

ANNUAL FINANCIAL REPORT

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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Waterville, Minnesota
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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Independent School District No. 2143
Waterville, Minnesota
School District Officials
For the Year Ended June 30, 2025

BOARD OF EDUCATION

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Gary Michael	January 2027	Chairperson
June Rezac	January 2029	Vice-Chairperson
Jon Bakken	January 2027	Treasurer
Jay Schneider	January 2029	Clerk
Jeff Stangler	January 2029	Director
Troy Tolzman	January 2027	Director
Brenda Heuss	January 2027	Director

ADMINISTRATION

Mark Winter	Superintendent
Margaret Jewison	Business Manager

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2143
Waterville, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2143, Waterville, Minnesota, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2025, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional 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, that 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 starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Changes in the District's OPEB Liability and Related Ratios starting on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements, schedules and table are presented for purposes of additional analysis and are 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements, schedules and table are fairly stated, in all material respects in relation to the basic financial statements as a whole.



Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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



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Mankato, Minnesota
December 3, 2025



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Management's Discussion and Analysis

As management of the Independent School District No. 2143, Waterville, Minnesota (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

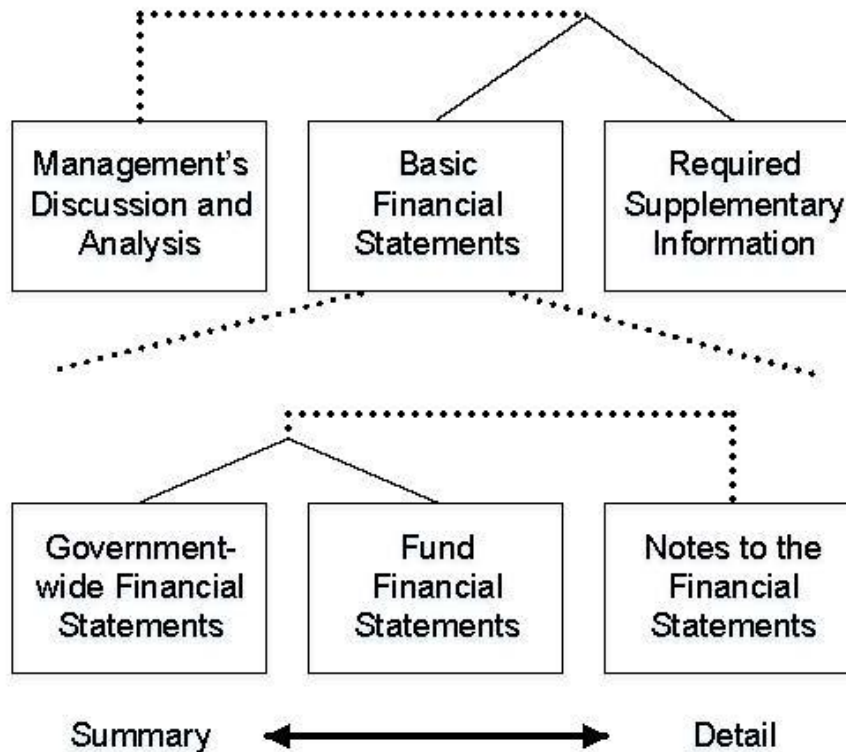
Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages.
- The District's total net position increased as shown in the summary of changes in net position on the following pages.
- As of the close of the current fiscal year, the District's governmental fund balances are shown in the Financial Analysis of the District's funds section of the MD&A. The total fund balance increased in comparison with the prior year. This increase was related to the issuance of bonds in the current year.
- At the end of the current fiscal year, unassigned fund balance for the General fund, as shown in the financial analysis of the District's funds section, increased from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 2143 Annual Financial Report



The following chart 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 management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled “governmental activities”:

- *Governmental activities:* The District’s basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and State aids finance most of these activities.

The District-wide financial statements can be found starting on page 30 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact by the District’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service and Building Construction funds, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 34 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of student scholarships within the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are not available to support the District’s own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those whom the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 39 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 41 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Independent School District No. 2143’s share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 74 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements, schedules and table can be found starting on page 84 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources as shown in the summary of net position below at the close of the most recent fiscal year.

A portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. These funds are to be used for the construction of school facilities. Another large portion of the District's net position reflects amounts restricted for specific purposes including educational, operating capital, community service, and food service. The deficit in unrestricted net position is due to the recognition of long-term pension liabilities and other postemployment benefits liability in accordance with GASB Statements No. 68 and No. 75.

Independent School District No. 2143's Net Position

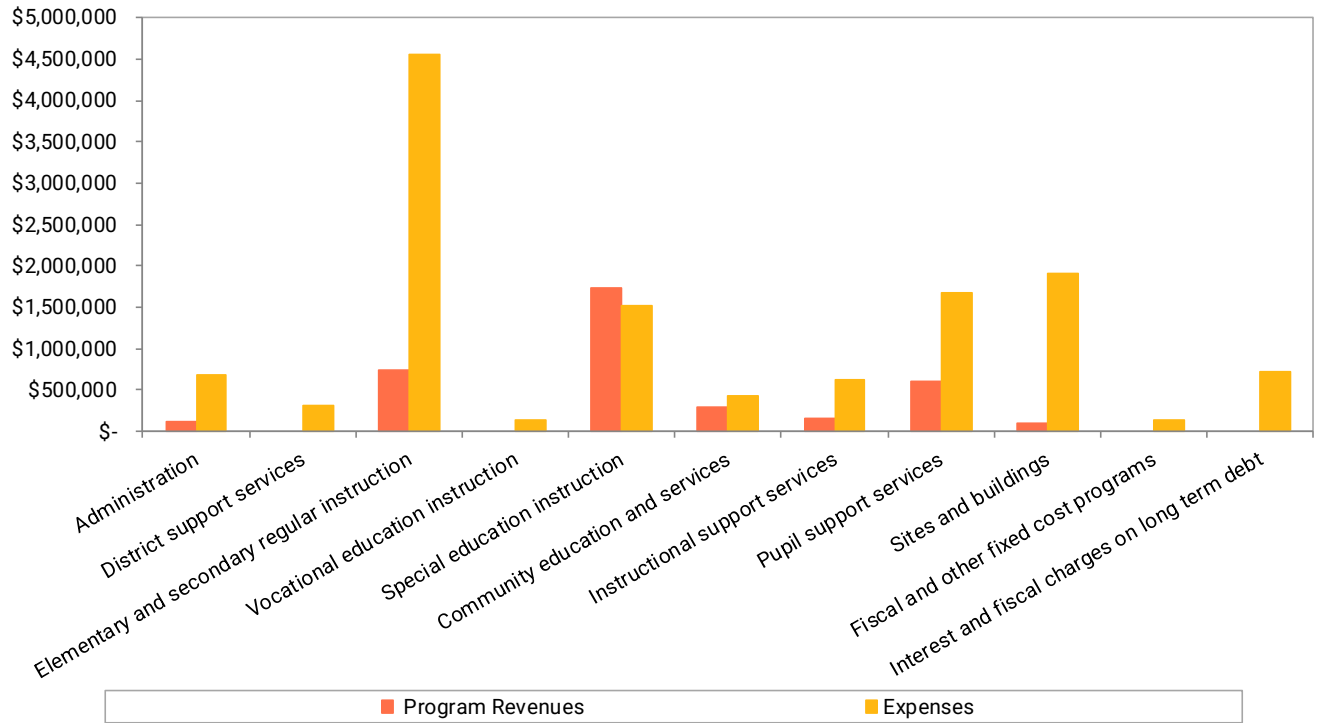
	Governmental Activities		Increase (Decrease)	
	2025	2024	Amount	Percent
Current and Other Assets	\$ 21,272,102	\$ 10,520,597	\$ 10,751,505	102.2 %
Capital Assets	23,236,444	19,708,811	3,527,633	17.9
Total Assets	<u>44,508,546</u>	<u>30,229,408</u>	<u>14,279,138</u>	47.2
Deferred Outflows of Resources	<u>1,517,603</u>	<u>1,801,038</u>	<u>(283,435)</u>	(15.7)
Long-term Liabilities Outstanding	34,565,109	25,071,099	9,494,010	37.9
Other Liabilities	2,758,217	1,517,608	1,240,609	81.7
Total Liabilities	<u>37,323,326</u>	<u>26,588,707</u>	<u>10,734,619</u>	40.4
Deferred Inflows of Resources	<u>6,258,120</u>	<u>4,588,545</u>	<u>1,669,575</u>	36.4
Net Position				
Net investment in capital assets	5,460,965	4,399,914	1,061,051	24.1
Restricted	863,763	1,154,807	(291,044)	(25.2)
Unrestricted	<u>(3,880,025)</u>	<u>(4,701,527)</u>	<u>821,502</u>	17.5
Total Net Position	<u>\$ 2,444,703</u>	<u>\$ 853,194</u>	<u>\$ 1,591,509</u>	(186.5) %
Net Position as a Percent of Total				
Net investment in				
capital assets	223.4 %	515.7 %		
Restricted	35.3	135.4		
Unrestricted	<u>(158.7)</u>	<u>(551.1)</u>		
	<u>100.0 %</u>	<u>100.0 %</u>		

Governmental Activities. Governmental activities increased the District’s net position as shown below. Key elements of this increase are as follows:

