

INDEPENDENT SCHOOL DISTRICT #466
DASSEL-COKATO PUBLIC SCHOOLS

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2025

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

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INDEPENDENT SCHOOL DISTRICT #466

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INDEPENDENT SCHOOL DISTRICT #466

BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2025

<u>Board of Education</u>		<u>Term Expires</u>
Chairperson	Andy Engh	12/31/2026
Vice-Chairperson	Andy Bohnsack	12/31/2028
Clerk	Cindy Miller	12/31/2028
Treasurer	Bonni Halverson	12/31/2026
Director	Jenna Kantola	12/31/2026
Director	Katie Niska	12/31/2028
<u>Administration</u>		
Superintendent	Mark Raymond	
Executive Director of Finance and Operations	Tina Palmer	

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INDEPENDENT AUDITOR'S REPORT

To The Board of Education
Independent School District #466
Cokato, Minnesota

Report on the Audit Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #466, Cokato, Minnesota, 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 accompanying 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 Independent School District #466, Cokato, Minnesota, as of June 30, 2025, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (Cont'd)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, 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, the Schedules of Proportionate Share of Net Pension Liability and Employer Contributions, the Schedule of Changes in the District's Total OPEB Liability, and Notes to Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by 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 nonmajor fund financial statements 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Partial Comparative Information

We have previously audited the District's 2024 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 28, 2024. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived. Refer to Note 18 of the Notes to the Financial Statements for additional information regarding the prior year partial comparative information.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Board of Education and Administration page, the UFARS Compliance Table, the Schedule of Bond and Interest Maturities and the Schedule of Deferred Tax Levies to Pay Bonds, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 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 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.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

October 27, 2025

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REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #466
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

This section of the Independent School District Dassel-Cokato School #466's annual financial report presents the District's Management's Discussion and Analysis of the District's financial performance during the fiscal year that ended June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 - Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments issued in June 1999.

FINANCIAL HIGHLIGHTS

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

- Overall actual revenues in the Statement of Activities were \$33,178,579, while overall expenses totaled \$32,472,017.
- The Unassigned General Fund balance increased \$196,674 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.
- The *Governmental Funds* statements tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- The *Proprietary Fund* statements offer *short-term* and *long-term* financial information about the activity the District operates *like a business*.
- The *Fiduciary Fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

INDEPENDENT SCHOOL DISTRICT #466
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Figure A-1 Organization of Dassel-Cokato Schools' Annual Financial Report

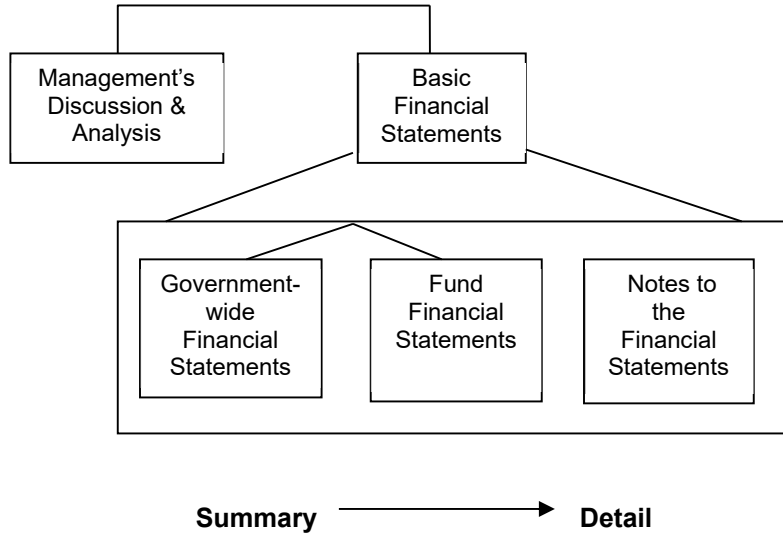


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

INDEPENDENT SCHOOL DISTRICT #466

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: Internal Service Fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
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 Revenue, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> ▪ Statement of Net Position ▪ Statement of Revenues, Expenses and Changes in Net Position ▪ Statement of Cash Flows 	<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	Accrual accounting and economic resources focus
Type of asset and deferred outflows of resources/ liability and deferred inflows of resources information	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow 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 related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

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

INDEPENDENT SCHOOL DISTRICT #466
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Government-Wide Statements (Cont'd)

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

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

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

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes.

The District has three kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in separate statements that explains the relationship (or differences) between them.
- *Proprietary Funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.
 - The District uses an *internal service fund* to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund for self-insurance dental plan benefits.
- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

INDEPENDENT SCHOOL DISTRICT #466
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's *combined* net position was \$15,330,717 on June 30, 2025 (See Table A-1.)

**Table A-1
Dassel-Cokato Schools
Statement of Net Position
Governmental Activities**

	2025	2024	Total Percentage Change 2024-2025
Current and Other Assets	\$ 32,741,201	\$ 30,997,861	5.62%
Capital Assets	40,027,021	33,940,748	17.93%
Total Assets	72,768,222	64,938,609	12.06%
Deferred Outflows of Resources Related to Pensions	3,893,000	4,301,177	-9.49%
Total Assets & Deferred Outflows of Resources	\$ 76,661,222	\$ 69,239,786	10.72%
Current Liabilities	\$ 5,252,221	\$ 6,384,863	-17.74%
Long-Term Liabilities	44,278,087	40,634,530	8.97%
Total Liabilities	49,530,308	47,019,393	5.34%
Deferred Inflows of Resources	11,800,197	7,596,238	55.34%
Net Position			
Invested in Capital Assets, Net of Related Debt	23,906,643	23,532,854	1.59%
Restricted	3,620,534	4,131,895	-12.38%
Unrestricted	(12,196,460)	(13,040,594)	-6.47%
Total Net Position	15,330,717	14,624,155	4.83%
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 76,661,222	\$ 69,239,786	10.72%

INDEPENDENT SCHOOL DISTRICT #466
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

The following Table A-2 presents the change in net position of the District:

Table A-2
Dassel-Cokato Schools
Change in Net Position

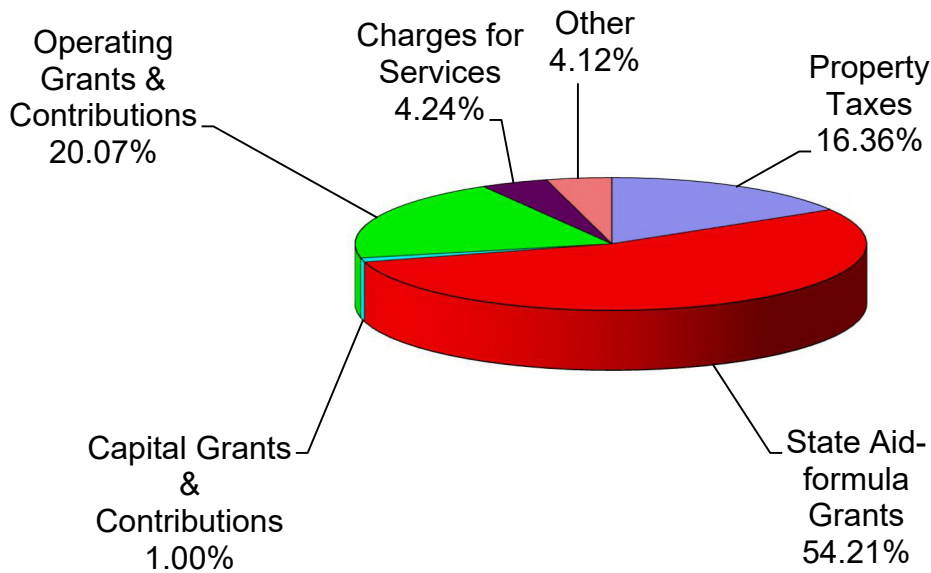
	2025	2024	Total Percentage Change 2024-2025
REVENUES			
Program Revenues			
Charges for Services	\$ 1,406,120	\$ 1,482,594	-5.16%
Operating Grants and Contributions	6,660,558	6,455,098	3.18%
Capital Grants and Contributions	330,014	483,399	-31.73%
General Revenues			
Property Taxes	5,429,149	5,264,709	3.12%
State Aid-Formula Grants	17,987,245	18,492,708	-2.73%
Other	1,365,493	1,615,371	-15.47%
Total Revenues	33,178,579	33,793,879	-1.82%
EXPENSES			
Administration	1,436,182	1,371,538	4.71%
District Support Services	546,196	548,753	-0.47%
Elementary and Secondary Regular Education	12,140,776	11,775,853	3.10%
Vocational Education Instruction	521,632	488,357	6.81%
Special Education Instruction	4,371,713	4,142,027	5.55%
Instructional Support Services	2,539,516	1,946,161	30.49%
Pupil Support Services	2,415,911	2,477,793	-2.50%
Sites and Buildings	4,652,200	4,306,485	8.03%
Fiscal and Other Fixed Costs Programs	199,767	141,643	41.04%
Food Service	1,649,386	1,369,721	20.42%
Community Education and Services	1,160,757	1,103,251	5.21%
Interest and Fiscal Charges on Long-Term Liabilities	837,981	734,335	14.11%
Total Expenses	32,472,017	30,405,917	6.80%
Increase (Decrease) in Net Position	706,562	3,387,962	-79.14%
Net Position, Beginning of Year	14,624,155	12,919,862	13.19%
Adjustment - Correction of an Error		(1,683,669)	-100.00%
Net Position, End of Year	\$ 15,330,717	\$ 14,624,155	4.83%

INDEPENDENT SCHOOL DISTRICT #466
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Changes in net position. The District's total revenues were \$33,178,579 for the year ended June 30, 2025. Property taxes and state formula aid accounted for 70.58 percent of total revenue for the year. (See Figure A-3.) Another 4.11 percent came from other general revenues combined with investment earnings and the remainder of 25.31 percent from program revenues.

The total cost of all programs and services was \$32,472,017. The District's expenses are predominately related to educating and caring for students (76.37 percent.) (See Figure A-4.) Administrative costs for the District accounted for 4.42 percent of the total costs. Total revenues exceeded expenses by \$706,562.

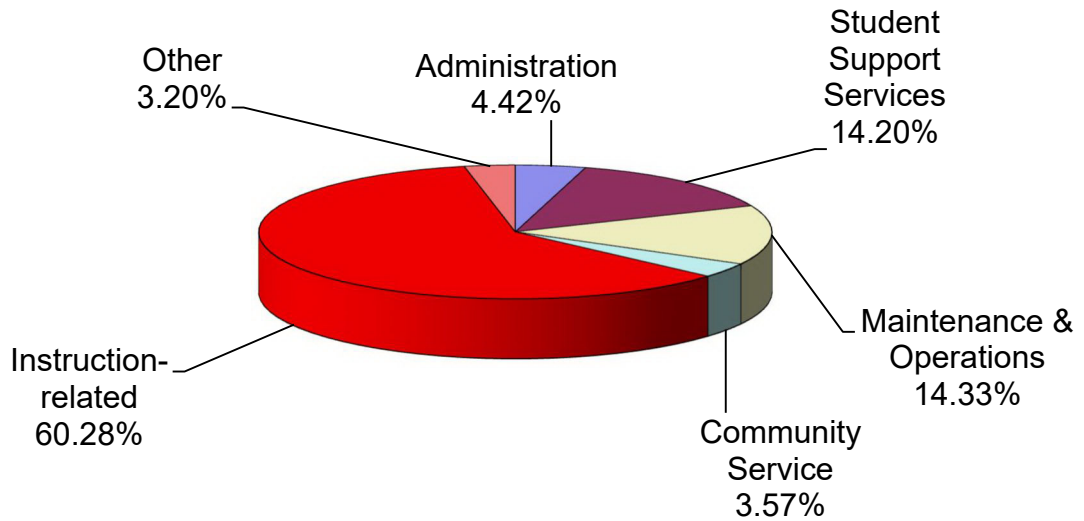
Figure A-3 Sources of Dassel-Cokato Schools Revenue Fiscal Year 2025



- The cost of all *governmental* activities this year was \$32,472,017
- Some of the cost was paid by the users of the District's programs, \$1,406,120

INDEPENDENT SCHOOL DISTRICT #466
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Figure A-4 Dassel-Cokato Schools Expenses for Fiscal Year 2025



- The federal and state governments subsidized certain programs with grants and contributions of \$6,660,558.
- Most of the District's costs, \$23,416,394, however, were paid for by District taxpayers and the taxpayers around the state. This portion of governmental activities expenses were paid for with \$5,429,149 in property taxes, \$17,987,245 in state aid based on the general education funding formula, and with investment and other general revenues of \$1,365,493.

The net cost of governmental activities is their total costs less program revenues applicable to each category. (See Table A-3.)

	<u>Total Cost of Services</u>		Total Percentage Change 2024-2025	<u>Net Cost of Services</u>		Total Percentage Change 2024-2025
	<u>2025</u>	<u>2024</u>		<u>2025</u>	<u>2024</u>	
Administration	\$ 1,436,182	\$ 1,371,538	4.71%	\$ 1,385,338	\$ 1,333,884	3.86%
District Support Services	546,196	548,753	-0.47%	546,196	548,753	-0.47%
Elementary and Secondary Regular Instruction	12,140,776	11,775,853	3.10%	10,651,380	10,527,252	1.18%
Vocational Education Instruction	521,632	488,357	6.81%	520,318	461,336	12.79%
Special Education Instruction	4,371,713	4,142,027	5.55%	874,675	648,461	34.88%
Instructional Support Services	2,539,516	1,946,161	30.49%	2,188,350	1,586,935	37.90%
Pupil Support Services	2,415,911	2,477,793	-2.50%	2,321,396	2,468,758	-5.97%
Sites and Buildings	4,652,200	4,306,485	8.03%	4,225,671	3,665,916	15.27%
Fiscal and Other Fixed Costs Programs	199,767	141,643	41.04%	199,767	141,643	41.04%
Food Service	1,649,386	1,369,721	20.42%	102,366	(271,804)	-137.66%
Community Education and Services	1,160,757	1,103,251	5.21%	221,887	139,357	59.22%
Interest and Fiscal Charges on Long-Term Liabilities	837,981	734,335	14.11%	837,981	734,335	14.11%
Total	<u>\$ 32,472,017</u>	<u>\$ 30,405,917</u>	6.80%	<u>\$ 24,075,325</u>	<u>\$ 21,984,826</u>	9.51%

INDEPENDENT SCHOOL DISTRICT #466
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$20,958,110, an increase of \$1,606,620 from last year's ending fund balance of \$19,351,490. The increase is due to bond proceeds received by the District in June.

Revenues and Expenditures

Revenues for the District's governmental funds totaled \$33,167,964 and total expenditures were \$40,185,893. A summary of the revenues and expenditures reported on the governmental fund financial statements appear below:

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	\$ 28,417,341	\$ 28,564,158	\$ 681	\$ (146,136)
Debt Service Fund	1,625,426	1,569,498		55,928
Building Construction	336,392	7,169,217	8,623,818	1,790,993
Other Governmental Funds				
Food Service Fund	1,615,038	1,684,664	50	(69,576)
Community Service Fund	1,173,767	1,198,356		(24,589)
Totals	<u>\$ 33,167,964</u>	<u>\$ 40,185,893</u>	<u>\$ 8,624,549</u>	<u>\$ 1,606,620</u>

General Fund Budgetary Highlights

During the year ended June 30, 2025, the District revised its operating budget one time. The revision was done in February because many factors are unknown at the time the original budget is approved as required by state statute prior to July 1. By February, student enrollment numbers are easier to estimate, state aids are based on these pupil numbers, therefore these numbers are easier to calculate with more accuracy. Other factors which need to be adjusted are federal grants and changes in state laws and the pupil funding formulas.

