	<u>421,490</u>
Beginning of year	<u>2,341,714</u>	<u>2,388,588</u>	<u>2,893,705</u>	<u>2,472,215</u>
End of year	<u>\$ 2,395,254</u>	<u>\$ 2,341,714</u>	<u>\$ 2,388,588</u>	<u>\$ 2,893,705</u>
Net OPEB liability	<u>\$ 2,829,072</u>	<u>\$ 2,809,233</u>	<u>\$ 2,513,748</u>	<u>\$ 2,236,839</u>
Plan FNP as a percentage of the total OPEB liability	45.85%	45.46%	48.72%	56.40%
Covered-employee payroll	\$ 33,935,075	\$ 32,946,675	\$ 30,652,648	\$ 29,759,852
Net OPEB liability as a percentage of covered-employee payroll	8.34%	8.53%	8.20%	7.52%

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

<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
\$ 431,991	\$ 382,611	\$ 459,497	\$ 446,114
194,604	246,581	246,070	243,084
-	(1,258,407)	-	-
164,992	(609,955)	-	-
-	-	-	-
(465,637)	(567,189)	(659,291)	(570,970)
-	14,278	-	-
<u>325,950</u>	<u>(1,792,081)</u>	<u>46,276</u>	<u>118,228</u>
<u>5,358,929</u>	<u>7,151,010</u>	<u>7,104,734</u>	<u>6,986,506</u>
<u><u>\$ 5,684,879</u></u>	<u><u>\$ 5,358,929</u></u>	<u><u>\$ 7,151,010</u></u>	<u><u>\$ 7,104,734</u></u>
\$ 266,513	\$ 3,018,189	\$ -	\$ -
133,389	90,754	-	-
-	-	-	-
(465,637)	(567,189)	-	-
(3,084)	(720)	-	-
-	-	-	-
<u>(68,819)</u>	<u>2,541,034</u>	<u>-</u>	<u>-</u>
<u>2,541,034</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u><u>\$ 2,472,215</u></u>	<u><u>\$ 2,541,034</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<u><u>\$ 3,212,664</u></u>	<u><u>\$ 2,817,895</u></u>	<u><u>\$ 7,151,010</u></u>	<u><u>\$ 7,104,734</u></u>
43.49%	47.42%	0.00%	0.00%
\$ 28,281,892	\$ 27,458,148	\$ 28,185,892	\$ 27,364,944
11.36%	10.26%	25.37%	25.96%

Independent School District No. 656
Schedule of Investment Returns

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Annual money-weighted rate of return, net of investment expense	10.80%	6.60%	-12.50%	23.70%

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

<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
5.20%	4.40%	N/A	N/A

Independent School District No. 656
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate d Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered - Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered - Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1103%	\$ 5,716,318	\$ -	\$ 5,716,318	\$ 6,378,760	89.6%	78.19%
2016	0.1136%	9,223,757	120,483	9,344,240	7,058,880	130.7%	68.91%
2017	0.1079%	6,888,265	86,620	6,974,885	6,968,560	98.8%	75.90%
2018	0.1054%	5,847,160	191,696	6,038,856	7,060,427	82.8%	79.53%
2019	0.1056%	5,838,387	181,492	6,019,879	7,478,627	78.1%	80.23%
2020	0.1046%	6,271,248	193,337	6,464,585	7,460,507	84.1%	79.06%
2021	0.1078%	4,603,543	140,593	4,744,136	7,764,307	59.3%	87.00%
2022	0.1070%	8,474,435	248,362	8,722,797	8,011,120	105.8%	76.67%
2023	0.1106%	6,184,628	170,565	6,355,193	8,797,453	70.3%	83.10%
2024	0.1119%	4,138,406	107,011	4,245,417	9,474,227	43.7%	89.08%