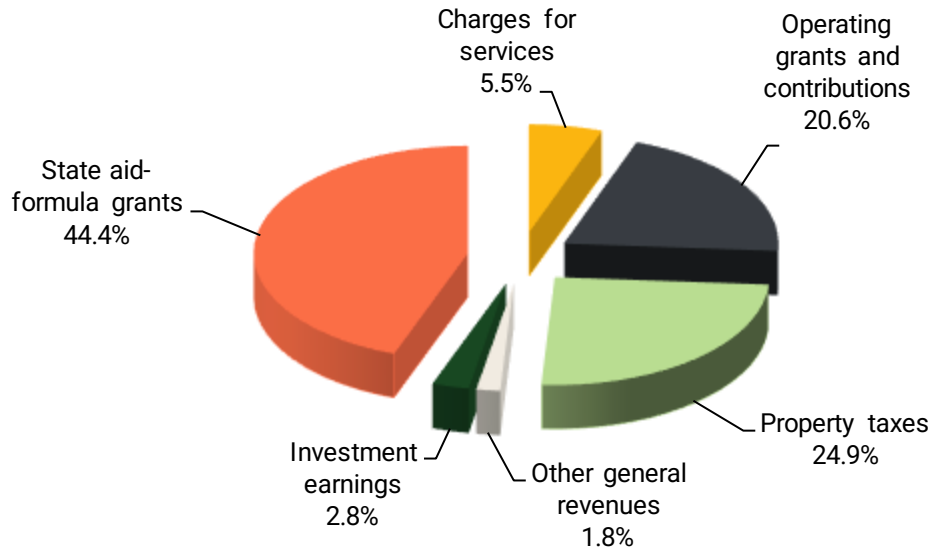
Independent School District No. 2143’s Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2025	2024	Amounts	Percent
Revenues				
Program revenues				
Charges for services	\$ 790,499	\$ 777,709	\$ 12,790	1.6 %
Operating grants and contributions	2,948,810	3,241,042	(292,232)	(9.0)
General revenues				
Property taxes	3,574,700	3,196,365	378,335	11.8
State aid-formula grants and other contributions	6,367,926	6,363,422	4,504	0.1
Other general revenues	256,156	82,499	173,657	210.5
Investment earnings	404,882	244,895	159,987	65.3
Gain on sale of assets	5,150	463	4,687	1,012.3
Total Revenues	<u>14,348,123</u>	<u>13,906,395</u>	<u>441,728</u>	3.2
Expenses				
Administration	689,927	623,300	66,627	10.7
District support services	324,292	374,016	(49,724)	(13.3)
Elementary and secondary regular instruction	4,567,743	4,156,807	410,936	9.9
Vocational education instruction	143,382	108,821	34,561	31.8
Special education instruction	1,524,673	1,394,556	130,117	9.3
Community education and services	422,726	331,731	90,995	27.4
Instructional support services	634,617	531,512	103,105	19.4
Pupil support services	1,683,602	1,660,076	23,526	1.4
Sites and buildings	1,916,156	1,808,012	108,144	6.0
Fiscal and other fixed cost programs	135,603	108,671	26,932	24.8
Interest and fiscal charges on long-term debt	713,893	573,888	140,005	24.4
Total Expenses	<u>12,756,614</u>	<u>11,671,390</u>	<u>1,085,224</u>	9.3
Change in Net Position	1,591,509	2,235,005	(643,496)	(28.8)
Net Position, July 1	<u>853,194</u>	<u>(1,381,811)</u>	<u>2,235,005</u>	161.7
Net Position, June 30	<u>\$ 2,444,703</u>	<u>\$ 853,194</u>	<u>\$ 1,591,509</u>	(186.5) %

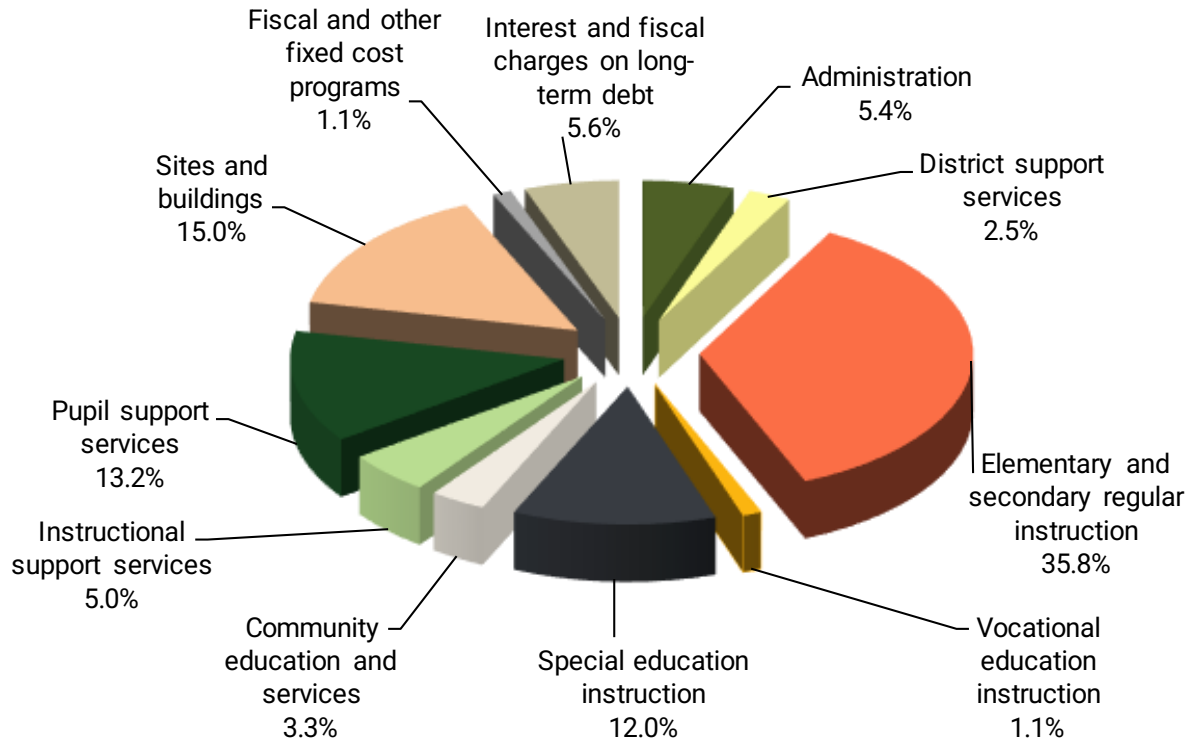
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

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

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ended June 30, 2025.

	General Fund	Debt Service	Building Construction	Other Governmental Funds	Total	Prior year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	\$ 37,236	\$ -	\$ -	\$ 9,818	\$ 47,054	\$ 16,348	\$ 30,706
Restricted	370,653	380,608	10,960,086	325,072	12,036,419	3,248,574	8,787,845
Assigned	114,000	-	-	-	114,000	114,000	-
Unassigned	2,127,611	-	-	(13,617)	2,113,994	2,055,265	58,729
Total fund balance	<u>\$2,649,500</u>	<u>\$ 380,608</u>	<u>\$ 10,960,086</u>	<u>\$ 321,273</u>	<u>\$ 14,311,467</u>	<u>\$ 5,434,187</u>	<u>\$8,877,280</u>

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 3 starting on page 56 of this report.

The General fund is the chief operating fund of the District. At the end of the current year, the fund balance of the General fund is shown in the table below. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	<u>Current Year Ending Balance</u>	<u>Prior Year Ending Balance</u>	<u>Increase/ (Decrease)</u>
General Fund Fund Balances			
Nonspendable	\$ 37,236	\$ 8,673	\$ 28,563
Restricted	370,653	712,376	(341,723)
Assigned	114,000	114,000	-
Unassigned	<u>2,127,611</u>	<u>2,065,631</u>	<u>61,980</u>
 Total Fund Balance	 <u>\$ 2,649,500</u>	 <u>\$ 2,900,680</u>	 <u>\$ (251,180)</u>
 General fund expenditures	 \$ 11,631,304	 \$ 11,025,133	
Unassigned as a percent of expenditures	18.3%	18.7%	
Total fund balance as a percent of expenditures	22.8%	26.3%	

The fund balance of the District's General fund decreased during the current fiscal year. This decrease in the General fund was due to an increased amount of expenditures related to capital outlay. The District had budgeted a decrease in fund balance of \$762,671 in comparison to the actual decrease of \$36,401.

	<u>Current Year Ending Balance</u>	<u>Prior Year Ending Balance</u>	<u>Increase/ (Decrease)</u>
Debt Service Fund Balances			
Restricted	<u>\$ 380,608</u>	<u>\$ 284,908</u>	<u>\$ 95,700</u>
 Debt Service expenditures	 \$ 1,503,386	 \$ 1,457,750	
Total fund balance as a percent of expenditures	25.3%	19.5%	

The fund balance of the District's Debt Service fund increased during the current fiscal year. This increase was due to state grant and tax revenues exceeding scheduled debt payments.

	<u>Current Year Ending Balance</u>	<u>Prior Year Ending Balance</u>	<u>Increase/ (Decrease)</u>
Building Construction Fund Balances			
Restricted	<u>\$ 10,960,086</u>	<u>\$ 1,872,686</u>	<u>\$ 9,087,400</u>
 Construction expenditures	 \$ 3,526,405	 \$ 56,722	
Total fund balance as a percent of expenditures	310.8%	3301.5%	

The Building Construction fund balance increased during the current fiscal year due to the spending of bond proceeds.

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Budget
Revenues	\$ 11,061,514	\$ (95,466)	\$ 10,966,048	\$ 11,327,590	\$ 361,542
Expenditures	11,638,428	90,291	11,728,719	11,631,304	97,415
Excess (Deficiency) of Revenues Over (Under) Expenditures	(576,914)	(185,757)	(762,671)	(303,714)	458,957
Other Financing Sources (Uses)	-	-	-	52,534	52,534
Net Change in Fund Balances	(576,914)	(185,757)	(762,671)	(251,180)	511,491
Fund Balances, July 1	2,900,680	-	2,900,680	2,900,680	-
Fund Balances, June 30	<u>\$ 2,323,766</u>	<u>\$ (185,757)</u>	<u>\$ 2,138,009</u>	<u>\$ 2,649,500</u>	<u>\$ 511,491</u>

The District amended the original budget to decrease revenues and increase expenditures. Actual revenues in the General fund exceeded the final budget due to a higher level of state revenues and more eligible federal awards than anticipated. Expenditures came in under budget related to elementary and secondary regular instruction costs.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2025 is shown below (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total increase in the District's investment in capital assets for the current fiscal year is shown below. The following is a schedule of capital assets as of June 30, 2025:

Independent School District No. 2143's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2025	2024	Increase (Decrease)
Land	\$ 31,400	\$ 31,400	\$ -
Construction in Progress	3,061,394	155,368	2,906,026
Buildings	19,003,132	18,822,082	181,050
Equipment	959,752	683,453	276,299
Land Improvements	180,766	16,508	164,258
Total	<u>\$ 23,236,444</u>	<u>\$ 19,708,811</u>	<u>\$ 3,527,633</u>
Percent increase (decrease)			17.9%

Additional information on the District's capital assets can be found in Note 3C on page 52 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total long-term debt outstanding as shown below. This is related to general obligation bonds and lease payables.

Independent School District No. 2143's Outstanding Debt

	Governmental Activities		
	2025	2024	Increase (Decrease)
General Obligation Bonds	\$ 27,619,000	\$ 16,354,000	\$ 11,265,000
Lease Payable	5,247	11,903	(6,656)
Total	<u>\$ 27,624,247</u>	<u>\$ 16,365,903</u>	<u>\$ 11,258,344</u>
Percent increase (decrease)			68.8%

The District's total debt increased as shown above due to scheduled debt payments.

Additional information on the District's long-term debt can be found in Note 3E on page 53 of this report.

Factors Bearing on the District's Future

The District is experiencing a decrease in enrollment across all grades due to changes in population and projects a decline in enrollment due to the in-coming Kindergarten class being smaller than the out-going graduating class. Declining enrollment and the end of COVID-19 Grants has resulted in the District focusing efforts on managing costs while maintaining the integrity of the programs provided to students. With this in mind, the District has made the difficult decision to close the Morristown Building and move all grades to a single site in Waterville beginning with the 26-27 school year. This decision was not made lightly, but considering the cost of operating more building space than is needed, it was considered prudent to redirect these funds towards programing and retaining quality staff.

The operating referendum of \$1127 per pupil, originally authorized in November of 2015, was renewed by the School Board in 2024. The operating levy applies to tax levies from 2016-2035. Since the referendum amount was authorized before the inclusion of an inflation factor, the District must closely monitor expenditures to ensure they will stay in line with revenues.