Although the District's final general fund budget anticipated that expenditures would exceed revenues by \$1,601,675, the actual results for the year show that the general fund balance decreased by \$146,136. Some specific notations are below:

- Many expenses came in under budget including salaries, benefits, supplies and operating capital.
- Investment earnings came in over budget.
- Some long-term facilities maintenance projects that were budgeted did not get completed during the fiscal year

Debt Service Fund

The District experienced a \$55,928 increase in fund balance in the Debt Service Fund. The fund balance as of June 30, 2025, is \$387,696, which is available for meeting future debt service obligations.

Food Service Fund

The District experienced a \$69,576 decrease in fund balance in the Food Service Fund resulting in a fund balance of \$865,176. The decrease was due to purchasing new equipment for the kitchens.

INDEPENDENT SCHOOL DISTRICT #466
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Community Service Fund

At the end of the fiscal year, the Community Service Fund decreased its overall fund balance by \$24,589. All restricted fund balances within the Community Service Fund are healthy.

Internal Service Fund

The District has a self-insurance dental fund set up for the express purpose of managing the dental insurance benefits of eligible employees. Net position increased by \$23,985 to a fund balance of \$95,456 as of June 30, 2025.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2025, the District had invested \$85,477,595 in a broad range of capital assets, including school building, technology equipment, building equipment and land. (See Table A-4.) Detailed information on Capital Assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$2,574,334. The District had disposals of \$175,4760.

Table A-4			
Dassel-Cokato Schools			
Capital Assets - Governmental Activities			
	2025	2024	Total Percentage Change 2024-2025
Land	\$ 959,888	\$ 959,888	0.00%
Construction in Progress	1,241,327	2,930,115	-57.64%
Land Improvements	11,317,422	11,123,954	1.74%
Buildings	60,453,687	51,567,687	17.23%
Equipment	11,505,271	10,382,179	10.82%
Less Accumulated Depreciation	(45,450,574)	(43,023,075)	5.64%
Net Capital Assets	<u>\$ 40,027,021</u>	<u>\$ 33,940,748</u>	17.93%

INDEPENDENT SCHOOL DISTRICT #466
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2025

Long-term Liabilities

At year-end, the District had \$26,235,000 in general obligation bonds and \$341,000 in a lease purchase as shown in Table A-5. The District added a new long-term liability with the General Obligation Facilities and Tax Abatement Bonds in June of 2025. The District retired \$826,000 of outstanding bonds and other long-term debt. (More detailed information about the District's long-term liabilities is presented in Note 9 of the financial statements.)

Table A-5			
Dassel-Cokato Schools			
Outstanding Long-Term Liabilities			
	2025	2024	Total Percentage Change 2024-2025
General Obligation Bonds Payable	\$ 26,235,000	\$ 18,970,000	38.30%
Unamortized Debt Premiums	1,583,749	1,077,936	46.92%
Compensated Absences Payable	1,894,832	1,833,515	3.34%
Lease Purchase	<u>341,000</u>	<u>372,000</u>	-8.33%
Total	<u>\$ 30,054,581</u>	<u>\$ 22,253,451</u>	35.06%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District currently has levy authority for state allowed levy revenue sources, a \$300 board approved per pupil unit levy, \$424 local optional allowance per pupil unit and a voter approved levy of \$808 per pupil unit in place for the 2025-26 school year; however, the District is heavily dependent on the State of Minnesota for its revenue stream.

The District continues to experience a decline in enrollment and has adjusted staffing accordingly. The District is finding students are choosing PSEO, online schools and charter schools over coming to the District for their education. The District will continue to monitor enrollment and will make adjustments as needed.

The state legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive. During the last legislative session, districts in Minnesota received an increase of 2.74% on the general education formula for the 2025-26 school year. This District has always maintained sound fiscal policies and strives to continue this tradition even in these challenging economic times.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District Office, Independent School District #466, 4852 Reardon Avenue SW, Suite 1700, Cokato, MN 55321.

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BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF NET POSITION

JUNE 30, 2025

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2024

	Governmental Activities	
	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Cash and Investments	\$ 26,149,993	\$ 25,793,357
Receivables	3,586,744	3,190,410
Due from Other Governments	2,882,758	1,850,940
Inventory	57,535	100,319
Prepaid Items	64,171	62,835
Capital Assets		
Assets Not Being Depreciated	2,201,215	3,890,003
Other Capital Assets, Net of Depreciation	37,825,806	30,050,745
Total Assets	<u>72,768,222</u>	<u>64,938,609</u>
Deferred Outflows of Resources	<u>3,893,000</u>	<u>4,301,177</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 76,661,222</u>	<u>\$ 69,239,786</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Payables	\$ 3,983,431	\$ 5,117,512
Due to Other Minnesota School Districts	736,707	735,491
Due to Other Governmental Units	9,226	9,077
Interest Payable	323,319	324,800
Unearned Revenue	199,538	197,983
Long-Term Liabilities		
Net Pension Liability	13,463,330	17,643,563
Total OPEB Liability	760,176	737,516
Other Long-Term Liabilities Due Within One Year	2,019,649	884,005
Other Long-Term Liabilities Due in More Than One Year	28,034,932	21,369,446
Total Liabilities	<u>49,530,308</u>	<u>47,019,393</u>
Deferred Inflows of Resources	11,800,197	7,596,238
Net Position		
Net Investment in Capital Assets	23,906,643	23,532,854
Restricted for		
Operating Capital Purposes	1,558,210	2,331,652
State-Mandated Reserves	1,221,942	874,719
Student Activities	32,230	27,682
Food Service	551,680	659,890
Community Service	175,847	216,892
Debt Service	80,625	21,060
Unrestricted	(12,196,460)	(13,040,594)
Total Net Position	<u>15,330,717</u>	<u>14,624,155</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 76,661,222</u>	<u>\$ 69,239,786</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	2025				2024	
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
GOVERNMENTAL ACTIVITIES						
Administration	\$ 1,436,182	\$ 50,844	\$	\$ (1,385,338)	\$ (1,333,884)	
District Support Services	546,196			(546,196)	(548,753)	
Elementary and Secondary Regular Instruction	12,140,776	397,039	1,092,357	(10,651,380)	(10,527,252)	
Vocational Education Instruction	521,632		1,314	(520,318)	(461,336)	
Special Education Instruction	4,371,713	41,427	3,455,611	(874,675)	(648,461)	
Instructional Support Services	2,539,516	699	350,467	(2,188,350)	(1,586,935)	
Pupil Support Services	2,415,911		94,515	(2,321,396)	(2,468,758)	
Sites and Buildings	4,652,200	96,515		(4,225,671)	(3,665,916)	
Fiscal and Other Fixed Costs Programs	199,767			(199,767)	(141,643)	
Food Service	1,649,386	85,760	1,461,260	(102,366)	271,804	
Community Education and Services	1,160,757	733,836	205,034	(221,887)	(139,357)	
Interest and Fiscal Charges on Long-Term Liabilities	837,981			(837,981)	(734,335)	
Total Governmental Activities	\$ 32,472,017	\$ 1,406,120	\$ 6,660,558	\$ 330,014	(24,075,325)	
GENERAL REVENUES						
Taxes Levied for						
General Purposes				4,101,632	3,862,880	
Community Education and Services				95,290	133,661	
Debt Service				1,232,227	1,268,168	
Aids and Payments from the State				17,987,245	18,492,708	
Other General Revenues				538,462	243,269	
Gain on Sale of Asset				7,440	8,927	
Investment Earnings				819,591	1,363,175	
Total General Revenues				24,781,887	25,372,788	
Change in Net Position				706,562	3,387,962	
NET POSITION, BEGINNING OF YEAR AS ORIGINALLY STATED				14,624,155	12,919,862	
ADJUSTMENT - CORRECTION OF AN ERROR					(1,683,669)	
NET POSITION, BEGINNING OF YEAR, AS RESTATED				14,624,155	11,236,193	
NET POSITION, END OF YEAR				\$ 15,330,717	\$ 14,624,155	

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2024

	General	Debt Service	Building Construction	Nonmajor Governmental Funds	Total Governmental Funds	
					2025	2024
ASSETS						
Cash and Investments	\$ 9,819,388	\$ 1,535,120	\$ 12,867,498	\$ 1,812,264	\$ 26,034,270	\$ 25,740,323
Receivables						
Accounts	12,077		7,685	6,482	26,244	19,389
Current Property Taxes	1,923,229	1,375,194		49,887	3,348,310	2,714,967
Delinquent Property Taxes	33,006	16,248		828	50,082	52,204
Interest	138,936		23,172		162,108	403,850
Due from Other Governments						
Other Minnesota School Districts	449,590			34,068	483,658	427,063
State Department of Education	2,129,314	36,020		66,438	2,231,772	1,235,885
Federal Department of Education	150,016			17,312	167,328	187,992
Inventory				57,535	57,535	100,319
Prepaid Items	52,335			11,836	64,171	62,835
Total Assets	\$ 14,707,891	\$ 2,962,582	\$ 12,898,355	\$ 2,056,650	\$ 32,625,478	\$ 30,944,827
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities						
Payables						
Accounts	\$ 779,304	\$	\$	\$ 97,656	\$ 876,960	\$ 1,085,243
Contracts			828,127		828,127	1,788,536
Salaries and Payroll Deductions	2,198,096			58,013	2,256,109	2,216,253
Due to Other Minnesota School Districts	658,790			77,917	736,707	735,491
Due to Other Governmental Units	9,161			65	9,226	9,077
Due to Other Funds	1,968				1,968	45,917
Unearned Revenue	90,371			109,167	199,538	197,983
Total Liabilities	3,737,690	0	828,127	342,818	4,908,635	6,078,500
Deferred Inflows of Resources						
Property Taxes Levied for Subsequent Year	4,039,289	2,558,638		110,724	6,708,651	5,462,633
Unavailable Revenue - Delinquent Property Taxes	33,006	16,248		828	50,082	52,204
Total Deferred Inflows of Resources	4,072,295	2,574,886	0	111,552	6,758,733	5,514,837
Fund Balance						
Nonspendable	52,335			11,836	64,171	62,835
Restricted	2,812,382	387,696	12,070,228	1,590,444	16,860,750	15,531,808
Assigned	204,025				204,025	124,357
Unassigned	3,829,164				3,829,164	3,632,490
Total Fund Balance	6,897,906	387,696	12,070,228	1,602,280	20,958,110	19,351,490
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 14,707,891	\$ 2,962,582	\$ 12,898,355	\$ 2,056,650	\$ 32,625,478	\$ 30,944,827

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2024

	2025	2024
Total Fund Balances - Governmental Funds	\$ 20,958,110	\$ 19,351,490
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Internal Service Funds are used by management to charge the costs associated with dental insurance. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.</p>	95,456	71,471
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.</p>		
Governmental Capital Assets	85,477,595	76,963,823
Accumulated Depreciation	(45,450,574)	(43,023,075)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred Outflows of Resources Related to Pensions	3,633,587	4,004,389
Deferred Inflows of Resources Related to Pensions	(4,913,686)	(1,922,107)
<p>Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred Outflows of Resources Related to OPEB	259,413	296,788
Deferred Inflows of Resources Related to OPEB	(177,860)	(211,498)
<p>Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.</p>	50,082	52,204
<p>Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. All liabilities - both current and long-term - are reported in the statement of Net Position. Balances at year-end are:</p>		
Financed Purchase	(341,000)	(372,000)
Bonds Payable	(26,235,000)	(18,970,000)
Bond Premium	(1,583,749)	(1,077,936)
Compensated Absences	(1,894,832)	(1,833,515)
Other Postemployment Benefits	(760,176)	(737,516)
Net Pension Liability	(13,463,330)	(17,643,563)
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>	(323,319)	(324,800)
Total Net Position - Governmental Activities	\$ 15,330,717	\$ 14,624,155

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	General	Debt Service	Building Construction	Nonmajor Governmental Funds	Total Governmental Funds	
					2025	2024
REVENUES						
Local Property Tax Levies	\$ 4,105,669	\$ 1,230,073	\$	\$ 95,529	\$ 5,431,271	\$ 5,256,676
Other Local and County Revenues	1,467,828	35,152	336,392	920,445	2,759,817	3,031,377
Revenue from State Sources	22,183,584	360,201		1,066,601	23,610,386	23,988,884
Revenue from Federal Sources	631,963			620,470	1,252,433	1,240,364
Sales and Other Conversions of Assets	28,297			85,760	114,057	122,876
Total Revenues	28,417,341	1,625,426	336,392	2,788,805	33,167,964	33,640,177
EXPENDITURES						
Current						
Administration	1,434,875				1,434,875	1,434,844
District Support Services	568,799				568,799	539,662
Elementary and Secondary Regular Instruction	12,333,790				12,333,790	12,800,487
Vocational Education Instruction	518,719				518,719	525,843
Special Education Instruction	4,474,268				4,474,268	4,400,953
Community Education and Services				1,159,682	1,159,682	1,130,333
Instructional Support Services	2,119,460				2,119,460	1,772,094
Pupil Support Services	2,279,058			1,539,476	3,818,534	3,721,429
Sites and Buildings	2,464,577		69,368		2,533,945	2,486,133
Fiscal and Other Fixed Costs Programs	223,752				223,752	152,804
Debt Service						
Principal		795,000			795,000	725,000
Interest and Fiscal Charges		774,498	122,762		897,260	803,538
Capital Outlay						
Administration	25,227				25,227	22,140
District Support Services	5,625				5,625	9,594
Elementary and Secondary Regular Instruction	355,315				355,315	78,872
Vocational Education Instruction						5,950
Special Education Instruction	17,531				17,531	100,644
Community Education and Services				38,674	38,674	12,641
Instructional Support Services	391,689				391,689	109,816
Pupil Support Services				145,188	145,188	115,872
Sites and Buildings	1,351,473		6,977,087		8,328,560	6,747,838
Total Expenditures	28,564,158	1,569,498	7,169,217	2,883,020	40,185,893	37,696,487
Excess (Deficiency) of Revenues Over (Under) Expenditures	(146,817)	55,928	(6,832,825)	(94,215)	(7,017,929)	(4,056,310)
OTHER FINANCING SOURCES (USES)						
Insurance Recovery	731				731	82,466
Transfer In				50	50	301
Transfers Out	(50)				(50)	(301)
Bonds Issued			8,060,000		8,060,000	
Bond Premium			563,818		563,818	
Total Other Financing Sources (Uses)	681	0	8,623,818	50	8,624,549	82,466
Net Change in Fund Balances	(146,136)	55,928	1,790,993	(94,165)	1,606,620	(3,973,844)
FUND BALANCE, BEGINNING OF YEAR	7,044,042	331,768	10,279,235	1,696,445	19,351,490	23,325,334
FUND BALANCE, END OF YEAR	\$ 6,897,906	\$ 387,696	\$ 12,070,228	\$ 1,602,280	\$ 20,958,110	\$ 19,351,490

INDEPENDENT SCHOOL DISTRICT #466

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	<u>2025</u>	<u>2024</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 1,606,620	\$ (3,973,844)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Capital outlay is 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.</p>		
Capital Outlay	8,689,232	6,924,003
Depreciation Expense	(2,574,334)	(2,237,357)
Cost of Capital Assets Disposed	(175,460)	(198,237)
Accumulated Depreciation Related to Capital Asset Disposals	146,835	171,367
<p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences is as follows:</p>		
Proceeds from Issuance of Bonds	(8,060,000)	
Proceeds from Bond Premium	(563,818)	
Amortization of Bond Premium	58,005	58,005
Bond Principal and Financed Purchase Retirement	826,000	889,912
Change in Accrued Interest Payable	1,481	13,240
<p>In the Statement of Activities, certain operating expenses - pension, other post-employment benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>		
Compensated Absences	(61,317)	(84,049)
Other Postemployment Benefits	(26,397)	(5,871)
Net Pension Liability	817,852	1,811,599
<p>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 deferred in the</p>		
	(2,122)	8,033
<p>An internal service fund is used to charge the costs of the self insurance dental program to the individual funds. The net change in net position of the fund is reported with governmental activities.</p>		
	<u>23,985</u>	<u>11,161</u>
Change in Net Position - Governmental Activities	<u>\$ 706,562</u>	<u>\$ 3,387,962</u>