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate d Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered - Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered - Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.3860%	\$ 24,038,753	\$ 2,948,815	\$ 26,987,568	\$ 19,928,707	120.6%	76.77%
2016	0.4023%	95,958,149	9,632,120	105,590,269	21,210,000	452.4%	44.88%
2017	0.3908%	78,010,769	7,541,449	85,552,218	20,931,547	372.7%	51.57%
2018	0.3922%	24,635,736	2,314,163	26,949,899	21,913,467	112.4%	78.07%
2019	0.3876%	24,705,706	2,186,373	26,892,079	21,080,078	117.2%	78.21%
2020	0.3812%	28,163,567	2,359,927	30,523,494	22,149,697	127.2%	75.48%
2021	0.3894%	17,041,308	1,437,102	18,478,410	23,301,993	73.1%	86.63%
2022	0.4100%	32,830,631	2,434,735	35,265,366	25,343,861	129.5%	76.17%
2023	0.3981%	32,868,028	2,302,433	35,170,461	25,309,988	129.9%	76.42%
2024	0.3973%	25,245,717	1,651,322	26,897,039	26,324,023	95.9%	82.07%

See notes to required supplementary information.

Independent School District No. 656
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

<u>Fiscal Year Ended June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered - Employee Payroll</u>	<u>Contributions as a Percentage of Covered - Employee Payroll</u>
2016	\$ 529,416	\$ 529,416	\$ -	\$ 7,058,880	7.50%
2017	522,642	522,642	-	6,968,560	7.50%
2018	529,532	529,532	-	7,060,427	7.50%
2019	560,897	560,897	-	7,478,627	7.50%
2020	559,538	559,538	-	7,460,507	7.50%
2021	582,323	582,323	-	7,764,307	7.50%
2022	600,834	600,834	-	8,011,120	7.50%
2023	659,809	659,809	-	8,797,453	7.50%
2024	710,567	710,567	-	9,474,227	7.50%
2025	791,719	791,719	-	10,556,253	7.50%

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

<u>Fiscal Year Ended June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered - Employee Payroll</u>	<u>Contributions as a Percentage of Covered - Employee Payroll</u>
2016	\$ 1,590,750	\$ 1,590,750	\$ -	\$ 21,210,000	7.50%
2017	1,569,866	1,569,866	-	20,931,547	7.50%
2018	1,643,510	1,643,510	-	21,913,467	7.50%
2019	1,625,274	1,625,274	-	21,080,078	7.71%
2020	1,754,256	1,754,256	-	22,149,697	7.92%
2021	1,894,452	1,894,452	-	23,301,993	8.13%
2022	2,113,678	2,113,678	-	25,343,861	8.34%
2023	2,164,004	2,164,004	-	25,309,988	8.55%
2024	2,303,352	2,303,352	-	26,324,023	8.75%
2025	2,396,140	2,396,140	-	27,384,457	8.75%

Independent School District No. 656
Notes to the Required Supplementary Information

TRA Retirement Fund

2024 Changes

Changes in Actuarial Assumptions

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

Changes of Benefit Terms

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

2023 Changes

Changes in Actuarial Assumptions

None

2022 Change

Changes in Actuarial Assumptions

- None

2021 Changes

Changes in Actuarial Assumptions

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

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

Independent School District No. 656
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost-of-living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 656
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Independent School District No. 656
Notes to the Required Supplementary Information

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 656
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 656
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions (Continued)

- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 656
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2015 Changes (Continued)

Changes in Plan Provisions

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

Independent School District No. 656
Notes to the Required Supplementary Information

Other Post Employment Benefits

2025 Changes

Changes in Actuarial Assumptions

- The long-term expected investment return was changed from 5.80% to 6.10%.
- The discount rate was changed from 4.20% to 4.60%.

2024 Changes

Changes in Actuarial Assumptions

- The health care trend rates and mortality tables were updated.
- The discount rate was changed from 4.00% to 4.20%.

2023 Changes

Changes in Actuarial Assumptions

- The inflation rate was changed from 2.00% to 2.50%
- The discount rate was changed from 2.60 % to 4.00%.

2022 Changes

Changes in Plan Provisions

- The GASB 75 post employment medical subsidized benefit for Office Personnel increased from \$250 to \$300 per month until Medicare eligibility.

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2010 Public Retirement Plans Headcount - Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers with MP-2020 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 2.90% to 2.60%.

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.50% to 2.90%.