The District is prioritizing facility projects to be completed with remaining funds from the October 2022 sale of \$800,000 General Obligation School Building Bonds in conjunction with the Indoor Air Quality project. This project will continue through August 2026.

Requests for Information

This financial report is designed to provide the District's 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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Independent School District No. 2143, 500 East Paquin Street Waterville, Minnesota 56906.

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DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2143

Waterville, Minnesota
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Current Assets	
Cash and temporary investments	\$ 17,648,433
Receivables	
Taxes	2,389,111
Accounts	25,270
Interest	9,342
Intergovernmental	1,152,892
Inventories	6,847
Prepaid items	40,207
Noncurrent Assets	
Capital assets not being depreciated/amortized	3,092,794
Capital assets net of accumulated depreciation/amortization	20,143,650
Total Assets	<u>44,508,546</u>
 Deferred Outflows of Resources	
Deferred pension resources	1,255,548
Deferred other postemployment benefit resources	262,055
Total Deferred Outflows of Resources	<u>1,517,603</u>
 Liabilities	
Salaries and wages payable	433,559
Accounts and other payables	1,473,379
Accrued interest payable	236,570
Due to other school districts	58,738
Due to other governments	7,339
Accrued expenses	523,923
Unearned revenue	24,709
Noncurrent liabilities	
Due within one year	
Long-term liabilities	1,210,554
Other postemployment benefits liability	20,258
Due in more than one year	
Long-term liabilities	27,236,061
Net pension liability	4,885,043
Other postemployment benefits liability	1,213,193
Total Liabilities	<u>37,323,326</u>
 Deferred Inflows of Resources	
Property taxes levied for subsequent year	4,416,591
Deferred pension resources	1,594,987
Deferred other postemployment benefit resources	246,542
Total Deferred Inflows of Resources	<u>6,258,120</u>
 Net Position	
Net investment in capital assets	5,460,965
Restricted for	
Operating capital purposes	22,421
Educational purposes	348,232
Community service	100,528
Food service	235,594
Debt service	156,988
Unrestricted	<u>(3,880,025)</u>
Total Net Position	<u>\$ 2,444,703</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143

Waterville, Minnesota

Statement of Activities

For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 689,927	\$ -	\$ 111,232	\$ -	\$ (578,695)
District support services	324,292	-	-	-	(324,292)
Elementary and secondary regular instruction	4,567,743	272,536	460,820	-	(3,834,387)
Vocational education instruction	143,382	-	-	-	(143,382)
Special education instruction	1,524,673	121,120	1,611,891	-	208,338
Community education and services	422,726	230,670	57,639	-	(134,417)
Instructional support services	634,617	9,446	152,178	-	(472,993)
Pupil support services	1,683,602	58,055	555,050	-	(1,070,497)
Sites and buildings	1,916,156	98,672	-	-	(1,817,484)
Fiscal and other fixed cost programs	135,603	-	-	-	(135,603)
Interest and fiscal charges on long term debt	713,893	-	-	-	(713,893)
Total Governmental Activities	<u>\$ 12,756,614</u>	<u>\$ 790,499</u>	<u>\$ 2,948,810</u>	<u>\$ -</u>	<u>(9,017,305)</u>
General Revenues					
Taxes					
Property taxes, levied for general purposes					2,326,089
Property taxes, levied for community service					66,712
Property taxes, levied for debt service					1,181,899
State aid-formula grants and other contributions					6,367,926
Other general revenues					256,156
Investment earnings					404,882
Gain on sale of assets					5,150
Total General Revenues					<u>10,608,814</u>
Change in Net Position					1,591,509
Net Position, July 1					<u>853,194</u>
Net Position, June 30					<u>\$ 2,444,703</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2143

Waterville, Minnesota

Balance Sheet

Governmental Funds

June 30, 2025

	General	Debt Service	Building Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 3,742,508	\$ 1,354,164	\$ 12,136,804	\$ 414,957	\$ 17,648,433
Receivables					
Taxes					
Current	1,021,421	1,304,572	-	40,721	2,366,714
Delinquent	8,215	12,950	-	1,232	22,397
Accounts	10,502	-	-	14,768	25,270
Interest	-	-	9,342	-	9,342
Intergovernmental	1,116,797	32,423	-	3,672	1,152,892
Inventories	-	-	-	6,847	6,847
Prepaid items	37,236	-	-	2,971	40,207
Total Assets	\$ 5,936,679	\$ 2,704,109	\$ 12,146,146	\$ 485,168	\$ 21,272,102
Liabilities					
Salaries and wages payable	\$ 397,109	\$ -	\$ -	\$ 36,450	\$ 433,559
Accounts and other payables	274,445	950	1,186,060	11,924	1,473,379
Due to other school districts	58,738	-	-	-	58,738
Due to other governments	7,339	-	-	-	7,339
Accrued expenses	521,646	-	-	2,277	523,923
Unearned revenue	-	-	-	24,709	24,709
Total Liabilities	1,259,277	950	1,186,060	75,360	2,521,647
Deferred Inflows of Resources					
Property taxes levied for subsequent year	2,019,687	2,309,601	-	87,303	4,416,591
Unavailable revenue - delinquent property taxes	8,215	12,950	-	1,232	22,397
Total Deferred Inflows of Resources	2,027,902	2,322,551	-	88,535	4,438,988
Fund Balances					
Nonspendable	37,236	-	-	9,818	47,054
Restricted	370,653	380,608	10,960,086	325,072	12,036,419
Assigned	114,000	-	-	-	114,000
Unassigned	2,127,611	-	-	(13,617)	2,113,994
Total Fund Balances	2,649,500	380,608	10,960,086	321,273	14,311,467
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,936,679	\$ 2,704,109	\$ 12,146,146	\$ 485,168	\$ 21,272,102

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143

Waterville, Minnesota

Reconciliation of the Balance Sheet

to the Statement of Net Position

Governmental Funds

June 30, 2025

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

Total Fund Balances - Governmental Funds	\$ 14,311,467
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	23,236,444
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Bonds payable	(27,619,000)
Lease payable	(5,247)
Bond premiums, net of accumulated amortization	(786,061)
Compensated absences payable	(36,307)
Net pension liability	(4,885,043)
Other postemployment benefits liability	(1,233,451)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	22,397
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,255,548
Deferred inflows of pension resources	(1,594,987)
Governmental funds do not report long-term amounts related other postemployment benefits.	
Deferred outflows of other postemployment benefit resources	262,055
Deferred inflows of other postemployment benefit resources	(246,542)
Governmental funds do not report a liability for accrued interest until due and payable.	(236,570)
Total Net Position - Governmental Activities	<u>\$ 2,444,703</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Debt Service	Building Construction	Other Governmental Funds	Total
Revenues					
Local property tax levies	\$ 2,324,010	\$ 1,183,628	\$ -	\$ 66,363	\$ 3,574,001
Other local revenue	524,234	-	-	254,568	778,802
Interest earned on investments	17,644	91,224	287,802	8,212	404,882
Revenue from state sources	7,879,991	324,234	-	441,094	8,645,319
Revenue from federal sources	579,231	-	-	226,087	805,318
Sales and other conversion of assets	2,480	-	-	57,655	60,135
Total Revenues	11,327,590	1,599,086	287,802	1,053,979	14,268,457
Expenditures					
Current					
Administration	731,103	-	-	-	731,103
District support services	331,029	-	-	-	331,029
Elementary and secondary regular instruction	4,666,419	-	-	-	4,666,419
Vocational education instruction	151,395	-	-	-	151,395
Special education instruction	1,590,777	-	-	-	1,590,777
Community education and services	58	-	-	442,522	442,580
Instructional support services	606,007	-	-	-	606,007
Pupil support services	1,015,194	-	-	588,120	1,603,314
Sites and buildings	1,487,319	-	-	-	1,487,319
Fiscal and other fixed cost programs	135,603	-	-	-	135,603
Capital outlay	909,236	-	3,360,419	77,977	4,347,632
Debt service					
Principal	6,656	900,000	-	-	906,656
Interest and other charges	508	603,386	165,986	-	769,880
Total Expenditures	11,631,304	1,503,386	3,526,405	1,108,619	17,769,714
Excess (Deficiency) of Revenues Over (Under) Expenditures	(303,714)	95,700	(3,238,603)	(54,640)	(3,501,257)
Other Financing Sources (Uses)					
Sale of assets	5,150	-	-	-	5,150
Insurance recovery	47,384	-	-	-	47,384
Bonds issued	-	-	12,165,000	-	12,165,000
Premium on bonds issued	-	-	161,003	-	161,003
Total Other Financing Sources (Uses)	52,534	-	12,326,003	-	12,378,537
Net Change in Fund Balances	(251,180)	95,700	9,087,400	(54,640)	8,877,280
Fund Balances, July 1	2,900,680	284,908	1,872,686	375,913	5,434,187
Fund Balances, June 30	\$ 2,649,500	\$ 380,608	\$ 10,960,086	\$ 321,273	\$ 14,311,467

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2025

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

Total Net Change in Fund Balances - Governmental Funds	\$ 8,877,280
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	4,147,076
Depreciation/amortization expense	(587,261)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	
Book value of capital asset disposals	(32,182)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Issuance of long-term debt	(12,165,000)
Principal repayments	900,000
Retirement of lease payable	6,656
Premiums on bonds issued, net of amortization expense	(112,764)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.	7,748
Long-term pension activity is not reported in governmental funds.	
Pension expense	407,290
Direct aid contributions	26,433
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	699
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences costs	7,523
Other postemployment benefits costs	108,011
Change in Net Position - Governmental Activities	<u>\$ 1,591,509</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	\$ 2,224,088	\$ 2,213,161	\$ 2,324,010	\$ 110,849
Other local revenue	584,862	517,997	524,234	6,237
Interest earned on investments	45,000	165,000	17,644	(147,356)
Revenue from state sources	7,752,905	7,678,024	7,879,991	201,967
Revenue from federal sources	449,359	386,566	579,231	192,665
Sales and other conversion of assets	5,300	5,300	2,480	(2,820)
Total Revenues	11,061,514	10,966,048	11,327,590	361,542
Expenditures				
Current				
Administration	732,348	755,535	731,103	24,432
District support services	370,681	379,541	331,029	48,512
Elementary and secondary regular instruction	5,211,653	4,888,933	4,666,419	222,514
Vocational education instruction	154,059	141,572	151,395	(9,823)
Special education instruction	2,101,316	1,682,853	1,590,777	92,076
Community education and services	-	-	58	(58)
Instructional support services	481,348	440,564	606,007	(165,443)
Pupil support services	1,098,709	1,109,037	1,015,194	93,843
Sites and buildings	1,187,967	1,591,239	1,487,319	103,920
Fiscal and other fixed cost programs	110,250	136,000	135,603	397
Capital outlay				
District support services	1,500	1,500	1,876	(376)
Elementary and secondary regular instruction	56,483	30,145	220,906	(190,761)
Special education instruction	9,814	382,000	366,085	15,915
Instructional support services	40,000	40,000	40,095	(95)
Pupil support services	66,000	133,500	140,518	(7,018)
Sites and buildings	9,000	9,000	139,756	(130,756)
Debt service				
Principal	6,000	6,000	6,656	(656)
Interest and other charges	1,300	1,300	508	792
Total Expenditures	11,638,428	11,728,719	11,631,304	97,415
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(576,914)	(762,671)	(303,714)	458,957
Other Financing Sources (Uses)				
Sale of assets	-	-	5,150	5,150
Insurance recovery	-	-	47,384	47,384
Total Other Financing Sources (Uses)	-	-	52,534	52,534
Net Change in Fund Balances	(576,914)	(762,671)	(251,180)	511,491
Fund Balances, July 1	2,900,680	2,900,680	2,900,680	-
Fund Balances, June 30	\$ 2,323,766	\$ 2,138,009	\$ 2,649,500	\$ 511,491

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Custodial Fund Scholarships
Assets	
Cash and temporary investments	<u>\$ 67,912</u>
Net Position	
Held in trust for scholarships	<u>\$ 67,912</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143
Waterville, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	<u>Custodial Fund Scholarships</u>
Additions	
Gifts and donations	\$ 24,247
Deductions	
Other expenditures	<u>14,500</u>
Change in Net Position	9,747
Net Position, July 1	<u>58,165</u>
Net Position, June 30	<u><u>\$ 67,912</u></u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2143, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advanced, which are recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as unavailable revenue.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

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

Major Governmental Funds

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Building Construction fund* accounts for all resources used for the acquisition and/or construction of major capital facilities.