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Property Tax Levies				
Tax Levy	\$ 4,025,356	\$ 4,027,587	\$ 4,105,669	\$ 78,082
Other Local and County Revenues				
Revenue from Other Minnesota Districts	57,000	60,000	64,890	4,890
Tuition, Fees and Admissions	293,425	274,725	334,777	60,052
Investment Earnings	225,000	225,000	374,666	149,666
Rent for School Facilities	86,580	74,000	99,340	25,340
Other Local Revenues	170,500	496,996	594,155	97,159
Total Other Local and County Revenues	832,505	1,130,721	1,467,828	337,107
Revenue from State Sources				
Endowment Fund Apportionment	123,500	133,292	134,876	1,584
General Education Aid	17,303,032	17,764,796	17,641,815	(122,981)
Fair Value Credit	10,847	11,563	11,563	
Special Education Aid	3,323,847	3,308,847	3,315,641	6,794
Shared Time Aid	1,304	999	9,028	8,029
Literacy Incentive Aid	108,765	111,192	111,192	
Other State Revenues	690,387	905,038	959,469	54,431
Total Revenue from State Sources	21,561,682	22,235,727	22,183,584	(52,143)
Revenue from Federal Sources				
Title I, Grants to Local Education Agencies	251,136	480,748	412,384	(68,364)
Title II - Part A - Improving Teacher Quality	37,272	44,138	40,576	(3,562)
Special Education	110,000	127,715	121,248	(6,467)
Career and Technical Education	9,000	8,000	5,606	(2,394)
Other Federal Revenue		52,149	52,149	
Total Revenue from Federal Sources	407,408	712,750	631,963	(80,787)
Sales and Other Conversions of Assets				
Sales	30,500	30,400	28,297	(2,103)
Total Revenues	26,857,451	28,137,185	28,417,341	280,156

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		Final Budget
EXPENDITURES				
Current				
Administration				
Salaries and Wages	\$ 960,071	\$ 977,803	\$ 952,542	\$ (25,261)
Employee Benefits	363,561	371,066	352,780	(18,286)
Purchased Services	86,775	87,775	53,862	(33,913)
Supplies and Materials	55,762	58,937	56,463	(2,474)
Other Expenditures	21,800	21,800	19,228	(2,572)
Total Administration	1,487,969	1,517,381	1,434,875	(82,506)
District Support Services				
Salaries and Wages	312,923	341,782	325,738	(16,044)
Employee Benefits	118,373	126,067	120,660	(5,407)
Purchased Services	133,050	119,050	104,711	(14,339)
Supplies and Materials	9,500	9,500	13,175	3,675
Other Expenditures	5,450	6,000	4,515	(1,485)
Total District Support Services	579,296	602,399	568,799	(33,600)
Elementary and Secondary Regular Instruction				
Salaries and Wages	8,538,128	8,599,519	8,407,352	(192,167)
Employee Benefits	3,024,108	3,039,493	2,927,591	(111,902)
Purchased Services	431,529	545,061	593,595	48,534
Supplies and Materials	336,030	384,449	344,522	(39,927)
Other Expenditures	52,780	63,080	60,730	(2,350)
Total Elementary and Secondary Regular Instruction	12,382,575	12,631,602	12,333,790	(297,812)
Vocational Education Instruction				
Salaries and Wages	374,832	375,492	359,497	(15,995)
Employee Benefits	139,893	141,503	137,419	(4,084)
Purchased Services	850	850	7	(843)
Supplies and Materials	12,355	12,355	21,796	9,441
Total Vocational Education Instruction	527,930	530,200	518,719	(11,481)
Special Education Instruction				
Salaries and Wages	3,156,475	3,303,307	3,121,486	(181,821)
Employee Benefits	923,755	1,042,106	912,565	(129,541)
Purchased Services	398,800	429,225	420,316	(8,909)
Supplies and Materials	23,930	24,605	18,901	(5,704)
Other Expenditures	1,350	1,550	1,000	(550)
Total Special Education Instruction	4,504,310	4,800,793	4,474,268	(326,525)

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		Final Budget
EXPENDITURES (Cont'd)				
Current (Cont'd)				
Instructional Support Services				
Salaries and Wages	\$ 1,105,207	\$ 1,069,891	\$ 1,066,692	\$ (3,199)
Employee Benefits	349,071	344,241	341,035	(3,206)
Purchased Services	134,179	147,489	109,626	(37,863)
Supplies and Materials	419,010	408,261	601,747	193,486
Other Expenditures	350	350	360	10
Total Instructional Support Services	<u>2,007,817</u>	<u>1,970,232</u>	<u>2,119,460</u>	<u>149,228</u>
Pupil Support Services				
Salaries and Wages	1,076,396	1,046,721	1,043,206	(3,515)
Employee Benefits	260,023	246,672	248,121	1,449
Purchased Services	931,906	881,166	856,041	(25,125)
Supplies and Materials	183,850	181,000	130,960	(50,040)
Other Expenditures	525	825	730	(95)
Total Pupil Support Services	<u>2,452,700</u>	<u>2,356,384</u>	<u>2,279,058</u>	<u>(77,326)</u>
Sites and Buildings				
Salaries and Wages	777,360	864,176	857,544	(6,632)
Employee Benefits	276,362	295,589	281,244	(14,345)
Purchased Services	912,132	1,025,032	1,066,727	41,695
Supplies and Materials	278,050	268,300	258,912	(9,388)
Other Expenditures	500	500	150	(350)
Total Sites and Buildings	<u>2,244,404</u>	<u>2,453,597</u>	<u>2,464,577</u>	<u>10,980</u>
Fiscal and Other Fixed Costs Programs				
Employee Benefits		1,500		(1,500)
Purchased Services	226,569	226,569	223,752	(2,817)
Total Fiscal and Other Fixed Costs Programs	<u>226,569</u>	<u>228,069</u>	<u>223,752</u>	<u>(4,317)</u>
Total Current	<u>26,413,570</u>	<u>27,090,657</u>	<u>26,417,298</u>	<u>(673,359)</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		Final Budget
Capital Outlay				
Administration	\$ 25,289	\$ 25,289	25,227	\$ (62)
District Support Services	3,500	3,500	5,625	2,125
Elementary and Secondary Regular Instruction	55,550	408,546	355,315	(53,231)
Special Education Instruction	5,000	17,500	17,531	31
Instructional Support Services	527,082	689,802	391,689	(298,113)
Pupil Support Services	1,000	1,000		(1,000)
Sites and Buildings	1,086,549	1,502,066	1,351,473	(150,593)
Total Capital Outlay	<u>1,703,970</u>	<u>2,647,703</u>	<u>2,146,860</u>	<u>(500,843)</u>
Total Expenditures	<u>28,117,540</u>	<u>29,738,360</u>	<u>28,564,158</u>	<u>(1,174,202)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,260,089)	(1,601,175)	(146,817)	1,454,358
OTHER FINANCING SOURCES (USES)				
Insurance Recovery			731	731
Transfers Out	(500)	(500)	(50)	450
Total Other Financing Sources (Uses)	<u>(500)</u>	<u>(500)</u>	<u>681</u>	<u>1,181</u>
Net Change in Fund Balances	<u>\$ (1,260,589)</u>	<u>\$ (1,601,675)</u>	(146,136)	<u>\$ 1,455,539</u>
FUND BALANCE, BEGINNING OF YEAR			<u>7,044,042</u>	
FUND BALANCE, END OF YEAR			<u>\$ 6,897,906</u>	

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2024

	<u>Governmental Activities - Internal Service Fund</u>	
	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 115,723	\$ 53,034
Due from Other Funds	1,968	45,917
	<u> </u>	<u> </u>
Total Assets	<u>\$ 117,691</u>	<u>\$ 98,951</u>
 LIABILITIES AND NET POSITION		
Current Liabilities		
Payables		
Dental Insurance	\$ 22,235	\$ 27,480
 Net Position		
Unrestricted	<u>95,456</u>	<u>71,471</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Position	<u>\$ 117,691</u>	<u>\$ 98,951</u>

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	Governmental Activities - Internal Service Fund	
	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Other Local and County Revenues	\$ 282,434	\$ 286,145
OPERATING EXPENSES		
Pupil Support Services		
Employee Benefits		
Dental Insurance	233,381	247,838
Administration Fees	<u>27,772</u>	<u>29,510</u>
Total Operating Expenses	<u>261,153</u>	<u>277,348</u>
Operating Income (Loss)	21,281	8,797
NONOPERATING REVENUES		
Investment Earnings	<u>2,704</u>	<u>2,364</u>
Net Change in Net Position	23,985	11,161
NET POSITION, BEGINNING OF YEAR	<u>71,471</u>	<u>60,310</u>
NET POSITION, END OF YEAR	<u><u>\$ 95,456</u></u>	<u><u>\$ 71,471</u></u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	Governmental Activities - Internal Service Fund	
	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from User Charges	\$ 326,383	\$ 278,916
Payments for Dental Fees and Insurance Claims	(238,626)	(252,625)
Payments for Administration Fees	(27,772)	(29,510)
Net Cash Provided (Used) By Operating Activities	<u>59,985</u>	<u>(3,219)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	<u>2,704</u>	<u>2,364</u>
Net Increase (Decrease) in Cash and Cash Equivalents	62,689	(855)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>53,034</u>	<u>53,889</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 115,723</u>	<u>\$ 53,034</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 21,281	\$ 8,797
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
(Increase) Decrease in Assets		
Due from Other Funds	43,949	(7,229)
Increase (Decrease) in Liabilities		
Dental Insurance Payable	<u>(5,245)</u>	<u>(4,787)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ 59,985</u>	<u>\$ (3,219)</u>

INDEPENDENT SCHOOL DISTRICT #466
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025

	Private-Purpose Trust Fund
ASSETS	
Cash and Investments	<u>\$ 55,698</u>
NET POSITION	
Held in Trust for Scholarships	<u>\$ 55,698</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025

	Private-Purpose Trust Fund
ADDITIONS	
Earnings from Investments and Gifts	\$ 50,450
DEDUCTIONS	
Scholarship Obligations	<u>39,730</u>
Net Change in Net Position	10,720
NET POSITION, BEGINNING OF YEAR	<u>44,978</u>
NET POSITION, END OF YEAR	<u>\$ 55,698</u>

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Independent School District #466 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The Independent School District #466 Board of Education ("District") is the basic level of government which has the financial accountability and control over all activities related to the public school education for the Dassel-Cokato School District. The District receives funding from local, state, and federal sources and must comply with the expenditure requirements of these funding source entities.

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate entities for which the District is financially accountable, or for which the exclusion of the component unit would render the financial statements of the District misleading.

The criteria used to determine if the District is financially accountable for a component unit includes whether or not 1) the District appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the District.

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board has a fiduciary responsibility in establishing general policies and ensuring that appropriate financial records are maintained for student activities. In addition, these accounts of the District are under the School Board's control. The activity of the student activity accounts is accounted for in the General Fund.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of all charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges to customers for service. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenues are recognized when they become measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except interest earnings) are recorded as revenues when received because they are generally not measurable until then. Interest earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

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. The District does not use encumbrances for either budgeting or financial reporting purposes.

It is generally the District's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds:

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The Building Construction Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities funded by the sale of bonds.

Nonmajor Governmental Funds:

The Food Service Special Revenue Fund accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities. Revenues for the Food Service Fund are generated from user fees, federal reimbursements, and state credits.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Description of Funds: (Cont'd)

The Community Service Special Revenue Fund accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes, federal reimbursements, and state credits.

Proprietary Fund:

The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund accounts for the District's dental self-insurance program. The self-insurance costs are charged to the various funds based on established premium rates.

Fiduciary Funds:

The Private-Purpose Trust Fund is used to account for trust arrangements under which principal and income benefits individuals, private organizations, or other governments. This fund accounts for gifts and bequests that are to be used for scholarships.

D. BUDGETS AND BUDGETARY ACCOUNTING

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

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

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are not recorded.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION AND FUND BALANCE

Cash and Investments:

The District's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The District may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and cash equivalents were comprised of deposit accounts, money market accounts, non-negotiable certificates of deposits, brokered certificates of deposits and an external investment pool.

Cash balances from all funds of the District are pooled and invested, to the extent available, in allowable cash management accounts and time deposits. Earnings from such accounts are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The District invests in external investment pools, the Minnesota School District Liquid Asset Fund and MN Trust, which are created under a joint powers agreement pursuant to Minn. Stat. §471.59. The Minnesota School District Liquid Asset Fund and MN Trust are not registered with the Securities Exchange Commission (SEC), but satisfy the requirements of Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 CFR §270.2a-7), as amended. The investment in the pools are measured at the net asset value per share provided by the pool.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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 has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk or custodial credit risk.

Custodial Credit Risk - Deposits: For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. Minnesota Statutes require all District deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must be 110 percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The District has a formal policy in place to address custodial credit risk for deposits.

Authorized collateral includes the obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, futures contracts, repurchase and reverse purchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District minimizes its exposure to interest rate risk by investing in short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. However, the District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Minnesota Statutes §118A.04 and §118A.05 limits investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The District does have an investment policy that further limits credit risk.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risk inherent in over investing in specific instruments, individual financial institutions or maturities. The District does have a formal policy to address concentration of credit risk.

Custodial Credit Risk: For investments, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does have a formal policy to address custodial credit risk.

Accounts Receivable:

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

Current Property Taxes Receivable:

Current property taxes receivable represent current real and personal property tax levies, certified the previous December and collectible in the current calendar year, which have not been received by the District.

Delinquent Property Taxes Receivable:

Delinquent property taxes receivable represent taxes collectible in the years 2015 to 2024 that remain uncollected at June 30, 2025. They are equally offset by a deferred inflows of resources amount in the governmental fund financial statements.

Inventories:

Inventories are recorded using the consumption method of accounting and consist of purchased food and supplies. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method.

Prepaid Items:

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

Capital Assets:

Tangible and intangible capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair value at the date of donation. The District capitalizes all electronic equipment and maintains a threshold level of \$1,000 for capitalizing all remaining tangible and intangible capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION AND FUND BALANCE (Cont'd)

Capital Assets: (Cont'd)

Tangible and intangible capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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

The District does not possess any material amounts of intangible capital assets.

Deferred Outflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net assets that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The District has items that qualify for reporting in this category on the government-wide Statement of Net Position which are related to pensions and other post-employment benefits.

Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

Long-Term Obligations:

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

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

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION AND FUND BALANCE (Cont'd)

Compensated Absences:

A liability for compensated absences should be recognized for leave that has not been used and leave that has been used but not yet paid. A liability for leave that has not been used is recognized if the leave is attributable to services already rendered, the leave accumulates and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability for compensated absences reported in the financial statements, based on the criteria above, consists of unpaid vacation and sick leave. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. In governmental funds, a liability is reported only if they have matured, as a result of employee resignations or retirements.

Vacation Pay:

District employees earn vacation days based upon the number of completed years of service. The District compensates employees for unused vacation upon termination of employment. The accrual for vacation payable was \$88,061 at year-end.

