

ANNUAL FINANCIAL REPORT

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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New Richland, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

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Independent School District No. 2168
New Richland, Minnesota
School District Officials
For the Year Ended June 30, 2025

Board of Education

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Rick Schultz	12/31/2026	Chairman
Loren Schoenrock	12/31/2028	Vice-Chairman
Terri Engel	12/31/2028	Clerk
Pat Theuer	12/31/2026	Treasurer
Amy Ihrke	12/31/2026	Member
Kelly Delacruz	12/31/2028	Member
Aaron Phillips	12/31/2026	Member

Administration

Michael Meihak	Superintendent
Karla Christopherson	Business Manager

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2168, New Richland, Minnesota, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Change in Accounting Principle

As described in Note 8 to the financial statements, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 101, Compensated Absences, for the year ended June 30, 2025. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions and Related Ratios starting on page 68 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 School's basic financial statements. The accompanying combining and individual fund financial statements, schedules, table, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, schedules and table are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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Mankato, Minnesota
November 7, 2025



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Management's Discussion and Analysis

As management of the Independent School District No. 2168, New Richland, Minnesota (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

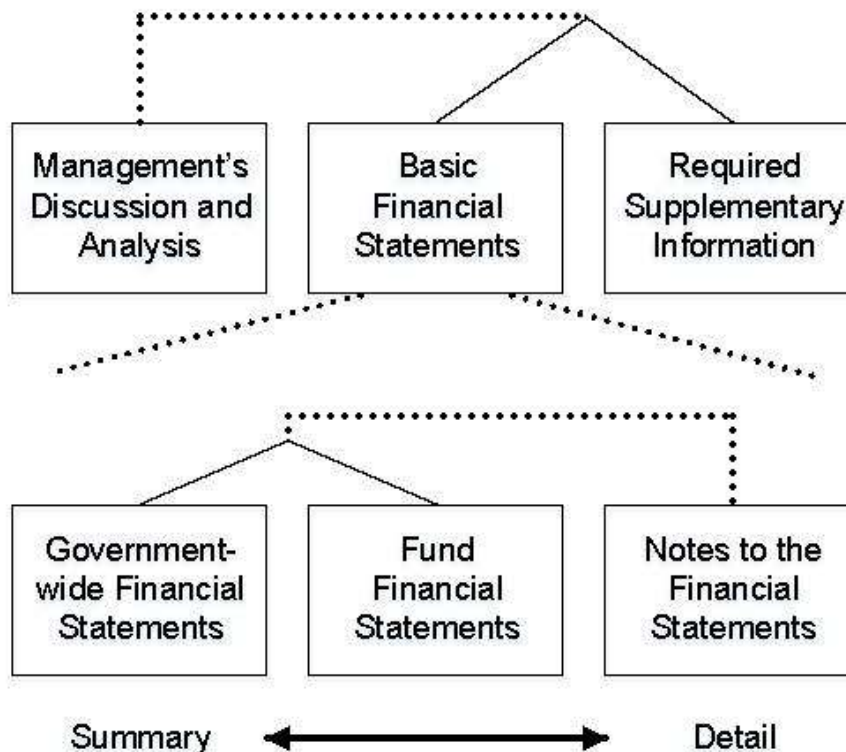
Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages.
- The District's total net position increased as shown in the summary of changes in net position table on the following pages. The main cause of the increase in the current year is an increase in operating grants and contributions revenue and an increase in charges for service, as well as a decrease in interest and fiscal charges on long-term debt .
- As of the close of the current fiscal year, the District's governmental fund balances are shown in the Financial Analysis of the District's MD&A. The total fund balance decreased in comparison with the prior year. The main reason for the decrease is due to increased construction costs. Unassigned fund balance represents amounts that are available for spending at the District's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General fund increased from prior year as noted on the following pages.
- The District's total debt decreased during the fiscal year. The decrease was a result of scheduled debt service payments as shown on the outstanding debt table.

Overview of the Financial Statements

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

Organization of Independent School District No. 2168 Annual Financial Report



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

Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenues, expenditures, and changes in fund balance	- Statement of fiduciary net position - Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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

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

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

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

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

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

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

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

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

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

The District adopts an annual appropriated budget for its General, Food Service and Community Service funds. Budgetary comparison statements has been provided for these funds to demonstrate compliance with this budget.

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

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

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

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

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension to its employees. Required supplementary information can be found starting on page 68 of this report.

Supplemental Information. The combining and individual fund financial statements, schedules, and tables, referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules and table can be found starting on page 76 of this report.