Non-major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures.

The *Community Service special revenue fund* accounts for services provided to residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs, or other similar services.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The District's scholarship custodial fund accounts for activities held to be used by various third parties devoted to awarding student scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the activities.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

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. The District's recurring fair value measurements are listed in detail on page 49 and are valued at amortized costs.

Property Taxes

The School Board annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2025 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credits are paid to the District by the State in lieu of taxes levied against the property.

Current property taxes receivable is the uncollected portion of the taxes levied in 2024 and collectible in 2025. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year are delinquent property taxes receivable.

Inventories and Prepaid Items

Food Service fund inventories include items purchased by the District and commodities donated by the U.S. Department of Agriculture (USDA). Commodities are valued using a standard price list furnished by the USDA and purchased inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 individually and \$25,000 cumulatively (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 50
Land Improvements	20 - 50
Equipment and Machinery (including leased items)	5 - 15

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualifies for reporting in this category. Accordingly, the items, deferred pension resources and deferred OPEB resources, are reported only in the statement of net position. The pension resources results from actuarial calculations and current year pension contributions made subsequent to the measurement date. The OPEB resources are current year OPEB contributions made subsequent to the measurement date.

Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for school lunch balances for students in the Food Service fund.

Compensated Absences

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

Vacation Pay - The District compensates administrative and support staff employees for vacation benefits at various rates based on their respective agreements. The expenditures for vacation pay is recognized when payment is made.

Sick Pay - Substantially all District employees are entitled to sick leave at various rates based on length of service to the District. The expenditure for sick leave is recognized when payment is made. Teachers electing to retire on June 30, who have at least 20 years of service and are at least 55 years of age shall be eligible to have 25% of their unused sick leave (not to exceed 20 days) paid out at June 30 with the proper notification to the District in advance.

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Postemployment Benefits Other than Pensions

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at July 1, 2023. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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.

Pensions

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

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. The General fund is typically used to liquidate the governmental net pension liability. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. 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. The General fund is typically used to liquidate the governmental net pension liability.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

The total pension expense for the General Employee Plan (GERP) and TRA is as follows:

	GERP	TRA	Total All Plans
District's proportionate share	\$ 57,577	\$ 188,522	\$ 246,099
Proportionate share of State's contribution	523	17,582	18,105
Total pension expense	<u>\$ 58,100</u>	<u>\$ 206,104</u>	<u>\$ 264,204</u>

Deferred Inflows of Resources

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, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, one of the items, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are the deferred pension and deferred other post-employment benefit resources reported in the statement of net position of the government-wide statements. These items result from the difference between expected and actual experience, the net difference between projected and actual investments earnings on pension and OPEB plan investments, changes in assumptions and changes in proportion and differences between entity contributions and proportionate share of contributions.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the School Board (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Board or the Budget Committee.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned General fund balance of 45-60 days of operating expenditures.

Net Position

In the district-wide financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation/amortization reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for District governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds.

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the School Board.
2. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year.
3. Budgets for General, Debt Service, Building Construction, Food Service and Community Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
4. Budgeted amounts are as originally adopted, or as amended.
5. Budget appropriations lapse at year end.
6. The legal level of budgetary control is the department level.
7. The District does not use encumbrance accounting.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Budgetary Information

For the year ended June 30, 2025, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Community Service	\$ 411,070	\$ 442,782	\$ 31,712
Debt Service	1,502,436	1,503,386	950

The excess expenditures were funded by excess revenues over budget.

Note 3: Detailed Notes on All Funds

C. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the School Board, the District maintains deposits at those depository banks which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the District.

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

At year end, the District's carrying amount of deposits was \$1,064,310 and the bank balance was \$1,618,385. Of the bank balance, \$477,622 was covered by federal depository insurance and the remaining amount was covered by bonds or collateral held by the District's agent in the District's name.

Investment Policy

The funds of the District shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. The primary criteria for the investment of the funds of the District, in priority order are as follows:

1. **Safety and Security.** Safety of principal is the first priority. The investments of the District shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.
2. **Liquidity.** The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.
3. **Return and Yield.** The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Limitations on instruments, diversification and maturity scheduling shall depend on whether the funds being invested are considered short-term or long-term funds. All funds shall normally be considered short-term except those reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years. The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

All investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minnesota statutes 118A.06. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

Deposit-type securities shall be collateralized as required by Minnesota statute 118A.03 for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.

Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping. The school district may accept a safekeeping receipt instead of requiring physical delivery or third-party safekeeping of collateral on overnight repurchase agreements of less than \$1,000,000.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance	Fair Value Measurement Using	
				Level 1	Level 2
Pooled Investments at Amortized Costs					
Broker Money Market Funds	N/A	less than 1 year	\$ 28,634		
Minnesota School District Liquid Asset Fund (MSDLAF)	AAAm	less than 1 year	2,273,132		
Minnesota School District MAX Fund (MSDMAX)	AAAm	less than 1 year	3,470,510		
Total Pooled Investments			<u>5,772,276</u>		
Non-pooled Investments at Cost					
U.S. Treasury notes	N/A	less than 1 year	10,043,983	\$ 467,713	\$ -
Broker Certificates of Deposit	N/A	less than 1 year	835,776	-	14,947
Total Non-pooled Investments at Cost			<u>10,879,759</u>	<u>467,713</u>	<u>14,947</u>
Total investments			<u>\$ 16,652,035</u>	<u>\$ 467,713</u>	<u>\$ 14,947</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAAm. The weighted average days to maturity are not greater than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Deposits	\$ 1,064,310
Investments	<u>16,652,035</u>
Total	<u>17,716,345</u>
Less Fiduciary Fund Cash and Temporary Investments	<u>(67,912)</u>
Cash and Temporary Investments	<u>\$ 17,648,433</u>

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2024 and payable in 2025. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2025 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies.

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Taxes receivable is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	\$ 1,021,421	\$ 1,304,572	\$ 40,721	\$ 2,366,714
Delinquent Taxes	8,215	12,950	1,232	22,397
Total Taxes Receivable	<u>\$ 1,029,636</u>	<u>\$ 1,317,522</u>	<u>\$ 41,953</u>	<u>\$ 2,389,111</u>
Property Taxes Levied for Subsequent Year	<u>\$ 2,019,687</u>	<u>\$ 2,309,601</u>	<u>\$ 87,303</u>	<u>\$ 4,416,591</u>

C. Capital Assets

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

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Governmental Activities				
Capital Assets not Being Depreciated/Amortized				
Land	\$ 31,400	\$ -	\$ -	\$ 31,400
Construction in progress	155,368	3,724,760	(818,734)	3,061,394
Total Capital Assets not Being Depreciated/Amortized	<u>186,768</u>	<u>3,724,760</u>	<u>(818,734)</u>	<u>3,092,794</u>
Capital Assets Being Depreciated/Amortized				
Land improvements	262,603	170,987	-	433,590
Buildings	24,531,428	603,538	(21,970)	25,112,996
Equipment	2,348,560	466,525	(91,458)	2,723,627
Leased Equipment (Intangible Right to Use Asset)	31,090	-	-	31,090
Total Capital Assets Being Depreciated/Amortized	<u>27,173,681</u>	<u>1,241,050</u>	<u>(113,428)</u>	<u>28,301,303</u>
Less Accumulated Depreciation/Amortization				
Land improvements	(246,095)	(6,729)	-	(252,824)
Buildings	(5,709,346)	(422,488)	21,970	(6,109,864)
Equipment	(1,674,433)	(151,825)	59,276	(1,766,982)
Leased Equipment (Intangible Right to Use Asset)	(21,764)	(6,219)	-	(27,983)
Total Accumulated Depreciation/Amortization	<u>(7,651,638)</u>	<u>(587,261)</u>	<u>81,246</u>	<u>(8,157,653)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>19,522,043</u>	<u>653,789</u>	<u>(32,182)</u>	<u>20,143,650</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 19,708,811</u>	<u>\$ 4,378,549</u>	<u>\$ (850,916)</u>	<u>\$ 23,236,444</u>

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Depreciation/amortization expense was charged to governmental activities as follows:

Elementary and Secondary Regular Instruction	\$ 21,677
Vocational Education Instruction	1,205
Community Education	143
Instructional Support Services	17,196
Pupil Support Services	90,635
Sites and buildings	449,427
Special Education Instruction	6,978
	<u>6,978</u>
Total Depreciation/Amortization Expense	<u>\$ 587,261</u>

D. Construction Commitments

The District has an active construction project as of June 30, 2025. At year end, the District's commitment with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
IAQ Construction	\$ 1,414,545	\$ 2,842,848
Parking Lot Abatement Project	412,538	17,269
	<u>412,538</u>	<u>17,269</u>
Total	<u>\$ 1,827,083</u>	<u>\$ 2,860,117</u>

E Long-term Debt

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
G.O. School Building						
Bonds, Series 2019A	\$ 18,500,000	3.00 - 5.00 %	02/21/19	02/01/39	\$ 795,000	\$ 14,405,000
Bonds, Series 2022A	800,000	4.00	10/20/22	02/01/28	160,000	550,000
G.O. Tax Abatement						
Bonds, Series 2024A	499,000	5.35	06/20/24	02/01/35	39,000	499,000
G.O. Facilities Maintenance						
Bonds, Series 2024A	12,165,000	4.00 - 5.00	02/20/25	02/01/45	175,000	12,165,000
					<u>175,000</u>	<u>12,165,000</u>
Total					<u>\$ 1,169,000</u>	<u>\$ 27,619,000</u>