Sick Pay:

Certain employees are entitled to paid sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment, except as used in severance pay calculations. Sick pay is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. At year end, unpaid sick pay totaling \$1,806,771 is recorded in the financial statements as a component of compensated absences.

Other Postemployment Benefits:

Under the provisions of the various employee and union contracts the District provides health and dental care coverage until age 65 if certain age and minimum years of service requirements have been met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis.

Pensions:

The District participates in various pension plans; total pension expense for the fiscal year ended was \$609,022. The components of pension expense are noted in the plan summaries.

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. 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.

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.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION AND FUND BALANCE (Cont'd)

Pensions: (Cont'd)

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

Deferred Inflows of Resources:

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The District has items that qualify for reporting in this category on both the government-wide Statement of Net Position and the governmental fund financial statements related to property taxes, pensions, and other post-employment benefits.

Property Taxes Levied for Subsequent Years:

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2025, are included in this account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

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 governmental funds. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

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

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Board of Education.

Assigned - consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board Policy, the Superintendent and Business Manager are authorized to establish assignments of fund balance.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION AND FUND BALANCE (Cont'd)

Fund Balance: (Cont'd)

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

The District requires 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 unrestricted fund balance when expenditures are made.

The Board of Education has formally adopted a fund balance policy for the General Fund. The District's policy is to strive to maintain a minimum unassigned fund balance of 10% of the annual budget.

Net Position:

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide, proprietary fund, and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term liabilities used to build or acquire the capital assets. Net position is reported as restricted in the government-wide, proprietary fund, and fiduciary fund financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

F. REVENUES AND EXPENDITURES

Revenues:

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflow of resources (property taxes levied for subsequent year's expenditures). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift".

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. REVENUES AND EXPENDITURES (Cont'd)

Revenues: (Cont'd)

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy, which is frozen at \$84,377, for the District. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

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

Expenditures:

Expenditure recognition for governmental fund types is limited to amounts represented by current liabilities. Noncurrent liabilities are not recognized as governmental fund expenditures or liabilities.

G. USE OF ESTIMATES

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

H. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2024, from which the partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. VIOLATIONS OF FINANCE-RELATED OBLIGATIONS

There were no violations of finance-related obligations.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont'd)

B. EXPENDITURES EXCEEDING APPROPRIATIONS

The District expenditures did not exceed the budget.

C. DEFICIT FUND BALANCES

The District has no deficit fund balances.

NOTE 3. DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

The District's deposits were sufficiently collateralized with securities held by the pledging financial institution's trust department or agent in the District's name for amounts in excess of insurance through the FDIC.

<u>Governmental Activities</u>		
Pooled Cash in Checking Accounts	\$	412,943
Savings		1,132,456
Non-negotiable Certificates of Deposit		17,528
Petty Cash		16,243
Total Governmental Activities		<u>1,579,170</u>
 <u>Fiduciary Fund</u>		
Pooled Cash in Checking Accounts		<u>55,054</u>
Total Deposits	\$	<u><u>1,634,224</u></u>

B. INVESTMENTS

The District had the following investments:

	Fair Value	Interest Rate Risk Maturity Date
Brokered Certificates of Deposit	<u>\$ 2,578,500</u>	1-2 years

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

Investment's fair value measurements are as follows:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments at Fair Value:				
Brokered Certificates of Deposit	\$ 2,578,500	\$ 0	\$ 2,578,500	\$ 0
Investment at Amortized Cost:				
Money Market	12,392,465			
External Investment Pool				
MSDLAF Max Class	4,727,279			
External Investment Pool				
MN Trust	4,000,000			
MSDLAF - Liquid Asset Fund	873,223			
Total Investments at Amortized Cost	<u>21,992,967</u>			
Total Investments	<u>\$ 24,571,467</u>			

The District's investments in MSDLAF and MSDLAF+Max were rated AAA by Standard & Poor's (S&P). Other securities held by the District were not rated.

The following is a summary of deposits and investments:

Deposits (Note 3.A.)	\$ 1,634,224
Investments (Note 3.B.)	<u>24,571,467</u>
Total Deposits and Investments	<u>\$ 26,205,691</u>

Deposits and investments are presented in the basic financial statements as follows:

Statement of Net Position	
Cash and Investments	\$ 26,149,993
Statement of Fiduciary Net Position	
Cash and Investments	<u>55,698</u>
Total Cash and Investments	<u>\$ 26,205,691</u>

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4. RECEIVABLES

Receivables are as follows:

	<u>Total Receivables</u>	<u>Amounts not Scheduled for Collection During the Subsequent Year</u>
<u>Governmental Activities</u>		
Receivables		
Accounts	\$ 26,244	\$
Current Property Taxes	3,348,310	
Delinquent Property Taxes	50,082	
Interest	162,108	
Total Receivables	<u>3,586,744</u>	<u>0</u>
Due From Other Governments		
Other Minnesota School Districts	483,658	
State Department of Education	2,231,772	
Federal Department of Education	167,328	
Total Other Governments	<u>2,882,758</u>	<u>0</u>
Total Governmental Activities	<u>\$ 6,469,502</u>	<u>\$ 0</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 959,888	\$	\$	\$ 959,888
Construction in Progress	2,930,115	1,241,327	(2,930,115)	1,241,327
Total Capital Assets, Not Being Depreciated	3,890,003	1,241,327	(2,930,115)	2,201,215
Capital Assets, Being Depreciated				
Land Improvements	11,123,954	193,468		11,317,422
Buildings	51,567,687	8,886,000		60,453,687
Equipment	10,382,179	1,298,552	(175,460)	11,505,271
Total Capital Assets, Being Depreciated	73,073,820	10,378,020	(175,460)	83,276,380

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5. CAPITAL ASSETS (Cont'd)

	Beginning Balance	Increase	Decrease	Ending Balance
Less Accumulated Depreciation for				
Land Improvements	2,569,213	530,722		3,099,935
Buildings	32,900,177	1,455,251		34,355,428
Equipment	7,553,685	588,361	(146,835)	7,995,211
Total Accumulated Depreciation	<u>43,023,075</u>	<u>2,574,334</u>	<u>(146,835)</u>	<u>45,450,574</u>
Total Capital Assets, Being Depreciated, Net	<u>30,050,745</u>	<u>7,803,686</u>	<u>(28,625)</u>	<u>37,825,806</u>
 Governmental Activities Net Capital Assets	 <u>\$ 33,940,748</u>	 <u>\$ 9,045,013</u>	 <u>\$ (2,958,740)</u>	 <u>\$ 40,027,021</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Administration	\$ 5,234
District Support Services	2,552
Elementary and Secondary Regular Instruction	115,392
Vocational Education Instruction	1,141
Special Education Instruction	22,500
Instructional Support Services	224,547
Pupil Support Services	180,442
Sites and Buildings	1,962,255
Food Service	55,828
Community Education and Services	4,443
Total Depreciation Expense - Governmental Activities	<u>\$ 2,574,334</u>

NOTE 6. PAYABLES

Payables are as follows:

	Total Payables
Governmental Activities	
Accounts	\$ 876,960
Contracts	828,127
Salaries and Payroll Deductions	2,256,109
Dental Insurance	22,235
Total Governmental Activities	<u>\$ 3,983,431</u>

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The following is a summary of the major components of deferred outflows and inflows as presented in the Statement of Net Position:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Related to Pensions	\$ 3,633,587	\$ 4,913,686
Related to OPEB	259,413	177,860
Property Taxes Levied for Subsequent Year		<u>6,708,651</u>
Total	<u>\$ 3,893,000</u>	<u>\$ 11,800,197</u>

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND BALANCES

The composition of interfund balances is as follows:

<u>Due From Other Funds</u>	<u>Due to Other Funds</u>	<u>Amount</u>
Internal Service Fund	General Fund	<u>\$ 1,968</u>

The purpose of the above interfund loans was to record amounts withheld but not yet remitted to the Internal Service Fund at year-end.

B. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

<u>Transfer Out</u>	<u>Transfer In Nonmajor Fund</u>
General	<u>\$ 50</u>

The purpose of the above transfer was to allocate donations to help pay student lunch debt.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9. LONG-TERM LIABILITIES

A. COMPONENTS OF LONG-TERM LIABILITIES

The District has issued general obligation school building bonds to finance the betterment of school sites and facilities. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

	Original Amount Issued	Final Maturity Date	Interest Rates	Balance Outstanding
<u>Governmental Activities</u>				
Financed Purchase, Series 2020	\$ 465,000	2/1/2036	1.60%	\$ 341,000
General Obligation Bonds				
G.O. Facilities Maintenance Bonds, Series 2019A	2,065,000	2/1/2035	1.17-2.20%	1,520,000
G.O. School Buildings Bonds, Series 2023A	17,900,000	2/1/2043	4.00-5.00%	16,655,000
G.O. Facilities Maintenance and Tax Abatement Bonds, Series 2025A	8,060,000	2/1/2032	5.00%	8,060,000
Unamortized Debt Premiums				1,583,749
Compensated Absences				1,894,832
Total Governmental Activities				\$ 30,054,581

B. DESCRIPTION OF LIABILITIES

General Obligation Bonds:

On December 30, 2019, the District issued \$2,065,000 of General Obligation Facilities Maintenance Bonds, Series 2019A to provide facility upgrades. The bonds are due in varying annual installments each February 1 from February 1, 2022, through February 1, 2035, with an interest rate ranging from 1.17% to 2.20% due semi-annually on February 1 and August 1. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On February 2, 2023, the District issued \$17,900,000 of General Obligation School Building Bonds, Series 2023A to provide funds for the betterment of school sites and facilities. The bonds are due in varying annual installments each February 1 from February 1, 2024, through February 1, 2043, with an interest rate ranging from 4.00% to 5.00% due semi-annually on February 1 and August 1. Future ad valorem tax levies are dedicated to the retirement of these bonds. The bond had a Reoffering Premium of \$1,160,110.

On June 18, 2025, the District issued \$8,060,000 of General Obligation Facilities Maintenance and Tax Abatement Bonds, Series 2025A to provide funds for the betterment of school sites and facilities. The bonds are due in varying annual installments each February 1 from February 1, 2026, through February 1, 2032, with an interest rate of 5.00% due semi-annually on February 1 and August 1. Future ad valorem tax levies are dedicated to the retirement of these bonds. The bond had a Reoffering Premium of \$563,818.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

B. DESCRIPTION OF LONG-TERM LIABILITIES (Cont'd)

Compensated Absences Payable:

Compensated absences payable consists of unused vacation to be paid at retirement for certain employees based on the employment contract.

C. CHANGES IN LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities during the year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Financed Purchase, Series 2020	\$ 372,000	\$	\$ (31,000)	\$ 341,000	\$ 31,000
G.O. Facilities Maintenance Bonds, Series 2019A	1,660,000		(140,000)	1,520,000	140,000
G.O. School Buildings Bonds, Series 2023A	17,310,000		(655,000)	16,655,000	700,000
G.O. Facilities Maintenance and Tax Abatement Bonds, Series 2025A		8,060,000		8,060,000	1,005,000
Unamortized Debt Premiums	1,077,936	563,818	(58,005)	1,583,749	143,649
* Compensated Absences Payable	1,833,515	61,317		1,894,832	
Total Governmental Activities	<u>\$ 22,253,451</u>	<u>\$ 8,685,135</u>	<u>\$ (884,005)</u>	<u>\$ 30,054,581</u>	<u>\$ 2,019,649</u>

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

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

D. MINIMUM DEBT PAYMENTS

Minimum annual principal and interest payments required to retire long-term debt, not including other postemployment benefits payable and compensated absences payable are as follows:

Year Ending June 30,	G.O. School Buildings Bonds, Series 2019A		G.O. Facilities Maintenance Bonds, Series 2023A	
	Principal	Interest	Principal	Interest
2026	\$ 140,000	\$ 28,628	\$ 700,000	\$ 710,350
2027	145,000	26,668	750,000	675,350
2028	145,000	24,493	785,000	637,850
2029	145,000	22,173	695,000	598,600
2030	150,000	19,708	725,000	563,850
2031-2035	795,000	51,445	4,155,000	2,289,000
2036-2040			5,175,000	1,375,200
2041-2043			3,670,000	297,400
	<u>\$ 1,520,000</u>	<u>\$ 173,113</u>	<u>\$ 16,655,000</u>	<u>\$ 7,147,600</u>

Year Ending June 30,	G.O. Facilities Maintenance and Tax Abatement Bonds, Series 2025A	
	Principal	Interest
2026	\$ 1,005,000	\$ 249,636
2027	925,000	352,750
2028	960,000	306,500
2029	1,195,000	258,500
2030	1,260,000	198,750
2031-2032	2,715,000	205,250
	<u>\$ 8,060,000</u>	<u>\$ 1,571,386</u>

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9. LONG-TERM LIABILITIES (Cont'd)

E. FINANCED PURCHASES

On December 30, 2020, the District issued Financed Purchase, Series 2020 totaling \$465,000. The proceeds of this issue were used to finance the acquisition and renovation of an Alternative Learning Center building in Cokato.

Year Ending June 30,	Financed Purchase, Series 2020	
	Principal	Interest
2026	\$ 31,000	\$ 5,332
2027	31,000	4,836
2028	31,000	4,340
2029	31,000	3,844
2030	31,000	3,348
2031-2035	155,000	9,300
2036	31,000	372
	<u>\$ 341,000</u>	<u>\$ 31,372</u>

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10. FUND BALANCES

The following is a summary of fund balance components:

	<u>General</u>	<u>Debt Service</u>	<u>Building Construction</u>	<u>Subtotal</u>
Nonspendable				
Prepaid Items	\$ 52,335	\$	\$	\$ 52,335
Restricted				
Student Activities	32,230			32,230
Staff Development	270,681			270,681
Literacy Incentive Aid	219,957			219,957
Operating Capital	779,824			779,824
Learning & Development	23,202			23,202
Area Learning Center	269,195			269,195
Gifted & Talented	66,163			66,163
Basic Skill Programs	138,133			138,133
School Library Aid	214			214
Safe Schools Levy	51,843			51,843
Literacy Aid	80,479			80,479
Teacher Comp Read Act	33,085			33,085
LTFM	778,386		6,595,704	7,374,090
Medical Assistance	68,990			68,990
Funded by COP/FP			1,620,424	1,620,424
Other Fund Activities		387,696	3,854,100	4,241,796
Total Restricted	<u>2,812,382</u>	<u>387,696</u>	<u>12,070,228</u>	<u>15,270,306</u>
Assigned	204,025			204,025
Unassigned	<u>3,829,164</u>			<u>3,829,164</u>
	<u>\$ 6,897,906</u>	<u>\$ 387,696</u>	<u>\$ 12,070,228</u>	<u>\$ 19,355,830</u>

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 10. FUND BALANCES (Cont'd)

The following is a summary of fund balance components:

	Nonmajor Funds		Total
	Food Service	Community Service	
Nonspendable			
Prepaid Items	\$ 11,836	\$	\$ 64,171
Restricted			
Student Activities			32,230
Staff Development			270,681
Literacy Incentive Aid			219,957
Operating Capital			779,824
Learning & Development			23,202
Area Learning Center			269,195
Gifted & Talented			66,163
Basic Skill Programs			138,133
School Library Aid			214
Safe Schools Levy			51,843
Literacy Aid			80,479
Teacher Comp Read Act			33,085
LTFM			7,374,090
Medical Assistance			68,990
Community Education		284,447	284,447
E.C.F.E.		303,700	303,700
School Readiness		92,160	92,160
Adult Basic Education		945	945
Funded by COP/FP			1,620,424
Other Fund Activities	853,340	55,852	5,150,988
Total Restricted	<u>853,340</u>	<u>737,104</u>	<u>16,860,750</u>
Assigned			204,025
Unassigned			<u>3,829,164</u>
	<u>\$ 865,176</u>	<u>\$ 737,104</u>	<u>\$ 20,958,110</u>

Fund Balance:

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the potential restricted fund balances for the governmental funds:

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 10. FUND BALANCES (Cont'd)

A. RESTRICTED FOR STUDENT ACTIVITIES

The fund balance restriction represents unspent resources available for student activity expenditures.