2020 Changes

Changes in Plan Provisions

- The post employment medical subsidy eligibility of Non-Union Directors and Coordinators changed from age 55 with 15 years of service to age 55 with 10 years of service.

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the PUB-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

Independent School District No. 656
Notes to the Required Supplementary Information

Other Post Employment Benefits (Continued)

2020 Changes (Continued)

- Changes in Actuarial Assumptions The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The retiree plan participation percentage for future retirees eligible to receive a \$100 per month subsidy was reduced from 50% to 25%.
- The discount rate was changed from 3.40% to 3.50%.
- The discount rate changed from 3.20% to 2.90%.

2019 Changes

Other Changes

- The District set up an irrevocable OPEB Trust on August 30, 2018.

2018 Changes

Changes in Plan Provisions

- The eligibility for Non-Union Cabinet employees was changed from age 55 with 5 years of service to the earlier of age 55 with 5 years of service or age 50 with 20 years of service.

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The retiree plan participation percentage was increased from 75% to 100% for retirees eligible for a pre-age 65 medical subsidy equal to the full single premium. Also, future retirees were assumed to elect the \$1,200 deductible plan and will receive an annual contribution of \$1,200 in addition to District paid premiums.
- The discount rate was changed from 3.50% to 3.40%.

SUPPLEMENTARY INFORMATION

Independent School District No. 656
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Assets			
Cash and investments	\$ 2,044,942	\$ 802,179	\$ 2,847,121
Current property taxes receivable	-	204,214	204,214
Delinquent property taxes receivable	-	2,513	2,513
Accounts receivable	2,058	152,792	154,850
Due from Department of Education	-	156,127	156,127
Due from other Minnesota school districts	-	86,186	86,186
Due from federal government through Department of Education	36,129	396,793	432,922
Due from other governmental units	-	429,659	429,659
	<u>\$ 2,083,129</u>	<u>\$ 2,230,463</u>	<u>\$ 4,313,592</u>
Liabilities			
Accounts payable	\$ 139,594	\$ 78,444	\$ 218,038
Salaries and benefits payable	1,617	268,214	269,831
Unearned revenue	11,359	-	11,359
Total liabilities	<u>152,570</u>	<u>346,658</u>	<u>499,228</u>
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	2,513	2,513
Property taxes levied for subsequent year's expenditures	-	436,930	436,930
Total deferred inflows of resources	<u>-</u>	<u>439,443</u>	<u>439,443</u>
Fund Balances			
Restricted	<u>1,930,559</u>	<u>1,444,362</u>	<u>3,374,921</u>
Total fund balances	<u>1,930,559</u>	<u>1,444,362</u>	<u>3,374,921</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 2,083,129</u>	 <u>\$ 2,230,463</u>	 <u>\$ 4,313,592</u>

Independent School District No. 656
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2025

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Revenues			
Local property taxes	\$ -	\$ 437,013	\$ 437,013
Other local and county revenues	142,440	2,775,602	2,918,042
Revenue from state sources	264,577	1,568,650	1,833,227
Revenue from federal sources	2,255,765	1,063,297	3,319,062
Sales and other conversion of assets	96,768	-	96,768
Total revenues	<u>2,759,550</u>	<u>5,844,562</u>	<u>8,604,112</u>
Expenditures			
Current			
Instructional support services	-	1,729	1,729
Pupil support services	-	116,360	116,360
Food service	2,489,666	-	2,489,666
Community education and services	-	5,423,359	5,423,359
Capital outlay			
Food service	458,729	-	458,729
Community education and services	-	28,654	28,654
Total expenditures	<u>2,948,395</u>	<u>5,570,102</u>	<u>8,518,497</u>
Excess of revenues over (under) expenditures	(188,845)	274,460	85,615
Other Financing Sources			
Transfers in	<u>367</u>	<u>-</u>	<u>367</u>
Net change in fund balances	(188,478)	274,460	85,982
Fund Balances			
Beginning of year	<u>2,119,037</u>	<u>1,169,902</u>	<u>3,288,939</u>
End of year	<u>\$ 1,930,559</u>	<u>\$ 1,444,362</u>	<u>\$ 3,374,921</u>