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

The annual requirements to amortize all bonds outstanding at June 30, 2025 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2026	\$ 1,169,000	\$ 1,049,397	\$ 2,218,397
2027	1,276,000	1,019,248	2,295,248
2028	1,363,000	957,227	2,320,227
2029	1,480,000	890,853	2,370,853
2030	1,538,000	835,039	2,373,039
2031 - 2035	5,788,000	3,474,671	9,262,671
2036 - 2040	6,780,000	2,417,811	9,197,811
2041 - 2045	8,225,000	1,012,600	9,237,600
Total	<u>\$ 27,619,000</u>	<u>\$ 11,656,846</u>	<u>\$ 39,275,846</u>

Lease Payable

Copiers were leased for the District beginning on March 17, 2021 for a term of five years at fixed interest rate of 1.10%. The lease agreement is summarized as follows:

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
Copiers	\$ 31,090	1.1 %	03/17/21	5 Years	\$ 597 Monthly	<u>\$ 5,247</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	<u>\$ 5,247</u>	<u>\$ 126</u>	<u>\$ 5,373</u>

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 16,354,000	\$ 12,165,000	\$ (900,000)	\$ 27,619,000	\$ 1,169,000
Bond premiums	<u>673,297</u>	<u>161,003</u>	<u>(48,239)</u>	<u>786,061</u>	<u>-</u>
Total bonds payable	<u>17,027,297</u>	<u>12,326,003</u>	<u>(948,239)</u>	<u>28,405,061</u>	<u>1,169,000</u>
Other Liabilities					
Lease payable	11,903	-	(6,656)	5,247	5,247
Compensated absences payable*	<u>43,830</u>	<u>-</u>	<u>(7,523)</u>	<u>36,307</u>	<u>36,307</u>
 Total Long-term Liabilities	 <u>\$ 17,083,030</u>	 <u>\$ 12,326,003</u>	 <u>\$ (962,418)</u>	 <u>\$ 28,446,615</u>	 <u>\$ 1,210,554</u>

* Compensated absences payable is presented as a net change

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At June 30, 2025, portions of the District's fund balance are not available for appropriation due to legal restrictions (Restricted) and policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Building Construction	Nonmajor Governmental	Total
Nonspendable For					
Inventories	\$ -	\$ -	\$ -	\$ 6,847	\$ 6,847
Prepaid items	37,236	-	-	2,971	40,207
Total Nonspendable	<u>\$ 37,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,818</u>	<u>\$ 47,054</u>
Restricted for					
Student activities	\$ 135,460	\$ -	\$ -	\$ -	\$ 135,460
Staff development	76,934	-	-	-	76,934
Literacy incentive aid	64,035	-	-	-	64,035
Operating capital	22,421	-	-	-	22,421
School library aid	18,936	-	-	-	18,936
Learning and development	94,823	-	-	-	94,823
Gifted and talented	10,427	-	-	-	10,427
Basic skills	36,202	-	-	-	36,202
Safe schools	14,820	-	-	-	14,820
Long-term facilities maintenance	(163,197)	-	-	-	(163,197)
Student support aid	5,267	-	-	-	5,267
Medical assistance	4,215	-	-	-	4,215
English learners	22,868	-	-	-	22,868
READ act - teacher training compensation	27,442	-	-	-	27,442
Community education	-	-	-	66,665	66,665
Early childhood and family education	-	-	-	32,631	32,631
Food service	-	-	-	225,776	225,776
Building construction	-	-	10,960,086	-	10,960,086
Debt service	-	380,608	-	-	380,608
Total Restricted	<u>\$ 370,653</u>	<u>\$ 380,608</u>	<u>\$ 10,960,086</u>	<u>\$ 325,072</u>	<u>\$ 12,036,419</u>
Assigned for					
Separation/retirement benefits	<u>\$ 114,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,000</u>
Unassigned	<u>\$ 2,127,611</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,617)</u>	<u>\$ 2,113,994</u>

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Student Activities - This amount represents available resources for various student activities.

Restricted for Staff Development - This amount represents available resources for staff development. Revenues are derived from state aids and expenditures are for staff development at each site.

Restricted for Literacy Incentive Aid - Represents the resources available to support implementation of evidence-based reading instruction.

Restricted for Operating Capital - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicles and computer hardware and software. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Restricted for School Library Aid – This amount represents resources available for the school library.

Restricted for Learning and Development - This amount represents accumulated resources available to provide for learning and development programming in accordance with funding made available for that purpose.

Restricted for Gifted and Talented - This amount represents accumulated resources made available through a portion of the District's general education aid for gifted and talented programs.

Restricted for Basic Skills Programs - This amount represents accumulated resources available to provide for basic skills programming in accordance with funding made available for that purpose.

Restricted for Safe Schools - This amount represents resources restricted for crime prevention and making schools safe for students and staff.

Restricted for Long-Term Facilities Maintenance - This amount represents available resources for larger maintenance projects. Revenues are derived from State aids and expenditures are for maintenance.

Restricted for Student Support Aid - Represents available resources to be used for student support personnel that are in addition to current staff levels.

Restricted for Medical Assistance - This amount represents available resources for medical assistance expenditures. Revenues are derived from State or Federal aids.

Restricted for English Learner - This amount represents resources available for English Learner students per Minnesota Statutes 2024, section 124D.59, subd. 2.

Restricted for READ Act - Teacher Training Compensation - This amount represents resources available for teacher Compensation for READ ACT training.

Restricted for Community Education - This amount represents available resources for community education classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for Food Service - This amount represents available resources available for Food Service. Revenues are derived from state, federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, supplies and materials.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Community Service - This amount represents available resources available for community services. Revenues are derived from tax levies and local and county sources and expenditures are primarily for salaries, benefits, purchased services, supplies and materials.

Restricted for Building Construction - This amount represents available resources dedicated exclusively for building construction projects. Revenues are derived from the issuance of bonds and expenditures are for building construction costs.

Restricted for Debt Service - This amount represents available resources dedicated exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest and paying agent fees.

Assigned for Separation/Retirement Benefits - This amount represents resources segregated from the unassigned fund balance for retirement benefits, including severance, pensions, other post-employment benefits and termination benefits.

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

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide

A. Teacher Retirement Association (TRA)

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

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

With these provisions:

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

or

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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% per year 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:

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

Six different types of annuities are available to members upon retirement. The No Refund 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.

3. 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, 2024, and 2023 were \$396,901, \$333,645, and \$363,292. The District's contributions were equal to the required contributions for each year as set by state statute.

4. 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.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Experience Studies	August 2, 2023 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy Retirees	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled Retirees	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Changes in the actuarial assumptions since the 2022 valuation:

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

5. Discount Rate

The discount rate used to measure the total pension liability was 7%. 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.

6. Net Pension Liability

On June 30, 2025, The District reported a liability of \$4,130,309 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.065% at the end of the measurement period and 0.0669% 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	\$ 4,130,309
State's Proportionate Share of Net Pension Liability Associated with the District	<u>253,022</u>
Total	<u>\$ 4,383,331</u>

For the year ended June 30, 2025, the District recognized pension expense of \$188,522. It also recognized \$17,582 as an decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$114,508 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. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 201,059	\$ 57,456
Changes in Actuarial Assumptions	448,604	705,051
Net Difference Between Projected and Actual Investment Earnings	-	166,892
Changes in Proportion	-	130,723
Contributions Paid to PERA Subsequent to the Measurement Date	396,901	-
	<u>1,046,564</u>	<u>1,060,122</u>
Total	<u>\$ 1,046,564</u>	<u>\$ 1,060,122</u>

The \$396,901 reported as deferred outflows of resources related to pensions resulting from District Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2026	\$ (320,229)
2027	360,120
2028	143,884
2029	(264,254)
2030	(218,458)
Thereafter	(111,522)

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate (preparer instructions: multiply the allocation % by TRA's sensitivity footnote info).

	District's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
Teachers Retirement Association	\$ 7,273,715	\$ 4,130,309	\$ 2,833,402

8. Pension Plan Fiduciary Net Position

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

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan (General Plan)

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

2. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

3. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the years ending June 30, 2025, 2024 and 2023, were \$133,689, \$129,588 and \$124,793, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$754,734 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 \$19,516.

District's Proportionate Share of Net Pension Liability	\$ 754,734
State's Proportionate Share of Net Pension Liability Associated with the District	<u>19,516</u>
Total	<u><u>\$ 774,250</u></u>

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0204 percent at the end of the measurement period and 0.0209 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$57,577 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$523 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, 2025, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$34,725 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 71,523	\$ -
Changes in Actuarial Assumptions	3,772	444,939
Net Difference Between Projected and Actual Investment Earnings	-	69,593
Changes in Proportion	-	20,333
Contributions Paid to PERA Subsequent to the Measurement Date	133,689	-
	<u>133,689</u>	<u>-</u>
Total	<u>\$ 208,984</u>	<u>\$ 534,865</u>

The \$133,689 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ (267,549)
2027	(60,059)
2028	(112,698)
2029	(19,264)

5. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
	<u>25.0</u>	
Total	<u>100.0 %</u>	

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

6. Actuarial Assumptions

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

Inflation is assumed to be 2.25% 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% after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2023. The assumption changes were adopted by the board and became effective with the July 1, 2024 actuarial valuation.

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

General Employees Fund

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.

7. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plans were 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.

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

8. Pension Liability Sensitivity

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

	District's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
General Employees Fund	\$ 1,648,461	\$ 754,734	\$ 19,562

9. Pension Plan Fiduciary Net Position

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

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the District's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available report.

At June 30, 2025, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	91
Spouses Receiving Payments	4
Active Plan Members	19
	<hr/>
Total Plan Members	114
	<hr/>

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The District does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses.

For the year ended June 30, 2025, the District's average contribution rate was 26.02 percent of covered-employee payroll. For the fiscal year 2025, the District did not directly contribute to the plan, while implicit contributions totaled \$61,224. The General fund is typically used to liquidate the governmental portion of the net OPEB obligation.