B. RESTRICTED FOR STAFF DEVELOPMENT

The fund balance restriction represents unspent resources available for future staff development costs.

C. RESTRICTED FOR LITERACY INCENTIVE AID

The fund balance restriction represents unspent resources available for literacy incentive aid expenditures.

D. RESTRICTED FOR OPERATING CAPITAL

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

E. RESTRICTED FOR LEARNING & DEVELOPMENT

The fund balance restriction represents unspent resources available for learning and development expenditures.

F. RESTRICTED FOR AREA LEARNING CENTER

The fund balance restriction represents unspent resources for students attending area learning centers.

G. RESTRICTED FOR GIFTED AND TALENTED

The fund balance restriction represents accumulated resources available to provide gifted and talented programming in accordance with funding made available for that purpose.

H. RESTRICTED FOR BASIC SKILLS

The fund balance restriction represents accumulated resources available to provide basic skills programming in accordance with funding made available for that purpose.

I. RESTRICTED FOR SCHOOL LIBRARY AID

The fund balance restriction represents unspent resources for funding the costs of the library.

J. RESTRICTED FOR SAFE SCHOOLS LEVY

The fund balance restriction represents unspent resources available from the safe schools levy.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10. FUND BALANCES (Cont'd)

K. RESTRICTED FOR LITERACY AID

The fund balance restriction represents unspent resources available for literacy aid.

L. RESTRICTED FOR TEACHER COMPENSATION FOR READ ACT TRAINING

The fund balance restriction represents unspent resources available for Read Act training.

M. RESTRICTED FOR LONG-TERM FACILITIES MAINTENANCE

The fund balance restriction represents unspent resources available for long-term facilities maintenance projects necessary to prevent further erosion of facilities.

N. RESTRICTED FOR MEDICAL ASSISTANCE

The fund balance restriction represents unspent resources available for medical assistance expenditures.

O. RESTRICTED FOR COMMUNITY EDUCATION

The fund balance restriction represents accumulated resources available to provide general community education programming.

P. RESTRICTED FOR ECFE (EARLY CHILDHOOD AND FAMILY EDUCATION)

This fund balance restriction represents accumulated resources available to provide services for early childhood family education programming.

Q. RESTRICTED FOR SCHOOL READINESS

The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

R. RESTRICTED FOR ADULT BASIC EDUCATION

The fund balance restriction represents accumulated resources available to provide adult basic education programming in accordance with funding made available for that purpose.

S. RESTRICTED FOR BUILDING PROJECTS FUNDED BY CERTIFICATES OF PARTICIPATION/
FINANCED PURCHASE AGREEMENT WITH RELATED LEASE LEVY AUTHORITY

The fund balance restriction represents accumulated resources available for the building construction for projects funded by certificates of participation/financed purchase agreement with related lease levy authority under Minnesota Statutes 2024, section 126C.40.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. 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) and Teachers Retirement Association (TRA). 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 and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (GERP; General Employees Plan; accounted for in the General Employees Fund):

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.

Teachers Retirement Fund (TRA):

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.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED

GERP Benefits:

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

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

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

TRA Benefits:

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

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

TRA Benefits: (Cont'd)

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

Tier I Benefits:

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

With these provisions:

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

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.

or

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

TRA Benefits: (Cont'd)

Tier II Benefits:

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of 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.

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

C. CONTRIBUTIONS

GERP Contributions:

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50% for General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$358,463. The District's contributions were equal to the required contributions as set by state statute.

TRA Contributions:

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025, were \$1,068,410. The District's contributions were equal to the required contributions for each year as set by state statute.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS

GERP Pension Costs:

At June 30, 2025, the District reported a liability of \$1,949,300 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 \$50,405. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion share was 0.0527% at the end of the measurement period and 0.0502% for the beginning of the period.

Districts proportionate share of the net pension liability	\$ 1,949,300
State of Minnesota's proportionate share of the net pension Liability Associated With the District	<u>50,405</u>
Total	<u><u>\$ 1,999,705</u></u>

There were no provision changes during the measurement period.

For the year ended June 30, 2025, the District recognized pension expense of \$99,658 for its proportionate share of GERP's pension expense. In addition, the District recognized \$1,351 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation 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 \$89,686 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 #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

At June 30, 2025, the District reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 180,952	\$
Changes in Actuarial Assumptions	9,584	711,848
Net Collective Differences Between Projected and Actual Investment Earnings		556,989
Changes in Proportion	104,848	116,976
Contributions Paid to PERA Subsequent to Measurement Date	<u>358,463</u>	
Totals	<u>\$ 653,847</u>	<u>\$ 1,385,813</u>

The \$358,463 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2026	\$ (629,442)
2027	(110,938)
2028	(200,725)
2029	(149,324)

TRA Pension Costs:

On June 30, 2025, the District reported a liability of \$11,514,030 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.1812% at the end of the measurement period and 0.1797% for the beginning of the year.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

TRA Pension Costs: (Cont'd)

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	\$ 11,514,030
State of Minnesota's proportionate share of the net pension Liability Associated With the District	<u>753,255</u>
Total	<u><u>\$ 12,267,285</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$798,402. It also recognized (\$9,215) as a decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$319,214 for the year ended June 30, 2025, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

At June 30, 2025, the District reported its proportionate share of TRA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 551,312	\$ 150,304
Changes in Actuarial Assumptions	1,219,489	1,373,079
Net Collective Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		1,709,543
Changes in Proportion	140,529	294,947
Contributions Paid to TRA Subsequent to Measurement Date	<u>1,068,410</u>	
Totals	<u><u>\$ 2,979,740</u></u>	<u><u>\$ 3,527,873</u></u>

\$1,068,410 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 inflows of resources related to pensions will be recognized in pension expense as follows:

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

TRA Pension Costs: (Cont'd)

Year ended June 30,	Pension Expense Amount	
2026	\$	(835,957)
2027		1,010,296
2028		(923,529)
2029		(706,283)
2030		(161,070)

E. LONG-TERM EXPECTED RETURN ON INVESTMENT

GERP:

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
	<u>100.00%</u>	

TRA:

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.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

E. LONG-TERM EXPECTED RETURN ON INVESTMENT (Cont'd)

TRA: (Cont'd)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
 Total	 100.00%	

F. ACTUARIAL ASSUMPTIONS

GERP:

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7%. The 7% assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of 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. The tables are adjusted slightly to fit PERA's experience.

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

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

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

F. ACTUARIAL ASSUMPTIONS (Cont'd)

GERP: (Cont'd)

Changes in Actuarial Assumptions:

Rates of merit and seniority were adjusted, resulting in slightly higher rates.

Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.

Minor increase in assumed withdrawals for males and females.

Lower rates of disability.

Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.

Minor changes to form of payment assumptions for male and female retirees.

Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

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

TRA:

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

Actuarial Information

Valuation Date	July 1, 2024
Measurement Date	June 30, 2024
Experience Study	August 2, 2023 (Demographic and Economic Assumptions)
Actuarial Cost Method	Entry Age Normal

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

F. ACTUARIAL ASSUMPTIONS (Cont'd)

TRA: (Cont'd)

Actuarial Assumptions

Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

Pre-Retirement:	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
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 following changes in actuarial assumptions occurred 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 Pub-2010 family.

Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.

Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

F. ACTUARIAL ASSUMPTIONS (Cont'd)

TRA: (Cont'd)

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.

G. DISCOUNT RATE

GERP:

The discount rate used to measure the total pension liability in 2024 was 7%. 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 Plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TRA:

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.

H. 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 paragraphs, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

		<u>GERP</u>		<u>TRA</u>
1% Lower	6.00%	\$ 4,257,585	6.00%	\$ 20,276,880
Current Discount Rate	7.00%	1,949,300	7.00%	11,514,030
1% Higher	8.00%	50,525	8.00%	4,301,996

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 11. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

I. PENSION PLAN FIDUCIARY NET POSITION

GERP:

Detailed information about the 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.

TRA:

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

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

A. PLAN DESCRIPTION

The District operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses through the District's commercial insurance plans. There are 155 active participants and 13 retired participants. Benefit and eligibility provisions are established through negotiations between the District and employee groups including a union. The union contract is renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

B. TOTAL OPEB LIABILITY

The District's total OPEB liability of \$760,176 was measured as of June 30, 2024, and was determined by an actuarial valuation as of that date. Updated procedures were used to roll forward the total OPEB liability to June 30, 2025.

C. CHANGES IN TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

	<u>Total OPEB Liability</u>
Beginning of Year	\$ 737,516
Changes for the year:	
Service Cost	48,025
Interest	29,372
Changes in Assumptions	(5,533)
Benefit Payments	(49,204)
Net Changes	<u>22,660</u>
End of Year	<u>\$ 760,176</u>

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN (Cont'd)

C. CHANGES IN TOTAL OPEB LIABILITY (Cont'd)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.86% in 2024 to 3.97% in 2025.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.97%) or 1-percentage-point higher (4.97%) than the current discount rate:

	1.0% Decrease in Discount Rate (2.97%)	Discount Rate (3.97%)	1.0% Increase in Discount Rate (4.97%)
Total OPEB Liability	\$ 811,107	\$ 760,176	\$ 710,895

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.90% decreasing to 2.90%) or 1-percentage-point higher (7.90% decreasing to 4.90%) than the current healthcare cost trend rates:

	1.0% Decrease (5.90% decreasing to 2.90%)	Healthcare Cost Trend Rates (6.90% decreasing to 3.90%)	1.0% Increase (7.90% decreasing to 4.90%)
Total OPEB Liability	\$ 674,924	\$ 760,176	\$ 861,012

D. OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2025, the District recognized OPEB expense of \$72,234. 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 Experience	\$ 39,149	\$ 19,724
Changes in Actuarial Assumptions or Other Inputs	174,427	158,136
Contributions Paid Subsequent to Measurement Date	45,837	
Totals	<u>\$ 259,413</u>	<u>\$ 177,860</u>

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN (Cont'd)

D. OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (Cont'd)

\$45,837 reported as deferred outflows of resources related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Year ended June 30,	OPEB Expense Amount
2026	\$ (5,163)
2027	(5,163)
2028	(3,164)
2029	(7,557)
2030	18,958
Thereafter	37,805

E. ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Based on the most recently disclosed assumptions for the pension plan in which the employee participates.
Healthcare Cost Trend Rates	6.90% for 2025, gradually decreasing over several decades to an ultimate rate of 3.90% for 2076 and later years.
Retiree's Share of Benefit-Related Costs	Assumed to increase with healthcare trend rates.

A discount rate of 3.97% was applied in the measurement of the total OPEB liability. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates for teachers were based on the RP-2014 Mortality Tables with projected mortality improvements based on scale MP-2015 and other adjustments.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2023–June 30, 2024.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 13. SELF-INSURED DENTAL PLAN

The District has elected to self-insure their employee dental insurance program. The District has entered into an agreement with an insurance company to provide claims processing and other administrative duties. The District established an internal service fund to account for contributions from other funds for dental insurance and to establish a reserve for catastrophic losses. The amounts charged to expenses include administrative fees paid and accruals for claims incurred but not paid at year end. The District recorded expenses of \$261,153 in the current year, which includes administrative costs of \$27,772.

The liability for unpaid claims is included in the Internal Service Fund as accounts payable.

Unpaid Claims, Beginning of Year	\$ 27,480
Incurred Claims	261,153
Claims Payments (cash basis)	<u>(266,398)</u>
Unpaid Claims, End of Year	<u>\$ 22,235</u>

NOTE 14. DEFINED CONTRIBUTION PLAN

The Independent School District #466 implemented a 403(b) plan effective July 1, 1998. This 403(b) plan will replace the existing Early Retirement Plan and Severance Plan. Full-time employees will receive matching contributions from the District, according to the following schedule. Part-time teachers shall receive prorated benefits proportional to the extent of their employment.

Years of Service	District Contribution	Teacher Contribution
0-1	\$ 0	\$ 0
2-3	300	300
4-5	400	400
6-10	500	500
11-15	600	600
16-20	800	800
21+	1,200	1,200

Upon inception of the plan for an eight year period commencing July 1, 1998, and culminating June 30, 2006, participants in the existing early retirement/severance plan will be kept "whole" with the total eligible early retirement/severance package, provided they are contributing the maximum annual eligible employee contribution through step 26 and beyond, and therefore receiving the maximum annual District matching contribution. Failure to contribute the maximum each year shall result in a forfeiture of early retirement/severance pay.

Participants retiring between June 30, 2006, and June 30, 2010, would receive a maximum of 80% of the entitlements described in the Master Agreement of 2009-11 if they contribute the maximum amount to their 403(b) through step 21 and beyond. Members retiring after June 30, 2010, will receive early retirement solely under the provisions of the 403(b) plan with a maximum District contribution of \$18,000. For year ended June 30, 2025, the District and employee match was \$248,206 and \$498,229, respectively.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 15. CONTINGENCIES

A. LITIGATION

The District is not party to a legal proceeding as of year end.

B. FEDERAL AND STATE PROGRAMS

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 fund. 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.

NOTE 16. RISK MANAGEMENT

Some of the District's risk management activities are recorded in the Internal Service Fund. The purpose of the fund is to administer the dental program of the District on a cost reimbursement basis. This fund accounts for the risk financing activities of the District but does not constitute a transfer of risk from the District.

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 (workers' compensation); and natural disasters. To mitigate these risks, the District has obtained property and casualty insurance and workers' compensation coverage through the Minnesota School Boards Insurance Trust (MSBAIT). The plan requires an annual payment with no additional assessments. MSBAIT has obtained a reinsurance policy.

Settlement claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current fiscal year.