Independent School District No. 656
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2025

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 65,211,144	\$ 65,211,141	\$ (3)	Total revenue	\$ 286,758	\$ 286,758	\$ -
Total expenditures	64,034,595	64,034,595	-	Total expenditures	5,036,616	5,036,616	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	713,033	713,033	-	4.60 Nonspendable Fund Balance	-	-	-
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
4.01 Student Activities	115,101	115,102	1	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	-	-	-	4.13 Building Projects Funded by COP	-	-	-
4.03 Staff Development	32,751	32,751	-	4.67 LTFM	2,358,884	2,358,884	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	-	-	-
4.12 Literacy Incentive Aid	4,171	4,171	-	<i>Unassigned:</i>			
4.13 Building Projects Funded by COP/LP	-	-	-	4.63 Unassigned fund balance	-	-	-
4.14 Operating Debt	-	-	-				
4.16 Levy Reduction	-	-	-	07 DEBT SERVICE FUND			
4.17 Taconite Building Maintenance	-	-	-	Total revenue	\$ 2,466,196	\$ 2,466,196	\$ -
4.20 American Indian Education Aid	33,857	33,857	-	Total expenditures	2,433,283	2,433,283	-
4.24 Operating Capital	569,367	569,367	-	<i>Nonspendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Restricted/Reserved:</i>			
4.28 Learning and Development	-	-	-	4.25 Bond refunding	-	-	-
4.34 Area Learning Center	967,929	967,929	-	4.33 Maximum effort loan aid	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.51 QZAB payments	-	-	-
4.36 State Approved Alternative Learning Program	-	-	-	4.67 LTFM	-	-	-
4.37 Quality Compensation - Alternative Teacher Professional Pay System	-	-	-	<i>Restricted:</i>			
4.38 Gifted and Talented	28,293	28,293	-	4.64 Restricted fund balance	603,439	603,440	1
4.39 English Learner	-	-	-	<i>Unassigned:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.63 Unassigned fund balance	-	-	-
4.41 Basic Skills Programs	263,010	263,010	-	08 TRUST FUND			
4.43 School Library Aid	72,602	72,602	-	Total revenue	\$ -	\$ -	\$ -
4.45 Career Technical Programs	-	-	-	Total expenditures	-	-	-
4.48 Achievement and Integration Revenue	-	-	-	<i>Unassigned:</i>			
4.49 Safe Schools Revenue	72,330	72,330	-	4.01 Student Activities	-	-	-
4.51 QZAB payments	-	-	-	4.02 Scholarships	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.22 Net position	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-	18 CUSTODIAL			
4.56 Literacy Aid - Read Act	124,094	124,094	-	Total revenue	\$ -	\$ -	\$ -
4.57 Teacher Compensation for Read Act Training	112,038	112,038	-	Total expenditures	-	-	-
4.67 Long-Term Facilities Maintenance	173,896	173,896	-	<i>Restricted/Reserved:</i>			
4.71 Student Support Personnel Aid	-	-	-	4.01 Student Activities	-	-	-
<i>Restricted:</i>				4.02 Scholarships	-	-	-
4.72 Medical Assistance	-	-	-	4.48 Achievement and Integration	-	-	-
4.64 Restricted fund balance	-	-	-	4.64 Restricted	-	-	-
4.75 Title VII - Impact Aid	-	-	-	20 INTERNAL SERVICE FUND			
4.76 Payments in Lieu of Taxes	-	-	-	Total revenue	\$ 3,049,367	\$ 3,049,367	\$ -
<i>Committed:</i>				Total expenditures	3,321,964	3,321,963	(1)
4.18 Committed for separation	-	-	-	<i>Unassigned:</i>			
4.61 Committed	-	-	-	4.22 Net position	701,915	701,916	1
<i>Assigned:</i>				25 OPEB REVOCABLE TRUST			
4.62 Assigned fund balance	-	-	-	Total revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total expenditures	-	-	-
4.22 Unassigned fund balance (net position)	8,830,823	8,830,822	(1)	<i>Unassigned:</i>			
02 FOOD SERVICE FUND				4.22 Net position	-	-	-
Total revenue	\$ 2,759,550	\$ 2,759,550	\$ -	45 OPEB IRREVOCABLE TRUST			
Total expenditures	2,948,395	2,948,394	(1)	Total revenue	\$ 257,881	\$ 257,881	\$ -
<i>Nonspendable:</i>				Total expenditures	136,084	136,085	1
4.60 Nonspendable fund balance	-	-	-	<i>Unassigned:</i>			
<i>Restricted/Reserved:</i>				4.22 Net position	2,517,051	2,517,050	(1)
4.52 OPEB liabilities not held in trust	-	-	-	47 OPEB DEBT SERVICE			
<i>Restricted:</i>				Total revenue	\$ -	\$ -	\$ -
4.64 Restricted fund balance	1,930,559	1,930,560	1	Total expenditures	-	-	-
<i>Unassigned:</i>				<i>Nonspendable:</i>			
4.63 Unassigned fund balance	-	-	-	4.60 Nonspendable fund balance	-	-	-
04 COMMUNITY SERVICE FUND				<i>Restricted:</i>			
Total revenue	\$ 5,844,562	\$ 5,844,563	\$ 1	4.25 Bond refundings	-	-	-
Total expenditures	5,570,102	5,570,104	2	4.64 Restricted fund balance	-	-	-
<i>Nonspendable:</i>				<i>Unassigned:</i>			
4.60 Nonspendable fund balance	-	-	-	4.63 Unassigned fund balance	-	-	-
<i>Restricted/Reserved:</i>							
4.26 \$25 Taconite	-	-	-				
4.31 Community Education	759,595	759,595	-				
4.32 ECFE	165,157	165,157	-				
4.40 Teacher Development and Evaluations	-	-	-				
4.44 School Readiness	248,949	248,949	-				
4.47 Adult Basic Education	208,450	208,450	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	62,211	62,209	(2)				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				