C. Actuarial Methods and Assumptions

The District's total OPEB liability of \$1,233,451 was measured as of July 1, 2024, and the OPEB liability was determined by an actuarial valuation as of July 1, 2023. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

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

Discount Rate	4.10%
20-Year Municipal Bond Yield	4.10%
Inflation Rate	2.50%
Salary Increases	See sample rates in actuarial valuation report
Medical Trend Rate	6.25% in 2024 grading to 5.00% over 5 years and then to 4.00% over the next 48 years
Discount Trend Rate	N/A

Independent School District No. 2143
Waterville, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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

The actuarial assumptions used in the July 1, 2023 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Net OPEB Liability
Balances at June 30, 2024	<u>\$ 1,295,950</u>
Changes for the Year	
Service Costs	59,083
Interest Costs	49,769
Assumption Changes	(12,030)
Benefit Payment	<u>(159,321)</u>
Net Changes	<u>(62,499)</u>
Balances at June 30, 2025	<u><u>\$ 1,233,451</u></u>

Since the prior measurement date, the following assumptions changed:

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

Since the prior measurement date, the following benefit terms changed:

- None

Since the prior measurement date, the following plan provisions changed:

- None

E. Sensitivity of the Net OPEB Liability

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 a discount rate one percentage point lower or one percentage point higher than the current discount rate:

1 Percent Decrease 3.1%	Discount Rate Current 4.1%	1 Percent Increase 5.1%
\$ 1,305,089	\$ 1,233,451	\$ 1,165,402

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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

1 Percent Decrease 5.25% Decreasing to 4.00% then <u>3.00%</u>	Healthcare Cost Trend Rates 6.25% Decreasing to 5.00% then <u>4.00%</u>	1 Percent Increase 7.25% Decreasing to 6.00% then <u>5.00%</u>
\$ 1,184,389	\$ 1,233,451	\$ 1,290,721

F. 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 negative OPEB expense of \$22,201. 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
Differences Between Expected and Actual Economic Experience	\$ 108,534	\$ 139,512
Changes in Actuarial Assumptions	6,487	107,030
Contributions Paid to OPEB Subsequent to the Measurement Date	147,034	-
Total	<u>\$ 262,055</u>	<u>\$ 246,542</u>

Deferred outflows of resources totaling \$147,034 related to pensions resulting from the District's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability as of June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

2026	\$ (26,491)
2027	(30,225)
2028	(30,225)
2029	(30,225)
2030	(30,225)
Thereafter	15,867

Independent School District No. 2143

Waterville, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 6: Other Information

A. 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 for which the District carries insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

The Southcentral Services Cooperative Gross Self-Insured Health Insurance Plan was formed under a joint powers agreement. This is a public entity risk pool that is currently operating as common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health and insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators to the plan believe assessment to participating districts for future losses sustained is extremely remote. The District's non-teacher employees are eligible for the plan.

The District continues to carry commercial insurance for all other risk of loss. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

B. Commitments and Contingencies

Federal and State Receivables

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial. The financial assistance received is subject to audits by the grantor agency.

Note 7: Change in Accounting Principle

During fiscal year 2025, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 101, Compensated Absences, for the year ended June 30, 2025. Adoption of the provisions of this statement results in significant change to the classifications of the components of the financial statements. There were no adjustments or restatements of beginning balances needed for the adoption of these statements.

Note 8: Subsequent Event

Subsequent to year-end, the District advanced to the next phase of its capital improvement plan. On October 9, 2025, the District solicited bids for the 2026 HVAC Renovations project. Upon completion of the bidding process, the Board awarded the contract at a total cost of \$3,746,570.

This activity represents a nonrecognized subsequent event, as the conditions resulting in the bid solicitation and contract award occurred after the fiscal year-end. Accordingly, no adjustments have been made to the accompanying financial statements. This disclosure is provided to inform users of the District's significant financial commitments entered into subsequent to year-end.

REQUIRED SUPPLEMENTARY INFORMATION
INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2143

Waterville, Minnesota

Required Supplementary Information

For the Year Ended June 30, 2025

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0650 %	\$ 4,130,309	\$ 253,022	\$ 4,383,331	\$ 3,813,086	108.3 %	82.1 %
6/30/2023	0.0669	5,523,414	387,093	5,910,507	4,249,029	130.0	76.4
6/30/2022	0.0697	5,581,207	413,939	5,995,146	4,159,306	134.2	76.2
6/30/2021	0.0700	3,063,409	258,352	3,321,761	4,323,345	70.9	86.6
6/30/2020	0.0719	5,312,068	445,021	5,757,089	4,180,408	127.1	75.5
6/30/2019	0.0731	4,659,409	412,504	5,071,913	4,327,183	107.7	78.2
6/30/2018	0.0719	4,517,463	424,532	4,941,995	3,798,893	118.9	78.1
6/30/2017	0.0785	15,670,024	1,514,976	17,185,000	4,225,227	370.9	51.6
6/30/2016	0.0804	19,177,318	1,925,554	21,102,872	4,352,387	440.6	44.9
6/30/2015	0.0840	5,196,231	637,344	5,833,575	4,289,760	121.1	76.8

Schedule of Employer's TRA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 396,901	\$ 396,901	\$ -	\$ 4,536,008	8.75 %
6/30/2024	333,645	333,645	-	3,813,086	8.75
6/30/2023	363,292	363,292	-	4,249,029	8.55
6/30/2022	346,886	346,886	-	4,159,306	8.34
6/30/2021	351,488	351,488	-	4,323,345	8.13
6/30/2020	331,088	331,088	-	4,180,408	7.92
6/30/2019	333,626	333,626	-	4,327,183	7.71
6/30/2018	284,917	284,917	-	3,798,893	7.50
6/30/2017	316,892	316,892	-	4,225,227	7.50
6/30/2016	326,429	326,429	-	4,352,387	7.50

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2024
Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family. Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience. Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience. Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience. Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

2023
The 2023 Tax Finance and Policy Bill, effective July 1, 2025 and The 2024 Omnibus Pensions and Retirement Bill contained a number of changes. The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025. The employee contribution rate will increase from 7.75% to 8% on July 1, 2025. The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024. TRA's amortization date will remain the same at 2048. The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

2022
No changes noted.

2021
The investment return assumption was changed from 7.50 percent to 7.00 percent.

2020
Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to 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
No changes noted.

2018
The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017
The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016
The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015
The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2024
No changes noted.

2023
No changes noted.

2022
No changes noted.

2021
No changes noted.

2020
No changes noted.

2019
No changes noted.

2018
The 2018 Omnibus Pension Bill contained a number of changes: The 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% in 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 June 30, 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 zero percent 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 is reduced from 8.5% to 7.5%, effective July 1, 2018. The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 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
No changes noted.

2016
No changes noted.

2015
On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA. This also resulted in a state-provided contribution stream of \$14.377 million until the System becomes fully funded.

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the 0.0719 (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0204 %	\$ 754,734	\$ 19,516	\$ 774,250	\$ 1,727,842	43.7 %	86.7 %
6/30/2023	0.0209	1,168,705	32,253	1,200,958	1,663,910	70.2	83.1
6/30/2022	0.0209	1,655,287	48,499	1,703,786	1,564,458	105.8	76.7
6/30/2021	0.0214	913,876	27,967	941,843	1,514,614	60.3	87.0
6/30/2020	0.0196	1,175,110	36,228	1,211,338	1,397,655	84.1	79.0
6/30/2019	0.0213	1,177,629	36,665	1,214,294	1,502,363	78.4	80.2
6/30/2018	0.0212	1,176,089	38,586	1,214,675	1,418,921	82.9	79.5
6/30/2017	0.0233	1,487,457	18,692	1,506,149	1,493,787	99.6	75.9
6/30/2016	0.0230	1,867,486	24,390	1,891,876	1,415,533	131.9	68.9
6/30/2015	0.0254	1,316,360	-	1,316,360	1,468,173	89.7	78.2

Schedule of Employer's PERA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 133,689	\$ 133,689	\$ -	\$ 1,782,516	7.50 %
6/30/2024	129,588	129,588	-	1,727,842	7.50
6/30/2023	124,793	124,793	-	1,663,910	7.50
6/30/2022	117,334	117,334	-	1,564,458	7.50
6/30/2021	113,596	113,596	-	1,514,614	7.50
6/30/2020	104,824	104,824	-	1,397,655	7.50
6/30/2019	112,677	112,677	-	1,502,363	7.50
6/30/2018	106,419	106,419	-	1,418,921	7.50
6/30/2017	112,034	112,034	-	1,493,787	7.50
6/30/2016	106,165	106,165	-	1,415,533	7.50

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2024

The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): 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.

2023

The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

2022

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

2021

The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020

The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. 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 & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019

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

2018

The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017

The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016

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

2015

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

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

2024

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

2023

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

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

2021

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

2020

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

2019

The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018

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 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, 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; 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

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

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

2015

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.

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2025

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Costs	\$ 59,083	\$ 59,249	\$ 55,295	\$ 71,987	\$ 51,484	\$ 45,083	\$ 62,775	\$ 61,457
Interest Costs	49,769	44,154	27,304	26,111	34,894	49,840	53,193	57,913
Assumption Changes	(12,030)	3,536	(107,301)	(44,642)	22,409	(150,653)	(5,740)	-
Plan Changes	-	2,285	-	572,456	-	14,039	-	-
Differences between expected and actual experience	-	139,546	-	(251,124)	-	(57,925)	-	-
Benefit Payment	(159,321)	(110,028)	(125,362)	(166,007)	(167,555)	(242,022)	(255,717)	(263,238)
Other Changes	-	-	-	-	-	-	15,869	-
Net Change in Total OPEB Liability	(62,499)	138,742	(150,064)	208,781	(58,768)	(341,638)	(129,620)	(143,868)
Total OPEB Liability - Beginning	1,295,950	1,157,208	1,307,272	1,098,491	1,157,259	1,498,897	1,628,517	1,772,385
Total OPEB Liability - Ending	<u>\$ 1,233,451</u>	<u>\$ 1,295,950</u>	<u>\$ 1,157,208</u>	<u>\$ 1,307,272</u>	<u>\$ 1,098,491</u>	<u>\$ 1,157,259</u>	<u>\$ 1,498,897</u>	<u>\$ 1,628,517</u>
Covered - Employee Payroll	\$ 4,739,548	\$ 4,601,503	\$ 4,574,928	\$ 4,441,678	\$ 4,595,148	\$ 4,292,693	\$ 4,421,474	\$ 4,292,693
City's total OPEB liability as a percentage of covered employee payroll	26.02 %	28.16 %	25.29 %	29.43 %	23.91 %	26.96 %	33.90 %	37.94 %

Note: This schedule intended to show 10-year trends. Additional years will be reported as they become available.

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Changes in the District's OPEB Liability and Related Ratios (Continued)

Changes in assumptions:

2024 - The health care trend rates and mortality tables were updated. The discount rate was changed from 3.80% to 3.90%.

2023 - The inflation rate was changed from 2.00% to 2.50%. The discount rate was changed from 2.10% to 3.80%.

2022 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Teachers) with MP-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 retiree plan participation percentage was changed from 100% to 50% for Teachers and Clerical employees who are eligible for a post-employment medical subsidy. The inflation rate was changed from 2.50% to 2.00%. The discount rate was changed from 2.40% to 2.10%.

2021 - The discount rate was changed from 3.10% to 2.40%.

2020 - The health care trend rates, mortality tables, election rates, and salary increase rates were updated along with the discount rate changing from 3.50% to 3.10%.

2019 - The discount rate was changed from 3.40% to 3.50%

2018 - The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality table was updated from RP-2017 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 prior valuation assumed an implicit rate subsidy for dental insurance valued to age 85. Based on plan experience, the implicit rate liability is not significant for dental insurance and has not been included in this valuation. The discount rate was changed from 3.50% to 3.40%

Independent School District No. 2143
Waterville, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Changes in the District's OPEB Liability and Related Ratios (Continued)

Changes in Plan Provisions:

2024 - No changes noted.