NOTE 17. COMMITMENTS AND CONTINGENCIES

A. CONSTRUCTION COMMITMENT

The District has active construction projects, including the following:

	<u>Original Contract</u>	<u>Remaining Commitment</u>
Partial Roof Rehabilitation Project	\$ 2,160,450	\$ 1,434,669
HVAC Replacement and Upgrade Project	862,316	851,066
Phase 2 Building Construction Project	<u>6,227,511</u>	<u>367,236</u>
Total Construction Commitment	<u>\$ 9,250,277</u>	<u>\$ 2,652,971</u>

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 18. PRIOR PERIOD ADJUSTMENT

The beginning net position of the governmental activities has been adjusted to reflect a correction of an error. During the current year, management updated the calculation of the District's compensated absences liability in accordance with the criteria described in Note 1. The governmental activities balance for compensated absence liability has been restated from \$65,797 to \$1,749,466 (an increase of \$1,683,669). The net position, beginning of year, as originally stated; prior period adjustment; and net position, beginning of year, as restated as of June 30, 2024, are summarized in the following table:

	Beginning of Year, as Originally Stated	Prior Period Adjustment	Net Position, Beginning of Year, as Restated
	<u> </u>	<u> </u>	<u> </u>
Governmental Activities	\$ 12,919,862	\$ (1,683,669)	\$ 11,236,193
	<u> </u>	<u> </u>	<u> </u>

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REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR PENSION PLANS ADMINISTERED THROUGH A TRUST
JUNE 30, 2025

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>							
<u>GERP</u>							
6/30/2024	0.0527%	\$ 1,949,300	\$ 50,405	\$ 1,999,705	\$ 4,466,574	44.77%	89.08%
6/30/2023	0.0502%	2,807,128	77,407	2,884,535	3,991,040	72.28%	76.67%
6/30/2022	0.0531%	4,205,538	123,391	4,328,929	3,973,120	108.96%	83.10%
6/30/2021	0.0533%	2,276,149	69,474	2,345,623	3,847,519	60.96%	87.00%
6/30/2020	0.0557%	3,339,470	102,946	3,442,416	3,956,400	87.01%	79.06%
6/30/2019	0.0531%	2,935,780	91,163	3,026,943	3,758,787	80.53%	80.23%
6/30/2018	0.0563%	3,123,293	102,543	3,225,836	3,777,587	85.39%	79.53%
6/30/2017	0.0590%	3,766,521	47,356	3,813,877	3,800,837	100.34%	75.90%
6/30/2016	0.0600%	4,871,702	65,539	4,937,241	3,723,840	132.58%	68.91%
6/30/2015	0.0601%	3,114,694		3,114,694	3,493,467	89.16%	78.19%
<u>TRA</u>							
6/30/2024	0.1812%	11,514,030	753,255	12,267,285	12,017,899	102.08%	82.07%
6/30/2023	0.1797%	14,836,435	1,039,338	15,875,773	11,534,655	137.64%	76.42%
6/30/2022	0.1817%	14,549,575	1,079,120	15,628,695	11,202,242	139.51%	76.17%
6/30/2021	0.1903%	8,328,097	702,213	9,030,310	11,440,234	78.93%	86.63%
6/30/2020	0.1890%	13,963,573	1,169,966	15,133,539	11,085,442	136.52%	75.48%
6/30/2019	0.1885%	12,015,030	1,063,389	13,078,419	10,746,913	121.69%	78.21%
6/30/2018	0.1892%	11,881,745	1,116,081	12,997,826	10,493,280	123.87%	78.07%
6/30/2017	0.1923%	38,386,568	3,710,900	42,097,468	10,422,867	403.90%	51.57%
6/30/2016	0.1942%	46,321,334	4,649,614	50,970,948	10,224,947	498.50%	44.88%
6/30/2015	0.1932%	11,951,331	1,465,959	13,417,290	10,181,440	131.78%	76.77%

See Accompanying Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR PENSION PLANS ADMINISTERED THROUGH A TRUST
JUNE 30, 2025

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
<u>Pensions</u>					
<u>GERP</u>					
6/30/2025	\$ 358,463	\$ 358,463	\$	\$ 4,779,507	7.50%
6/30/2024	334,994	334,994		4,466,587	7.50%
6/30/2023	299,328	299,328		3,991,040	7.50%
6/30/2022	297,984	297,984		3,973,120	7.50%
6/30/2021	288,564	288,564		3,847,519	7.50%
6/30/2020	296,730	296,730		3,956,400	7.50%
6/30/2019	281,798	281,798		3,758,787	7.50%
6/30/2018	283,319	283,319		3,777,587	7.50%
6/30/2017	285,062	285,062		3,800,837	7.50%
6/30/2016	279,288	279,288		3,723,840	7.50%
<u>TRA</u>					
6/30/2025	1,068,410	1,068,410		12,018,954	8.89%
6/30/2024	1,051,528	1,051,528		12,017,463	8.75%
6/30/2023	986,446	986,446		11,513,988	8.55%
6/30/2022	934,267	934,267		11,202,242	8.34%
6/30/2021	930,091	930,091		11,440,234	8.13%
6/30/2020	877,967	877,967		11,085,442	7.92%
6/30/2019	828,587	828,587		10,746,913	7.71%
6/30/2018	786,996	786,996		10,493,280	7.50%
6/30/2017	781,507	781,507		10,422,867	7.50%
6/30/2016	766,871	766,871		10,224,947	7.50%

See Accompanying Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
JUNE 30, 2025

	Measurement Date							
	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Service Cost	\$ 48,025	\$ 38,341	\$ 48,079	\$ 38,736	\$ 33,695	\$ 52,291	\$ 45,925	\$ 47,833
Interest	29,372	21,324	12,445	13,593	15,972	27,547	23,262	19,401
Differences Between Expected and Actual Experience		(10,731)		66,669		(27,941)		
Changes in Assumptions	(5,533)	176,331	(65,991)	9,163	19,893	(254,799)	61,143	(25,094)
Benefit Payments	(49,204)	(54,563)	(55,626)	(32,644)	(27,517)	(30,860)	(27,432)	(75,062)
Net Change in Total OPEB Liability	22,660	170,702	(61,093)	95,517	42,043	(233,762)	102,898	(32,922)
Total OPEB Liability - Beginning of Year	737,516	566,814	627,907	532,390	490,347	724,109	621,211	654,133
Total OPEB Liability - End of Year	<u>\$ 760,176</u>	<u>\$ 737,516</u>	<u>\$ 566,814</u>	<u>\$ 627,907</u>	<u>\$ 532,390</u>	<u>\$ 490,347</u>	<u>\$ 724,109</u>	<u>\$ 621,211</u>
Covered Employee Payroll	<u>\$ 13,197,924</u>	<u>\$ 12,290,037</u>	<u>\$ 11,877,624</u>	<u>\$ 12,221,833</u>	<u>\$ 11,665,764</u>	<u>\$ 11,398,117</u>	<u>\$ 11,177,376</u>	<u>\$ 11,004,658</u>
Total OPEB Liability as a % of Covered Employee Payroll	<u>5.76%</u>	<u>6.00%</u>	<u>4.77%</u>	<u>5.14%</u>	<u>4.56%</u>	<u>4.30%</u>	<u>6.48%</u>	<u>5.64%</u>

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

See Accompanying Notes to Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2024 Changes:

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

2023 Changes:

An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.

The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.

The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.

A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes:

There have been no changes since the prior valuation.

2021 Changes:

There have been no changes since the prior valuation.

2020 Changes:

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 Changes:

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 Changes:

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 4.00 percent to 3.00 percent, beginning July 1, 2018.

Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Contribution stabilizer provisions were repealed.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2018 Changes: (Cont'd)

Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 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 Changes:

The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes:

There have been no changes since the prior valuation.

2015 Changes:

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.

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

2024 Changes:

The 2024 Omnibus Pensions and Retirement Bill (HF 5040/SF 4643) lowered the normal retirement age for Tier 2 members from 66 to 65 effective July 1, 2024, and provided for a one-time State appropriation of \$28.46 million to cover the cost.

HF 3100, appropriated \$176,166,838 to TRA, payable on October 1, 2023: \$28,735,816 for the difference between the statutory 1.1% compounded COLA payable on January 1, 2024, and a one-time 2.5% lump-sum COLA for coordinated plan members; \$2,384,222 for the difference between the statutory 1.1% compounded COLA payable on January 1, 2024, and a one-time 4% lump-sum COLA for basic plan members; and \$145,046,800 to pay down the unfunded actuarial accrued liability.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2023 Changes:

Effective July 1, 2025, the normal retirement age for Tier 2 members will decrease from 66 to 65.

The employer contribution rate will increase from 8.75% to 9.50% on July 1, 2025.

The employee contribution rate will increase from 7.75% to 8.00% on July 1, 2025.

2022 Changes:

There have been no changes since the prior valuation.

2021 Changes:

There have been no changes since the prior valuation.

2020 Changes:

There have been no changes since the prior valuation.

2019 Changes:

There have been no changes since the prior valuation.

2018 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, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2017 Changes:

There have been no changes since the prior valuation.

2016 Changes:

There have been no changes since the prior valuation.

2015 Changes:

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

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

2024 Changes:

There have been no changes since the prior valuation.

2023 Changes:

Retiree premiums were updated to current levels.

2022 Changes:

There have been no changes since the prior valuation.

2021 Changes:

Retiree premiums were updated to current levels.

2020 Changes:

There have been no changes since the prior valuation.

2019 Changes:

Retiree premiums were updated to current levels.

2018 Changes:

There have been no changes since the prior valuation.

2017 Changes:

There have been no changes since the prior valuation.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2024 Changes:

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 Changes:

The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

2022 Changes:

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

2021 Changes:

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 Changes:

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.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2020 Changes: (Cont'd)

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 Changes:

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

2018 Changes:

The mortality projection was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes:

The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2016 Changes:

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

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes:

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

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

2024 Changes:

Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub-2010 family of tables.

Retirement rates were increased for some of the tier 2 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 ten 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 Changes:

The investment return assumption was changed from 7.50% to 7.00%. This does not affect the GASB valuation which was already using the 7.00% assumption.

2022 Changes:

There have been no changes since the prior valuation.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2021 Changes:

The investment return assumption was changed from 7.50% to 7.00%.

2020 Changes:

Assumed termination rates were changed to more closely reflect actual experience.

The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale.

2019 Changes:

There have been no changes since the prior valuation.

2018 Changes:

The investment return assumption was changed from 8.50% to 7.50%.

The price inflation assumption was lowered from 3.00% to 2.50%.

The payroll growth assumption was lowered from 3.50% to 3.00%.

The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for 10 years followed by 0.75%, thereafter.

The total salary increase assumption was adjusted by the wage inflation change.

The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years).

A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

2017 Changes:

Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.

The investment return assumption was changed from 8.00% to 7.50%.

The price inflation assumption was lowered from 2.75% to 2.50%.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2017 Changes: (Cont'd)

The payroll growth assumption was lowered from 3.50% to 3.00%.

The general wage growth assumption was lowered from 3.50% to 2.85% for 10 years followed by 3.25%, thereafter.

The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes:

The price inflation assumption was lowered from 3.00% to 2.75%.

The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.50%.

Minor changes at some durations for the merit scale of the salary increase assumption.

The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.

The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.

The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.

Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.

Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.

A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

2015 Changes:

The Cost of Living Adjustment was not assumed to increase to 2.5%, but remain at 2.0% for all future years.

The investment return assumption was changed from 8.25% to 8.00%.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

2024 Changes:

The discount rate was changed from 3.86% to 3.97% based on updated 20-year municipal bond rates.

2023 Changes:

The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bond rates.

Healthcare trend rates were reset to reflect updated cost increase expectations.

Medical per capita claims costs were updated to reflect recent experience and new plan offerings.

Mortality rates were updated from the rates used in the 7/1/2020 PERA General Employees Plan valuation to the rates used in the 7/1/2022 valuation.

The percent of future retirees assumed to elect coverage at retirement changed from 40% to 50% to reflect recent plan experience.

The percent of future retirees assumed to elect spouse coverage at retirement changed from 10% to 15% to reflect recent plan experience.

The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	Fiscal 2024 Valuation	Fiscal 2023 Valuation
Smart Plan 1	50%	N/A
Smart Plan 2	15%	N/A
Smart Plan 3	30%	N/A
Smart Plan 5	5%	N/A
PEIP Advantage	N/A	20%
PEIP Value	N/A	20%
PEIP HSA Compatible	N/A	60%

The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2022 Changes:

The discount rate was changed from 1.92% to 3.69% based on updated 20-year municipal bond rates.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST (Cont'd)

2021 Changes:

The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bond rates.

Healthcare trend rates were reset to reflect updated cost increase expectations.

Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.

Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations.

The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience. The following table provides the changes for the assumed percent electing each plan:

<u>Medical Plan</u>	<u>Fiscal 2022 Valuation</u>	<u>Fiscal 2021 Valuation</u>
PEIP Advantage	20%	10%
PEIP Value	20%	30%
PEIP HAS Compatible	60%	60%

The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2020 Changes:

The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.

The medical trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plan due to its repeal.

2019 Changes:

The discount rate was changed from 3.62% to 3.13% based on updated 20-year municipal bond rates.

Healthcare trend rates were reset to reflect updated cost increase expectations.

Medical per capita claims costs were updated to reflect recent experience and new plan offerings.

Mortality and salary increase rates were updated from the rates used in the 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.

The percent of future retirees assumed to elect coverage at retirement changed from 50% to 40% to reflect recent plan experience.

The percent of retirees electing spouse coverage changed from 20% to 10% to reflect recent plan experience.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST (Cont'd)

2019 Changes: (Cont'd)

The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	Fiscal 2020 Valuation	Fiscal 2019 Valuation
PEIP Advantage High	10%	N/A
PEIP Value	30%	N/A
PEIP HSA	60%	N/A
\$750 CMM	N/A	75%
\$1,200 CMM	N/A	25%

The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2018 Changes:

There have been no changes since the prior valuation.

2017 Changes:

There have been no changes since the prior valuation.

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SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #466

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	Food Service	Community Service	Total
ASSETS			
Cash and Investments	\$ 872,625	\$ 939,639	\$ 1,812,264
Receivables			
Accounts	130	6,352	6,482
Current Property Taxes		49,887	49,887
Delinquent Property Taxes		828	828
Due from Other Governments			
Other Minnesota School Districts	34,068		34,068
State Department of Education	37,798	28,640	66,438
Federal Department of Education	17,312		17,312
Inventory	57,535		57,535
Prepaid Items	11,836		11,836
	<u>1,031,304</u>	<u>1,025,346</u>	<u>2,056,650</u>
Total Assets	\$ 1,031,304	\$ 1,025,346	\$ 2,056,650
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Payables			
Accounts	\$ 65,558	\$ 32,098	\$ 97,656
Salaries and Payroll Deductions	5,364	52,649	58,013
Due to Other Minnesota School Districts	77,917		77,917
Due to Other Governmental Units		65	65
Unearned Revenue	17,289	91,878	109,167
Total Liabilities	<u>166,128</u>	<u>176,690</u>	<u>342,818</u>
Deferred Inflows of Resources			
Property Taxes Levied for Subsequent Year		110,724	110,724
Unavailable Revenue - Delinquent Property Taxes		828	828
Total Deferred Inflows of Resources	<u>0</u>	<u>111,552</u>	<u>111,552</u>
Fund Balance			
Nonspendable	11,836		11,836
Restricted	853,340	737,104	1,590,444
Total Fund Balance	<u>865,176</u>	<u>737,104</u>	<u>1,602,280</u>
	<u>\$ 1,031,304</u>	<u>\$ 1,025,346</u>	<u>\$ 2,056,650</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,031,304	\$ 1,025,346	\$ 2,056,650

INDEPENDENT SCHOOL DISTRICT #466

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	Food Service	Community Service	Total
REVENUES			
Local Property Tax Levies	\$	\$ 95,529	\$ 95,529
Other Local and County Revenues	68,018	852,427	920,445
Revenue from State Sources	840,790	225,811	1,066,601
Revenue from Federal Sources	620,470		620,470
Sales and Other Conversions of Assets	85,760		85,760
Total Revenues	<u>1,615,038</u>	<u>1,173,767</u>	<u>2,788,805</u>
EXPENDITURES			
Current			
Community Education and Services		1,159,682	1,159,682
Pupil Support Services	1,539,476		1,539,476
Capital Outlay			
Community Education and Services		38,674	38,674
Pupil Support Services	145,188		145,188
Total Expenditures	<u>1,684,664</u>	<u>1,198,356</u>	<u>2,883,020</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(69,626)	(24,589)	(94,215)
OTHER FINANCING SOURCES (USES)			
Transfers In	50		50
Net Change in Fund Balances	<u>(69,576)</u>	<u>(24,589)</u>	<u>(94,165)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>934,752</u>	<u>761,693</u>	<u>1,696,445</u>
FUND BALANCE, END OF YEAR	<u>\$ 865,176</u>	<u>\$ 737,104</u>	<u>\$ 1,602,280</u>