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

Independent Auditor's Report

To the School Board
Independent School District No. 656
Faribault, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 656, Faribault, Minnesota, as of and for the year ending June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 19, 2025.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as Audit Finding 2025-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as Audit Finding 2025-001 to be a significant deficiency.

Report on Compliance and Other Matters

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

District's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our engagement and described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 19, 2025



Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 656
Faribault, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656, Faribault, Minnesota, as of and for the year ended June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2025.

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 19, 2025

**Independent School District No. 656
Schedule of Findings and Responses**

SIGNIFICANT DEFICIENCY:

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

Criteria:

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

Condition:

The District does not have adequate segregation of accounting duties.

Context:

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

Cause:

There are a limited number of office employees.

Effect or Potential Effect:

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

Recommendation:

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

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The District will continue to evaluate segregation of accounting duties and will work to improve segregation within budgetary limits.
3. Official Responsible for Ensuring CAP
Barbie Roessler, Director of Business Services, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2026.
5. Plan to Monitor Completion of CAP
The Board of Education will be monitoring this CAP.

**Independent School District No. 656
Schedule of Findings and Responses**

MATERIAL WEAKNESS:

Audit Finding 2025-002 - Material Audit Adjustments

Criteria:

Internal control that assures all material adjustments are identified and prepared by District personnel.

Condition:

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the District's existing internal controls and, therefore, could have resulted in a material misstatement of the District's basic financial statements.

In order to ensure basic financial statements were free from material misstatement, audit adjustments were required in the following areas:

- Interest payable and interest expenditures
- Current property taxes receivable and property tax levy
- Cash

Context:

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

Cause:

The District did not make all the required adjustments.

Effect or Potential Effect:

The basic financial statements could have material misstatements.

Recommendation:

Have all material entries completed before the audit.

**Independent School District No. 656
Schedule of Findings and Responses**

MATERIAL WEAKNESS:

Audit Finding 2025-002 - Material Audit Adjustments (Continued)

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The District will ensure year-end closing adjustments are all prepared prior to the start of the audit.
3. Official Responsible for Ensuring CAP
Barbie Roessler, Business manager, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2026.
5. Plan to Monitor Completion of CAP
The Board of Education will be monitoring this CAP.