2023 - No changes noted.

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - The actuarial cost method was changed from projected unit credit entry age as prescribed by GASB 75.

Changes in benefits:

2024 - The new superintendent's post-employment medical subsidy is \$6,000 per year for 6 years with the requirement of 10 years of service in order to be eligible. Clerical employees now get \$200 per month instead of \$150 per month.

2023 - No changes noted.

2022 - Clerical employees are required to have 20 years of service in order to be eligible for post-employment medical subsidies. The Teachers' post-employment medical subsidy was changed as follows: All Teachers who attained "Rule of 90" with 20 years of service will be eligible for the post-employment medical subsidy. Previously, only Teachers hired prior to July 1, 1989, who attained "Rule of 90" with 20 years of service were assumed to be eligible. The \$6,000 per year subsidy, payable toward District medical insurance or to a VEBA for 7 years, was extended through June 30, 2024. Since this benefit continues to be extended in each contract, we have assumed all future retired Teachers who meet the eligibility requirement will receive it (instead of \$2,000 per year, payable for 6 years), even if the retire after June 30, 2024.

2021 - No changes noted.

2020 - The subsidy for the superintendent was changed from \$7,100 per year towards medical coverage for 11 years to \$7,810 per year towards medical coverage for 10 years. The subsidy for eligible teachers was extended to cover retirement through June 30, 2022.

2019 - The subsidy for eligible teachers retiring before June 30, 2021 was changed to be paid over eight years instead of seven years and the subsidy for the individual principal was changed from \$6,000 per year to \$8,000 per year.

2018 - The teacher's subsidized post-retirement benefit was changed to \$6,000 per year toward medical coverage for seven years if retiring before the 2020-2021 school year.

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2143

Waterville, Minnesota

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2025

	Special Revenue		
	Food Service	Community Service	Totals
Assets			
Cash and temporary investments	\$ 242,108	\$ 172,849	\$ 414,957
Receivables			
Taxes			
Current	-	40,721	40,721
Delinquent	-	1,232	1,232
Accounts	-	14,768	14,768
Intergovernmental	-	3,672	3,672
Inventories	6,847	-	6,847
Prepaid items	2,971	-	2,971
Total Assets	\$ 251,926	\$ 233,242	\$ 485,168
Liabilities			
Salaries and wages payable	\$ 2,048	\$ 34,402	\$ 36,450
Accounts and other payables	3,111	8,813	11,924
Accrued Expense	2,277	-	2,277
Unearned revenue	8,896	15,813	24,709
Total Liabilities	16,332	59,028	75,360
Deferred Inflows of Resources			
Property taxes levied for subsequent year	-	87,303	87,303
Unavailable revenue - delinquent property taxes	-	1,232	1,232
Total Deferred Inflows of Resources	-	88,535	88,535
Fund Balances			
Nonspendable for			
Inventories	6,847	-	6,847
Prepaid items	2,971	-	2,971
Restricted for			
Community education	-	66,665	66,665
Early childhood family education	-	32,631	32,631
Food service	225,776	-	225,776
Unassigned	-	(13,617)	(13,617)
Total Fund Balances	235,594	85,679	321,273
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 251,926	\$ 233,242	\$ 485,168

Independent School District No. 2143
Waterville, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	Special Revenue		
	Food Service	Community Service	Totals
Revenues			
Local property tax levies	\$ -	\$ 66,363	\$ 66,363
Other local revenue	-	254,568	254,568
Interest earned on investments	6,137	2,075	8,212
Revenue from state sources	307,332	133,762	441,094
Revenue from federal sources	226,087	-	226,087
Sales and other conversion of assets	57,655	-	57,655
Total Revenues	<u>597,211</u>	<u>456,768</u>	<u>1,053,979</u>
Expenditures			
Current			
Community education and services	-	442,522	442,522
Pupil support services	588,120	-	588,120
Capital outlay	77,717	260	77,977
Total Expenditures	<u>665,837</u>	<u>442,782</u>	<u>1,108,619</u>
Net Change in Fund Balances	(68,626)	13,986	(54,640)
Fund Balances, July 1	<u>304,220</u>	<u>71,693</u>	<u>375,913</u>
Fund Balances, June 30	<u>\$ 235,594</u>	<u>\$ 85,679</u>	<u>\$ 321,273</u>

Independent School District No. 2143
Waterville, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025			2024
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Revenues				
Other local revenues	\$ -	\$ -	\$ -	\$ 1,850
Interest earned on investments	7,000	11,000	6,137	11,780
Revenue from state sources	290,900	307,085	307,332	288,526
Revenue from federal sources	228,400	223,370	226,087	268,911
Sales and other conversion of assets	49,150	65,855	57,655	74,207
Total Revenues	<u>575,450</u>	<u>607,310</u>	<u>597,211</u>	<u>645,274</u>
Expenditures				
Current				
Pupil support services				
Salaries	211,028	212,650	164,110	180,212
Employee benefits	103,197	109,712	79,721	86,738
Purchased services	780	25,759	48,287	26,013
Supplies and materials	262,452	292,124	263,800	278,123
Other expenditures	1,800	1,800	32,202	1,225
Total current	579,257	642,045	588,120	572,311
Capital outlay				
Pupil support services	100,000	100,000	77,717	7,305
Total Expenditures	<u>679,257</u>	<u>742,045</u>	<u>665,837</u>	<u>579,616</u>
Net Change in Fund Balances	(103,807)	(134,735)	(68,626)	65,658
Fund Balances, July 1	<u>304,220</u>	<u>304,220</u>	<u>304,220</u>	<u>238,562</u>
Fund Balances, June 30	<u>\$ 200,413</u>	<u>\$ 169,485</u>	<u>\$ 235,594</u>	<u>\$ 304,220</u>

Independent School District No. 2143
Waterville, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 68,354	\$ 66,777	\$ 66,363	\$ (414)	\$ 62,061
Other local revenue	201,430	180,900	254,568	73,668	239,496
Interest earned on investments	90	4,000	2,075	(1,925)	3,462
Revenue from state sources	65,886	62,923	133,762	70,839	59,196
Revenue from federal sources	-	6,800	-	(6,800)	6,872
Total Revenues	<u>335,760</u>	<u>321,400</u>	<u>456,768</u>	<u>135,368</u>	<u>371,087</u>
Expenditures					
Current					
Community education and services					
Salaries	253,319	242,408	291,228	(48,820)	228,510
Employee benefits	70,743	73,300	89,252	(15,952)	64,707
Purchased services	61,779	54,238	46,096	8,142	37,217
Supplies and materials	24,833	35,300	15,011	20,289	22,469
Other expenditures	834	2,324	935	1,389	935
Capital outlay					
Community education and services	2,700	3,500	260	3,240	-
Total Expenditures	<u>414,208</u>	<u>411,070</u>	<u>442,782</u>	<u>(31,712)</u>	<u>353,838</u>
Net Change in Fund Balances	(78,448)	(89,670)	13,986	103,656	17,249
Fund Balances, July 1	<u>71,693</u>	<u>71,693</u>	<u>71,693</u>	<u>-</u>	<u>54,444</u>
Fund Balances, June 30	<u>\$ (6,755)</u>	<u>\$ (17,977)</u>	<u>\$ 85,679</u>	<u>\$ 103,656</u>	<u>\$ 71,693</u>

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Independent School District No. 2143

Waterville, Minnesota

General Fund

Comparative Balance Sheets

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and temporary investments	\$ 3,742,508	\$ 3,657,757
Receivables		
Taxes		
Current	1,021,421	1,046,168
Delinquent	8,215	6,136
Accounts	10,502	34,211
Intergovernmental	1,116,797	1,454,635
Lease	-	98,087
Prepaid items	<u>37,236</u>	<u>8,673</u>
Total Assets	<u>\$ 5,936,679</u>	<u>\$ 6,305,667</u>
Liabilities		
Salaries and wages payable	\$ 397,109	\$ 424,772
Accounts and other payables	274,445	180,894
Due to other school districts	58,738	55,264
Due to other governments	7,339	229
Accrued expenses	<u>521,646</u>	<u>515,860</u>
Total Liabilities	<u>1,259,277</u>	<u>1,177,019</u>
Deferred Inflows of Resources		
Property taxes levied for subsequent year	2,019,687	2,128,762
Unavailable revenue - delinquent property taxes	8,215	6,136
Unavailable revenue - lease receivable	-	93,070
Total Deferred Inflows of Resources	<u>2,027,902</u>	<u>2,227,968</u>
Fund Balances		
Nonspendable for		
Prepaid items	37,236	8,673
Restricted for		
Student activities	135,460	125,864
Staff development	76,934	88,818
Literacy incentive aid	64,035	34,054
Operating capital	22,421	9,107
School library aid	18,936	40,000
Learning and development	94,823	96,899
Gifted and talented	10,427	9,508
Basic skills	36,202	22,287
Safe schools	14,820	6,266
Long-term facilities maintenance	(163,197)	-
Student support aid	5,267	19,168
Medical assistance	4,215	260,405
English learners	22,868	-
READ act - teacher training compensation	27,442	-
Assigned		
Separation/retirement benefits	114,000	114,000
Unassigned	<u>2,127,611</u>	<u>2,065,631</u>
Total Fund Balances	<u>2,649,500</u>	<u>2,900,680</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,936,679</u>	<u>\$ 6,305,667</u>

Independent School District No. 2143
Waterville, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 2,224,088	\$ 2,213,161	\$ 2,324,010	\$ 110,849	\$ 1,955,593
Other local revenue	584,862	517,997	524,234	6,237	587,312
Interest earned on investments	45,000	165,000	17,644	(147,356)	165,997
Revenue from state sources	7,752,905	7,678,024	7,879,991	201,967	7,852,363
Revenue from federal sources	449,359	386,566	579,231	192,665	740,401
Sales and other conversion of assets	5,300	5,300	2,480	(2,820)	3,098
Total Revenues	11,061,514	10,966,048	11,327,590	361,542	11,304,764
Expenditures					
Current					
Administration					
Salaries	483,197	495,011	467,639	27,372	479,184
Employee benefits	205,870	209,429	196,901	12,528	184,433
Purchased services	21,773	36,349	42,156	(5,807)	17,541
Supplies and materials	946	946	1,932	(986)	1,606
Other expenditures	20,562	13,800	22,475	(8,675)	11,404
Total administration	732,348	755,535	731,103	24,432	694,168
District support services					
Salaries	127,182	136,782	135,320	1,462	132,044
Employee benefits	54,107	51,975	52,084	(109)	56,650
Purchased services	172,322	172,322	162,479	9,843	156,426
Supplies and materials	1,800	1,800	1,000	800	7,562
Other expenditures	15,270	16,662	(19,854)	36,516	16,378
Total district support services	370,681	379,541	331,029	48,512	369,060
Elementary and secondary regular instruction					
Salaries	2,999,567	3,085,934	2,951,545	134,389	2,999,802
Employee benefits	1,427,444	1,264,277	1,178,525	85,752	1,215,366
Purchased services	238,939	193,815	245,882	(52,067)	260,451
Supplies and materials	536,472	337,864	194,518	143,346	201,669
Other expenditures	9,231	7,043	95,949	(88,906)	3,773
Total elementary and secondary regular instruction	5,211,653	4,888,933	4,666,419	222,514	4,681,061
Vocational education instruction					
Salaries	103,947	103,880	116,620	(12,740)	79,280
Employee benefits	42,524	28,976	27,908	1,068	29,592
Purchased services	1,630	1,466	-	1,466	617
Supplies and materials	5,958	7,250	6,867	383	12,024
Total vocational education instruction	154,059	141,572	151,395	(9,823)	121,513
Special education instruction					
Salaries	1,151,286	1,094,831	1,042,776	52,055	948,408
Employee benefits	378,260	367,207	325,126	42,081	334,450
Purchased services	555,817	199,472	189,762	9,710	195,099
Supplies and materials	15,345	20,747	13,287	7,460	29,395
Other expenditures	608	596	19,826	(19,230)	450
Total special education instruction	2,101,316	1,682,853	1,590,777	92,076	1,507,802