INDEPENDENT SCHOOL DISTRICT #466

BALANCE SHEET

GENERAL FUND

JUNE 30, 2025

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Investments	\$ 9,819,388	\$ 10,418,272
Receivables		
Accounts	12,077	19,389
Current Property Taxes	1,923,229	1,862,076
Delinquent Property Taxes	33,006	37,043
Interest	138,936	136,657
Due from Other Governments		
Other Minnesota School Districts	449,590	427,063
State Department of Education	2,129,314	1,165,597
Federal Department of Education	150,016	167,346
Prepaid Items	<u>52,335</u>	<u>53,142</u>
Total Assets	<u><u>\$ 14,707,891</u></u>	<u><u>\$ 14,286,585</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Payables		
Accounts	\$ 779,304	\$ 373,323
Salaries and Payroll Deductions	2,198,096	2,163,838
Due to Other Minnesota School Districts	658,790	655,579
Due to Other Governmental Units	9,161	8,998
Due to Other Funds	1,968	45,716
Unearned Revenue	<u>90,371</u>	<u>81,347</u>
Total Liabilities	3,737,690	3,328,801
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	4,039,289	3,876,699
Unavailable Revenue - Delinquent Property Taxes	<u>33,006</u>	<u>37,043</u>
Total Deferred Inflows of Resources	4,072,295	3,913,742
Fund Balance		
Nonspendable	52,335	53,142
Restricted	2,812,382	3,234,053
Assigned	204,025	124,357
Unassigned	<u>3,829,164</u>	<u>3,632,490</u>
Total Fund Balance	<u>6,897,906</u>	<u>7,044,042</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u><u>\$ 14,707,891</u></u>	<u><u>\$ 14,286,585</u></u>

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	2025		Over (Under) Final Budget	2024 Actual
	Final Budget	Actual		
REVENUES				
Local Property Tax Levies				
Tax Levy	\$ 4,027,587	\$ 4,105,669	\$ 78,082	\$ 3,857,502
Other Local and County Revenues				
Revenue from Other Minnesota Districts	60,000	64,890	4,890	61,752
Tuition, Fees and Admissions	274,725	334,777	60,052	323,456
Investment Earnings	225,000	374,666	149,666	427,963
Rent for School Facilities	74,000	99,340	25,340	83,350
Other Local Revenues	496,996	594,155	97,159	331,057
Total Other Local and County Revenues	1,130,721	1,467,828	337,107	1,227,578
Revenue from State Sources				
Endowment Fund Apportionment	133,292	134,876	1,584	123,722
General Education Aid	17,764,796	17,641,815	(122,981)	18,243,923
Market Value Credit	11,563	11,563		10,847
Special Education Aid	3,308,847	3,315,641	6,794	3,309,318
Shared Time Aid	999	9,028	8,029	1,137
Literacy Incentive Aid	111,192	111,192		109,959
Other State Revenues	905,038	959,469	54,431	796,189
Total Revenue from State Sources	22,235,727	22,183,584	(52,143)	22,595,095
Revenue from Federal Sources				
Title I, Grants to Local Education Agencies	480,748	412,384	(68,364)	251,093
Title II - Part A - Improving Teacher Quality	44,138	40,576	(3,562)	39,706
Special Education	127,715	121,248	(6,467)	130,924
Career and Technical Education	8,000	5,606	(2,394)	8,655
Other Federal Revenues	52,149	52,149		108,334
Total Revenue from Federal Sources	712,750	631,963	(80,787)	538,712
Sales and Other Conversions of Assets				
Sales	30,400	28,297	(2,103)	38,166
Total Revenues	28,137,185	28,417,341	280,156	28,257,053

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	2025		Over (Under) Final Budget	2024 Actual
	Final Budget	Actual		
EXPENDITURES				
Current				
Administration				
Salaries and Wages	\$ 977,803	\$ 952,542	\$ (25,261)	\$ 937,492
Employee Benefits	371,066	352,780	(18,286)	351,934
Purchased Services	87,775	53,862	(33,913)	76,139
Supplies and Materials	58,937	56,463	(2,474)	49,359
Other Expenditures	21,800	19,228	(2,572)	19,920
Total Administration	1,517,381	1,434,875	(82,506)	1,434,844
District Support Services				
Salaries and Wages	341,782	325,738	(16,044)	285,237
Employee Benefits	126,067	120,660	(5,407)	114,551
Purchased Services	119,050	104,711	(14,339)	114,492
Supplies and Materials	9,500	13,175	3,675	9,706
Other Expenditures	6,000	4,515	(1,485)	15,676
Total District Support Services	602,399	568,799	(33,600)	539,662
Elementary and Secondary Regular Instruction				
Salaries and Wages	8,599,519	8,407,352	(192,167)	8,564,611
Employee Benefits	3,039,493	2,927,591	(111,902)	2,983,086
Purchased Services	545,061	593,595	48,534	858,695
Supplies and Materials	384,449	344,522	(39,927)	340,966
Other Expenditures	63,080	60,730	(2,350)	53,129
Total Elementary and Secondary Regular Instruction	12,631,602	12,333,790	(297,812)	12,800,487
Vocational Education Instruction				
Salaries and Wages	375,492	359,497	(15,995)	371,421
Employee Benefits	141,503	137,419	(4,084)	138,031
Purchased Services	850	7	(843)	750
Supplies and Materials	12,355	21,796	9,441	15,641
Total Vocational Education Instruction	530,200	518,719	(11,481)	525,843
Special Education Instruction				
Salaries and Wages	3,303,307	3,121,486	(181,821)	3,087,018
Employee Benefits	1,042,106	912,565	(129,541)	908,553
Purchased Services	429,225	420,316	(8,909)	384,550
Supplies and Materials	24,605	18,901	(5,704)	19,398
Other Expenditures	1,550	1,000	(550)	1,434
Total Special Education Instruction	4,800,793	4,474,268	(326,525)	4,400,953

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	2025		Over (Under) Final Budget	2024 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
Current (Cont'd)				
Instructional Support Services				
Salaries and Wages	\$ 1,069,891	\$ 1,066,692	\$ (3,199)	\$ 1,019,010
Employee Benefits	344,241	341,035	(3,206)	319,379
Purchased Services	147,489	109,626	(37,863)	146,129
Supplies and Materials	408,261	601,747	193,486	287,576
Other Expenditures	350	360	10	
Total Instructional Support Services	1,970,232	2,119,460	149,228	1,772,094
Pupil Support Services				
Salaries and Wages	1,046,721	1,043,206	(3,515)	976,730
Employee Benefits	246,672	248,121	1,449	236,285
Purchased Services	881,166	856,041	(25,125)	970,062
Supplies and Materials	181,000	130,960	(50,040)	167,575
Other Expenditures	825	730	(95)	145
Total Pupil Support Services	2,356,384	2,279,058	(77,326)	2,350,797
Sites and Buildings				
Salaries and Wages	864,176	857,544	(6,632)	784,993
Employee Benefits	295,589	281,244	(14,345)	278,792
Purchased Services	1,025,032	1,066,727	41,695	986,647
Supplies and Materials	268,300	258,912	(9,388)	281,471
Other Expenditures	500	150	(350)	25,216
Total Sites and Buildings	2,453,597	2,464,577	10,980	2,357,119
Fiscal and Other Fixed Costs Programs				
Employee Benefits	1,500		(1,500)	
Purchased Services	226,569	223,752	(2,817)	152,804
Total Fiscal and Other Fixed Costs Programs	228,069	223,752	(4,317)	152,804
Total Current	27,090,657	26,417,298	(673,359)	26,334,603

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	2025		Over (Under) Final Budget	2024 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
Capital Outlay				
Administration	\$ 25,289	\$ 25,227	\$ (62)	\$ 22,140
District Support Services	3,500	5,625	2,125	9,594
Elementary and Secondary Regular Instruction	408,546	355,315	(53,231)	78,872
Vocational Education Instruction				5,950
Special Education Instruction	17,500	17,531	31	100,644
Instructional Support Services	689,802	391,689	(298,113)	109,816
Pupil Support Services	1,000		(1,000)	25,216
Sites and Buildings	1,502,066	1,351,473	(150,593)	629,681
Total Capital Outlay	<u>2,647,703</u>	<u>2,146,860</u>	<u>(500,843)</u>	<u>981,913</u>
Total Expenditures	<u>29,738,360</u>	<u>28,564,158</u>	<u>(1,174,202)</u>	<u>27,316,516</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,601,175)	(146,817)	1,454,358	940,537
OTHER FINANCING SOURCES (USES)				
Insurance Recovery		731	731	82,466
Transfers Out	(500)	(50)	450	(301)
Total Other Financing Sources (Uses)	<u>(500)</u>	<u>681</u>	<u>1,181</u>	<u>82,165</u>
Net Change in Fund Balances	<u>\$ (1,601,675)</u>	(146,136)	<u>\$ 1,455,539</u>	1,022,702
FUND BALANCE, BEGINNING OF YEAR		<u>7,044,042</u>		<u>6,021,340</u>
FUND BALANCE, END OF YEAR		<u>\$ 6,897,906</u>		<u>\$ 7,044,042</u>

INDEPENDENT SCHOOL DISTRICT #466

BALANCE SHEET
 FOOD SERVICE SPECIAL REVENUE FUND
 JUNE 30, 2025

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Investments	\$ 872,625	\$ 916,682
Receivables		
Accounts	130	
Due from Other Governments		
Other Minnesota School Districts	34,068	11,553
State Department of Education	37,798	
Federal Department of Education	17,312	20,646
Inventory	57,535	100,319
Prepaid Items	11,836	9,693
	<u>11,836</u>	<u>9,693</u>
Total Assets	<u>\$ 1,031,304</u>	<u>\$ 1,058,893</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Payables		
Accounts	\$ 65,558	\$ 19,083
Salaries and Payroll Deductions	5,364	2,587
Due to Other Minnesota School Districts	77,917	79,912
Due to Other Funds		45
Unearned Revenue	17,289	22,514
Total Liabilities	<u>166,128</u>	<u>124,141</u>
Fund Balance		
Nonspendable	11,836	9,693
Restricted	853,340	925,059
Total Fund Balance	<u>865,176</u>	<u>934,752</u>
Total Liabilities and Fund Balance	<u>\$ 1,031,304</u>	<u>\$ 1,058,893</u>

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOOD SERVICE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	2025		Over (Under)	2024
	Final Budget	Actual	Final Budget	Actual
REVENUES				
Other Local and County Revenues				
Other Minnesota Districts	\$ 29,037	\$ 34,068	\$ 5,031	\$
Investment Earnings	20,000	33,734	13,734	39,052
Other Local Revenues	1,000	216	(784)	3,765
Total Other Local and County Revenues	<u>50,037</u>	<u>68,018</u>	<u>17,981</u>	<u>42,817</u>
Revenue from State Sources				
State School Lunch Aid	595,000	641,303	46,303	601,045
Breakfast Program	118,500	139,880	21,380	130,031
Minnesota Kindergarten Milk	900	2,240	1,340	688
Other State Revenues	35,000	57,367	22,367	123,399
Total Revenue from State Sources	<u>749,400</u>	<u>840,790</u>	<u>91,390</u>	<u>855,163</u>
Revenue from Federal Sources				
School Lunch Program	105,000	112,986	7,986	162,960
Free-Reduced Lunch Aid	281,750	274,773	(6,977)	283,595
Breakfast Program	92,000	101,777	9,777	107,738
USDA Commodities	85,000	98,373	13,373	107,053
Summer Food Service	30,000	32,561	2,561	36,751
Other Federal Revenues				3,555
Total Revenue from Federal Sources	<u>593,750</u>	<u>620,470</u>	<u>26,720</u>	<u>701,652</u>
Sales and Other Conversions of Assets	83,000	85,760	2,760	84,710
Total Revenues	<u>1,476,187</u>	<u>1,615,038</u>	<u>138,851</u>	<u>1,684,342</u>
EXPENDITURES				
Current				
Pupil Support Services				
Salaries and Wages	487,894	498,361	10,467	398,723
Employee Benefits	111,690	113,890	2,200	94,570
Purchased Services	177,550	154,547	(23,003)	180,002
Supplies and Materials	848,480	767,278	(81,202)	717,484
Other Expenditures	6,500	5,400	(1,100)	(20,147)
Capital Outlay				
Pupil Support Services	185,000	145,188	(39,812)	90,656
Total Expenditures	<u>1,817,114</u>	<u>1,684,664</u>	<u>(132,450)</u>	<u>1,461,288</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(340,927)	(69,626)	271,301	223,054
OTHER FINANCING SOURCES (USES)				
Transfers In	250	50	(200)	301
Net Change in Fund Balances	<u>\$ (340,677)</u>	<u>(69,576)</u>	<u>\$ 271,101</u>	<u>223,355</u>
FUND BALANCE, BEGINNING OF YEAR		<u>934,752</u>		<u>711,397</u>
FUND BALANCE, END OF YEAR		<u>\$ 865,176</u>		<u>\$ 934,752</u>

INDEPENDENT SCHOOL DISTRICT #466

BALANCE SHEET
 COMMUNITY SERVICE SPECIAL REVENUE FUND
 JUNE 30, 2025

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Investments	\$ 939,639	\$ 943,442
Receivables		
Accounts	6,352	
Current Property Taxes	49,887	43,928
Delinquent Property Taxes	828	1,067
Due from Other Governments		
State Department of Education	<u>28,640</u>	<u>25,348</u>
Total Assets	<u>\$ 1,025,346</u>	<u>\$ 1,013,785</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities		
Payables		
Accounts	\$ 32,098	\$ 10,519
Salaries and Payroll Deductions	52,649	49,828
Due to Other Governmental Units	65	79
Due to Other Funds		156
Unearned Revenue	<u>91,878</u>	<u>94,122</u>
Total Liabilities	176,690	154,704
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	110,724	96,321
Unavailable Revenue - Delinquent Property Taxes	<u>828</u>	<u>1,067</u>
Total Deferred Inflows of Resources	111,552	97,388
Fund Balance		
Restricted	<u>737,104</u>	<u>761,693</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,025,346</u>	<u>\$ 1,013,785</u>

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 COMMUNITY SERVICE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	2025		Over (Under) Final Budget	2024 Actual
	Final Budget	Actual		
REVENUES				
Local Property Tax Levies				
Tax Levy	\$ 95,258	\$ 95,529	\$ 271	\$ 133,854
Other Local and County Revenues				
Tuition, Fees and Admissions	758,969	772,331	13,362	821,787
Investment Earnings	30,000	39,647	9,647	45,744
Other Local Revenues	38,500	40,449	1,949	43,035
Total Other Local and County Revenues	<u>827,469</u>	<u>852,427</u>	<u>24,958</u>	<u>910,566</u>
Revenue from State Sources				
Market Value Credit	1,461	1,461		2,063
Preschool Screening	9,000	12,468	3,468	11,245
Early Childhood	105,769	105,710	(59)	109,566
School Readiness	71,179	71,179		74,490
Other State Revenues	35,110	34,993	(117)	7,402
Total Revenue from State Sources	<u>222,519</u>	<u>225,811</u>	<u>3,292</u>	<u>204,766</u>
Total Revenues	<u>1,145,246</u>	<u>1,173,767</u>	<u>28,521</u>	<u>1,249,186</u>
EXPENDITURES				
Current				
Community Education and Services				
Salaries and Wages	820,250	790,125	(30,125)	738,843
Employee Benefits	188,567	160,260	(28,307)	144,248
Purchased Services	172,545	158,080	(14,465)	168,133
Supplies and Materials	70,075	48,493	(21,582)	77,926
Other Expenditures	2,850	2,724	(126)	1,183
Capital Outlay				
Community Education and Services	33,800	38,674	4,874	12,641
Total Expenditures	<u>1,288,087</u>	<u>1,198,356</u>	<u>(89,731)</u>	<u>1,142,974</u>
Net Change in Fund Balances	<u>\$ (142,841)</u>	<u>(24,589)</u>	<u>\$ 118,252</u>	<u>106,212</u>
FUND BALANCE, BEGINNING OF YEAR		<u>761,693</u>		<u>655,481</u>
FUND BALANCE, END OF YEAR		<u>\$ 737,104</u>		<u>\$ 761,693</u>