Independent School District No. 2143
Waterville, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025			2024	
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Community education and services					
Employee benefits	\$ -	\$ -	\$ 58	\$ (58)	\$ -
Instructional support services					
Salaries	264,324	266,461	354,391	(87,930)	344,367
Employee benefits	110,027	78,437	106,615	(28,178)	113,993
Purchased services	43,147	43,704	68,439	(24,735)	46,350
Supplies and materials	63,850	51,962	66,182	(14,220)	48,375
Other expenditures	-	-	10,380	(10,380)	10,018
Total instructional support services	481,348	440,564	606,007	(165,443)	563,103
Pupil support services					
Salaries	760,371	695,150	662,558	32,592	644,086
Employee benefits	185,280	198,736	177,926	20,810	172,323
Purchased services	11,837	72,544	66,009	6,535	60,427
Supplies and materials	141,221	142,607	101,305	41,302	141,841
Other expenditures	-	-	7,396	(7,396)	-
Total pupil support services	1,098,709	1,109,037	1,015,194	93,843	1,018,677
Sites and buildings					
Salaries	313,658	350,437	331,553	18,884	320,521
Employee benefits	160,758	172,223	188,878	(16,655)	162,608
Purchased services	524,008	879,166	820,762	58,404	870,402
Supplies and materials	189,413	189,413	145,566	43,847	140,333
Other expenditures	130	-	560	(560)	-
Total sites and buildings	1,187,967	1,591,239	1,487,319	103,920	1,493,864
Fiscal and other fixed cost programs					
Purchased services	110,250	136,000	135,603	397	108,671
Total current	11,448,331	11,125,274	10,714,904	410,370	10,557,919
Capital outlay					
District support services	1,500	1,500	1,876	(376)	1,407
Elementary and secondary regular instruction	56,483	30,145	220,906	(190,761)	91,133
Special education instruction	9,814	382,000	366,085	15,915	158,148
Instructional support services	40,000	40,000	40,095	(95)	49,988
Pupil support services	66,000	133,500	140,518	(7,018)	143,508
Sites and buildings	9,000	9,000	139,756	(130,756)	15,867
Total capital outlay	182,797	596,145	909,236	(313,091)	460,051
Debt service					
Principal	6,000	6,000	6,656	(656)	6,287
Interest and other charges	1,300	1,300	508	792	876
Total debt service	7,300	7,300	7,164	136	7,163
Total Expenditures	11,638,428	11,728,719	11,631,304	97,415	11,025,133
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(576,914)	(762,671)	(303,714)	458,957	279,631
Other Financing Sources (Uses)					
Sale of assets	-	-	5,150	5,150	5,150
Insurance recovery	-	-	47,384	47,384	-
Total Other Financing Sources (Uses)	-	-	52,534	52,534	5,150
Net Change in Fund Balances	(576,914)	(762,671)	(251,180)	511,491	284,781
Fund Balances, July 1	2,900,680	2,900,680	2,900,680	-	2,615,899
Fund Balances, June 30	\$ 2,323,766	\$ 2,138,009	\$ 2,649,500	\$ 511,491	\$ 2,900,680

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Independent School District No. 2143
Waterville, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025			2024
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Revenues				
Local property tax levies	\$ 1,243,831	\$ 1,209,327	\$ 1,183,628	\$ 1,178,546
Interest earned on investments	-	-	91,224	-
Revenue from state sources	253,685	288,189	324,234	288,189
Total Revenues	1,497,516	1,497,516	1,599,086	1,466,735
Expenditures				
Current				
Debt service				
Principal	830,000	900,000	900,000	830,000
Interest and other charges	627,750	602,436	603,386	627,750
Total Expenditures	1,457,750	1,502,436	1,503,386	1,457,750
Excess (Deficiency) of Revenues Over (Under) Expenditures	39,766	(4,920)	95,700	8,985
Other Financing Sources				
Transfers in	-	-	-	16,389
Net Change in Fund Balances	39,766	(4,920)	95,700	25,374
Fund Balances, July 1	284,908	284,908	284,908	259,534
Fund Balances, June 30	\$ 324,674	\$ 279,988	\$ 380,608	\$ 284,908

Independent School District No. 2143
Waterville, Minnesota
Building Construction Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Interest earned on investments	\$ 55,000	\$ 92,900	\$ 287,802	\$ 194,902	\$ 63,656
Expenditures					
Capital outlay					
Sites and buildings	1,497,141	4,860,000	3,360,419	1,499,581	41,272
Debt service					
Interest and other fixed cost programs	-	-	165,986	(165,986)	15,450
Total Expenditures	1,497,141	4,860,000	3,526,405	1,333,595	56,722
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,442,141)	(4,767,100)	(3,238,603)	1,528,497	6,934
Other Financing Sources (Uses)					
Bonds issued	-	12,160,017	12,165,000	4,983	482,611
Premium on bonds issued	-	-	161,003	161,003	-
Total Other Financing Sources (Uses)	-	12,160,017	12,326,003	165,986	482,611
Net Change in Fund Balances	(1,442,141)	7,392,917	9,087,400	1,694,483	489,545
Fund Balances, July 1	1,872,686	1,872,686	1,872,686	-	1,383,141
Fund Balances, June 30	\$ 430,545	\$ 9,265,603	\$ 10,960,086	\$ 1,694,483	\$ 1,872,686

Independent School District No. 2143
Waterville, Minnesota
Schedules of Tax Capacity, Tax Levy and Tax Rates
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Tax Capacity		
Agricultural	\$ 4,842,524	\$ 4,864,563
Nonagricultural	<u>10,940,886</u>	<u>10,075,157</u>
Total	<u><u>\$15,783,410</u></u>	<u><u>\$14,939,720</u></u>
Tax Levy		
General	\$ 2,180,486	\$ 2,167,981
Community Service	87,682	68,280
Debt Service	<u>2,319,621</u>	<u>1,497,591</u>
Total	<u><u>\$ 4,587,789</u></u>	<u><u>\$ 3,733,852</u></u>
Tax Capacity Rates		
General	4.525	4.200
Community Service	0.556	0.448
Debt Service	<u>14.709</u>	<u>9.826</u>
Total	<u><u>19.790</u></u>	<u><u>14.474</u></u>

Fiscal Compliance Report - 6/30/2025

District: WATERVILLE-ELYSIAN-MORRI (2143-1)

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	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	\$11,327,590	<u>\$11,327,585</u>	<u>\$5</u>
Total Expenditures	\$11,631,304	<u>\$11,631,297</u>	<u>\$7</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$37,236	<u>\$37,236</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$135,460	<u>\$135,460</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$76,934	<u>\$76,935</u>	<u>(\$1)</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.12 Literacy Incentive Aid	\$64,035	<u>\$64,035</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>
4.20 American Indian Education Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.24 Operating Capital	\$22,421	<u>\$22,421</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$94,823	<u>\$94,823</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$10,427	<u>\$10,427</u>	<u>\$0</u>
4.39 English Learner	\$22,868	<u>\$22,868</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$36,202	<u>\$36,202</u>	<u>\$0</u>
4.43 School Library Aid	\$18,936	<u>\$18,936</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.49 Safe Schools Levy	\$14,820	<u>\$14,819</u>	<u>\$1</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$27,442	<u>\$27,442</u>	<u>\$0</u>
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	(\$163,197)	<u>(\$163,195)</u>	<u>(\$2)</u>
4.71 Student Support Personnel Aid	\$5,267	<u>\$5,267</u>	<u>\$0</u>
4.72 Medical Assistance	\$4,215	<u>\$4,213</u>	<u>\$2</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>			
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>			
4.62 Assigned Fund Balance	\$114,000	<u>\$114,000</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	\$2,127,611	<u>\$2,127,614</u>	<u>(\$3)</u>

06 BUILDING CONSTRUCTION

Total Revenue	\$287,802	<u>\$287,801</u>	<u>\$1</u>
Total Expenditures	\$3,526,405	<u>\$3,526,405</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$10,960,086	<u>\$10,960,086</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

07 DEBT SERVICE

Total Revenue	\$1,599,086	<u>\$1,599,085</u>	<u>\$1</u>
Total Expenditures	\$1,503,386	<u>\$1,503,386</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$380,608	<u>\$380,607</u>	<u>\$1</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

08 TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

18 CUSTODIAL

Total Revenue	\$24,247	<u>\$24,248</u>	<u>(\$1)</u>
Total Expenditures	\$14,500	<u>\$14,500</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$67,912	<u>\$67,912</u>	<u>\$0</u>

20 INTERNAL SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

25 OPEB REVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>

02 FOOD SERVICES

Total Revenue	\$597,211	<u>\$597,213</u>	<u>(\$2)</u>
Total Expenditures	\$665,837	<u>\$665,838</u>	<u>(\$1)</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$9,818	<u>\$9,818</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$225,776	<u>\$225,778</u>	<u>(\$2)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

04 COMMUNITY SERVICE

Total Revenue	\$456,768	<u>\$456,766</u>	<u>\$2</u>
Total Expenditures	\$442,782	<u>\$442,781</u>	<u>\$1</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$66,665	<u>\$66,664</u>	<u>\$1</u>
4.32 E.C.F.E	\$32,631	<u>\$32,632</u>	<u>(\$1)</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$0	<u>\$0</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	(\$13,617)	<u>(\$13,618)</u>	<u>\$1</u>

4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
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45 OPEB IRREVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2143
WATERVILLE, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 2143
Waterville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2143, Waterville, Minnesota, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated December 3, 2025.

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

Purpose of the Report

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



Abdo
Mankato, Minnesota
December 3, 2025

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

Members of the School Board
Independent School District No. 2143
Waterville, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2143, Waterville, Minnesota, (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 3, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

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* or statutes set forth by the State of Minnesota.

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.



Abdo
Mankato, Minnesota
December 3, 2025