INDEPENDENT SCHOOL DISTRICT #466

BALANCE SHEET
DEBT SERVICE FUND
JUNE 30, 2025

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Investments	\$ 1,535,120	\$ 979,031
Receivables		
Current Property Taxes	1,375,194	808,963
Delinquent Property Taxes	16,248	14,094
Due from Other Governments		
State Department of Education	<u>36,020</u>	<u>33,387</u>
Total Assets	<u>\$ 2,962,582</u>	<u>\$ 1,835,475</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	\$ 2,558,638	\$ 1,489,613
Unavailable Revenue - Delinquent Property Taxes	<u>16,248</u>	<u>14,094</u>
Total Deferred Inflows of Resources	<u>2,574,886</u>	<u>1,503,707</u>
Fund Balance		
Restricted	<u>387,696</u>	<u>331,768</u>
Total Deferred Inflows of Resources and Fund Balance	<u>\$ 2,962,582</u>	<u>\$ 1,835,475</u>

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	2025		Over (Under) Final Budget	2024 Actual
	Final Budget	Actual		
REVENUES				
Local Property Tax Levies				
Tax Levy	\$ 1,467,763	\$ 1,230,073	\$ (237,690)	\$ 1,265,320
Other Local and County Revenues				
Investment Earnings	19,000	35,152	16,152	34,206
Revenue from State Sources				
Homestead/Agricultural Market Value Credit	22,593	22,593		22,967
Other State Revenues	337,608	337,608		310,893
Total Revenue from State Sources	<u>360,201</u>	<u>360,201</u>	<u>0</u>	<u>333,860</u>
Total Revenues	<u>1,846,964</u>	<u>1,625,426</u>	<u>(221,538)</u>	<u>1,633,386</u>
EXPENDITURES				
Debt Service				
Fiscal and Other Fixed Costs Programs				
Principal	795,000	795,000		725,000
Interest and Fiscal Charges	774,522	774,498	(24)	803,538
Total Expenditures	<u>1,569,522</u>	<u>1,569,498</u>	<u>(24)</u>	<u>1,528,538</u>
Net Change in Fund Balances	<u>\$ 277,442</u>	55,928	<u>\$ (221,514)</u>	104,848
FUND BALANCE, BEGINNING OF YEAR		<u>331,768</u>		<u>226,920</u>
FUND BALANCE, END OF YEAR		<u>\$ 387,696</u>		<u>\$ 331,768</u>

INDEPENDENT SCHOOL DISTRICT #466

BALANCE SHEET
 BUILDING CONSTRUCTION FUND
 JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Investments	\$ 12,867,498	\$ 12,482,896
Receivables		
Accounts	7,685	
Interest	<u>23,172</u>	<u>267,193</u>
Total Assets	<u>\$ 12,898,355</u>	<u>\$ 12,750,089</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Payables		
Accounts	\$ 828,127	\$ 682,318
Contracts Payable	<u>828,127</u>	<u>1,788,536</u>
Total Liabilities	828,127	2,470,854
Fund Balance		
Restricted	<u>12,070,228</u>	<u>10,279,235</u>
Total Liabilities and Fund Balance	<u>\$ 12,898,355</u>	<u>\$ 12,750,089</u>

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 BUILDING CONSTRUCTION FUND
 YEAR ENDED JUNE 30, 2025
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2024

	2025		Over (Under) Final Budget	2024 Actual
	Final Budget	Actual		
REVENUES				
Other Local and County Revenues				
Investment Earnings	\$ 200,000	\$ 336,392	\$ 136,392	\$ 816,210
EXPENDITURES				
Current				
Sites and Buildings				
Purchased Services	40,000	69,368	29,368	129,014
Debt Service				
Fiscal Agent Fees		122,762	122,762	
Capital Outlay				
Sites and Buildings	<u>8,352,500</u>	<u>6,977,087</u>	<u>(1,375,413)</u>	<u>6,118,157</u>
Total Expenditures	<u>8,392,500</u>	<u>7,169,217</u>	<u>(1,223,283)</u>	<u>6,247,171</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,192,500)	(6,832,825)	1,359,675	(5,430,961)
OTHER FINANCING SOURCES (USES)				
Bonds Issued		8,060,000	8,060,000	
Bond Premium		563,818	563,818	
Total Other Financing Sources (Uses)	<u>0</u>	<u>8,623,818</u>	<u>8,623,818</u>	<u>0</u>
Net Change in Fund Balances	<u>\$ (8,192,500)</u>	1,790,993	<u>\$ 9,983,493</u>	(5,430,961)
FUND BALANCE, BEGINNING OF YEAR		<u>10,279,235</u>		<u>15,710,196</u>
FUND BALANCE, END OF YEAR		<u>\$ 12,070,228</u>		<u>\$ 10,279,235</u>

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF BOND AND INTEREST MATURITIES
JUNE 30, 2025

Fiscal Year Ending	G.O. Facilities Maintenance Bonds, Series 2019A			G.O. School Buildings Bonds, Series 2023A		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 140,000	\$ 28,628	\$ 168,628	\$ 700,000	\$ 710,350	\$ 1,410,350
2027	145,000	26,668	171,668	750,000	675,350	1,425,350
2028	145,000	24,493	169,493	785,000	637,850	1,422,850
2029	145,000	22,173	167,173	695,000	598,600	1,293,600
2030	150,000	19,708	169,708	725,000	563,850	1,288,850
2031	155,000	16,707	171,707	760,000	527,600	1,287,600
2032	155,000	13,608	168,608	800,000	489,600	1,289,600
2033	160,000	10,430	170,430	830,000	457,600	1,287,600
2034	160,000	7,070	167,070	865,000	424,400	1,289,400
2035	165,000	3,628	168,628	900,000	389,800	1,289,800
2036				935,000	353,800	1,288,800
2037				975,000	316,400	1,291,400
2038				1,045,000	277,400	1,322,400
2039				1,090,000	235,600	1,325,600
2040				1,130,000	192,000	1,322,000
2041				1,175,000	146,800	1,321,800
2042				1,225,000	99,800	1,324,800
2043				1,270,000	50,800	1,320,800
	<u>\$ 1,520,000</u>	<u>\$ 173,113</u>	<u>\$ 1,693,113</u>	<u>\$ 16,655,000</u>	<u>\$ 7,147,600</u>	<u>\$ 23,802,600</u>

Interest Rate: 1.17 - 2.20%

4.00 - 5.00%

Payable at: Bond Trust Services Corporation
Roseville, Minnesota

Bond Trust Services Corporation
Roseville, Minnesota

Interest Due Dates: February 1 and August 1

February 1 and August 1

Principal Due Date: February 1

February 1

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF BOND AND INTEREST MATURITIES
JUNE 30, 2025

Fiscal Year Ending	G.O. Facilities Maintenance and Tax Abatement Bonds, Series 2025A		
	Principal	Interest	Total
2026	\$ 1,005,000	\$ 249,636	\$ 1,254,636
2027	925,000	352,750	1,277,750
2028	960,000	306,500	1,266,500
2029	1,195,000	258,500	1,453,500
2030	1,260,000	198,750	1,458,750
2031	1,325,000	135,750	1,460,750
2032	1,390,000	69,500	1,459,500
	<u>\$ 8,060,000</u>	<u>\$ 1,571,386</u>	<u>\$ 9,631,386</u>

Interest Rate: 5.00%

Payable at: Bond Trust Services Corporation
Roseville, Minnesota

Interest Due Dates: February 1 and August 1

Principal Due Date: February 1

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF DEFERRED TAX LEVIES TO PAY BONDS
JUNE 30, 2025

Calendar Year		Fiscal Year Recognized	G.O. Facilities Maintenance Bonds Series 2019A	G.O. School Building Bonds Series 2023A	G.O. Facilities Maintenance and Tax Abatement Bonds Series 2025A	Totals
Levied	Collected					
2024	2025	2026	\$ 177,059	\$ 1,480,868	\$ 1,317,367	\$ 2,975,294
2025	2026	2027	180,250	1,496,618	1,341,638	3,018,506
2026	2027	2028	177,968	1,493,993	1,329,826	3,001,787
2027	2028	2029	175,531	1,358,280	1,526,175	3,059,986
2028	2029	2030	178,193	1,353,293	1,531,687	3,063,173
2029	2030	2031	180,292	1,351,980	1,533,788	3,066,060
2030	2031	2032	177,038	1,354,080	1,532,474	3,063,592
2031	2032	2033	178,952	1,351,980		1,530,932
2032	2033	2034	175,424	1,353,870		1,529,294
2033	2034	2035	177,062	1,354,290		1,531,352
2034	2035	2036		1,353,240		1,353,240
2035	2036	2037		1,355,970		1,355,970
2036	2037	2038		1,388,520		1,388,520
2037	2038	2039		1,391,880		1,391,880
2038	2039	2040		1,388,100		1,388,100
2039	2040	2041		1,387,890		1,387,890
2040	2041	2042		1,391,040		1,391,040
2041	2042	2043		1,386,838		1,386,838
			<u>\$ 1,777,769</u>	<u>\$ 24,992,730</u>	<u>\$ 10,112,955</u>	<u>\$ 36,883,454</u>

REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT #466

UFARS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2025

	Audited	UFARS	Difference		Audited	UFARS	Difference
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 28,417,341	\$ 28,417,337	\$ 4	Total Revenue	\$ 336,392	\$ 336,392	\$
Total Expenditures	28,564,158	28,564,154	4	Total Expenditures	7,169,217	7,169,216	1
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable	52,335	52,335		460 Nonspendable			
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities	32,230	32,230		407 Capital Projects Levy			
402 Scholarships				413 Funded by COP/FP	1,620,424	1,620,424	
403 Staff Development	270,681	270,681		467 LTFM	6,595,704	6,595,704	
407 Capital Projects Levy				<i>Restricted:</i>			
408 Cooperative Programs				464 Restricted	3,854,100	3,854,100	
412 Literacy Incentive Aid	219,957	219,957		<i>Unassigned:</i>			
414 Operating Debt				463 Unassigned			
416 Levy Reduction				07 DEBT SERVICE			
417 Taconite Building Maintenance				Total Revenue	1,625,426	1,625,427	(1)
420 American Indian Ed Aid				Total Expenditures	1,569,498	1,569,498	
424 Operating Capital	779,824	779,824		<i>Nonspendable:</i>			
426 \$25 Taconite				460 Nonspendable			
427 Disabled Accessibility				<i>Restricted/Reserved:</i>			
428 Learning & Development	23,202	23,202		425 Bond Refundings			
434 Area Learning Center	269,195	269,195		433 Max Effort Loan			
435 Contracted Alt. Programs				451 QZAB and QSCB Payments			
436 State Approved Alt. Programs				467 LTFM			
437 Q Comp				<i>Restricted:</i>			
438 Gifted & Talented	66,163	66,163		464 Restricted	387,696	387,696	
439 English Learner				<i>Unassigned:</i>			
440 Teacher Development & Eval				463 Unassigned			
441 Basic Skills Programs	138,133	138,133		08 TRUST			
443 School Library Aid	214	214		Total Revenue			
448 Achievement & Integration				Total Expenditures			
449 Safe Schools Levy	51,843	51,843		401 Student Activities			
451 QZAB and QSCB Payments				402 Scholarships			
452 OPEB Liab Not Held in a Trust				422 Net Assets			
453 Unfned Sev & Retirement Levy				18 CUSTODIAL FUND			
459 Basic Skills Ext Time				Total Revenue	50,450	50,449	1
456 Literacy Aid	80,479	80,479		Total Expenditures	39,730	39,729	1
457 Teacher Comp Read Act	33,085	33,085		401 Student Activities			
467 LTFM	778,386	778,386		402 Scholarships	55,698	55,698	
471 Student Support Personnel				448 Achievement & Integration			
472 Medical Assistance	68,990	68,990		464 Restricted Fund Balance			
<i>Restricted:</i>				20 INTERNAL SERVICE			
464 Restricted				Total Revenue	285,138	285,137	1
475 Title VII - Impact Aid				Total Expenditures	261,153	261,153	
476 Pilt				422 Net Assets	95,456	95,456	
<i>Committed:</i>				25 OPEB REVOCABLE TRUST			
418 Comitted for Separation				Total Revenue			
461 Committed				Total Expenditures			
<i>Assigned:</i>				422 Net Assets			
462 Assigned	204,025	204,025		45 OPEB IRREVOCABLE TRUST			
<i>Unassigned:</i>				Total Revenue			
422 Unassigned	3,829,164	3,829,164		Total Expenditures			
02 FOOD SERVICE				422 Net Assets			
Total Revenue	1,615,038	1,615,038		47 OPEB DEBT SERVICE			
Total Expenditures	1,684,664	1,684,663	1	Total Revenue			
<i>Nonspendable:</i>				Total Expenditures			
460 Nonspendable	11,836	11,836		422 Net Assets			
<i>Restricted/Reserved:</i>				47 OPEB DEBT SERVICE			
452 OPEB Liab Not Held in a Trust				Total Revenue			
<i>Restricted:</i>				Total Expenditures			
464 Restricted	853,340	853,340		<i>Nonspendable:</i>			
<i>Unassigned:</i>				460 Nonspendable Fund Balance			
463 Unassigned				<i>Restricted:</i>			
04 COMMUNITY SERVICE				425 Bond Refunding			
Total Revenue	1,173,767	1,173,764	3	464 Restricted Fund Balance			
Total Expenditures	1,198,356	1,198,355	1				
<i>Nonspendable:</i>							
460 Nonspendable							
<i>Restricted/Reserved:</i>							
426 \$25 Taconite							
431 Community Education	284,447	284,447					
432 E.C.F.E	303,700	303,700					
437 Q Comp							
440 Teacher Development & Eval							
444 School Readiness	92,160	92,160					
447 Adult Basic Education	945	945					
452 OPEB Liab Not Held in a Trust							
456 Literacy Aid							
457 Teacher Comp Read Act							
<i>Restricted:</i>							
464 Restricted	55,852	55,852					
<i>Unassigned:</i>							
463 Unassigned							

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To The Board of Education
Independent School District #466
Cokato, 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 *Governmental 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, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Independent School District #466's basic financial statements, and have issued our report thereon dated October 27, 2025.

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

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.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

October 27, 2025

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

To the Board of Education
Independent School District #466
Cokato, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #466, Cokato, Minnesota, 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 October 27, 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 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 over financial reporting.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as item 2025-001 that we consider to be a significant deficiency.

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Report on Compliance and Other Matters

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

District's Response to Findings

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

Purpose of this Report

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
LITCHFIELD, MINNESOTA

October 27, 2025

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF FINDINGS

JUNE 30, 2025

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FINDING: 2025-001 LIMITED SEGREGATION OF DUTIES

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

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

Cause: The District has assigned duties to staff based on a cost-benefit relationship to the District and the practicality of the level of staffing the District maintains.

Recommendation: The District should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Officials Responsible for Ensuring CAP:

Tina Palmer, Executive Director of Finance and Operations, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

June 30, 2026

Plan to Monitor Completion of CAP:

The Board of Education will monitor the completion of this corrective action plan.

II. FINDINGS RELATED TO MINNESOTA LEGAL COMPLIANCE

None

INDEPENDENT SCHOOL DISTRICT #466

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2025

<u>Finding Reference</u>	<u>Finding Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
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Financial Statement Findings:

2024-001	Limited Segregation of Duties	Not Corrected	2018	See current year finding 2025-001
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Minnesota Legal Compliance Findings:

None