District-wide Financial Analysis

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

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

Independent School District No. 2168's Net Position

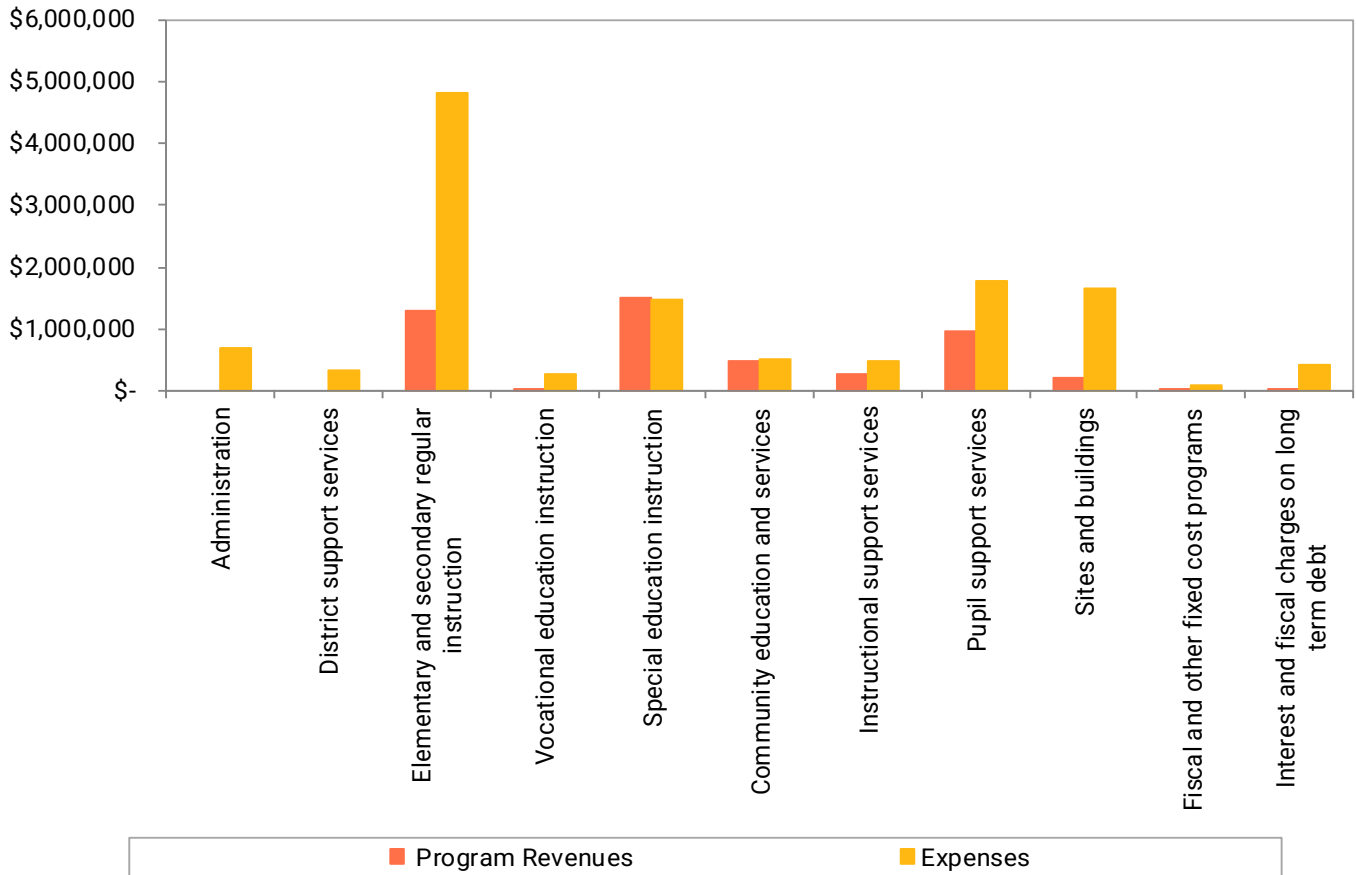
	Governmental Activities		Increase (Decrease)	
	2025	2024	Amount	Percent
Current and Other Assets	\$ 7,921,669	\$ 11,110,787	\$ (3,189,118)	(28.7) %
Capital Assets	24,683,020	20,930,205	3,752,815	17.9
Total Assets	<u>32,604,689</u>	<u>32,040,992</u>	<u>563,697</u>	1.8
Deferred Outflows of Resources	<u>1,457,625</u>	<u>1,751,215</u>	<u>(293,590)</u>	(16.8)
Long-term Liabilities Outstanding	18,724,848	21,395,635	(2,670,787)	(12.5)
Other Liabilities	549,498	473,246	76,252	16.1
Total Liabilities	<u>19,274,346</u>	<u>21,868,881</u>	<u>(2,594,535)</u>	(11.9)
Deferred Inflows of Resources	<u>3,873,133</u>	<u>2,816,299</u>	<u>1,056,834</u>	37.5
Net Position				
Net investment in capital assets	11,531,648	10,956,998	574,650	5.2
Restricted	689,730	425,362	264,368	62.2
Unrestricted	<u>(1,306,543)</u>	<u>(2,275,333)</u>	<u>968,790</u>	(42.6)
Total Net Position	<u>\$ 10,914,835</u>	<u>\$ 9,107,027</u>	<u>\$ 1,807,808</u>	19.9 %

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

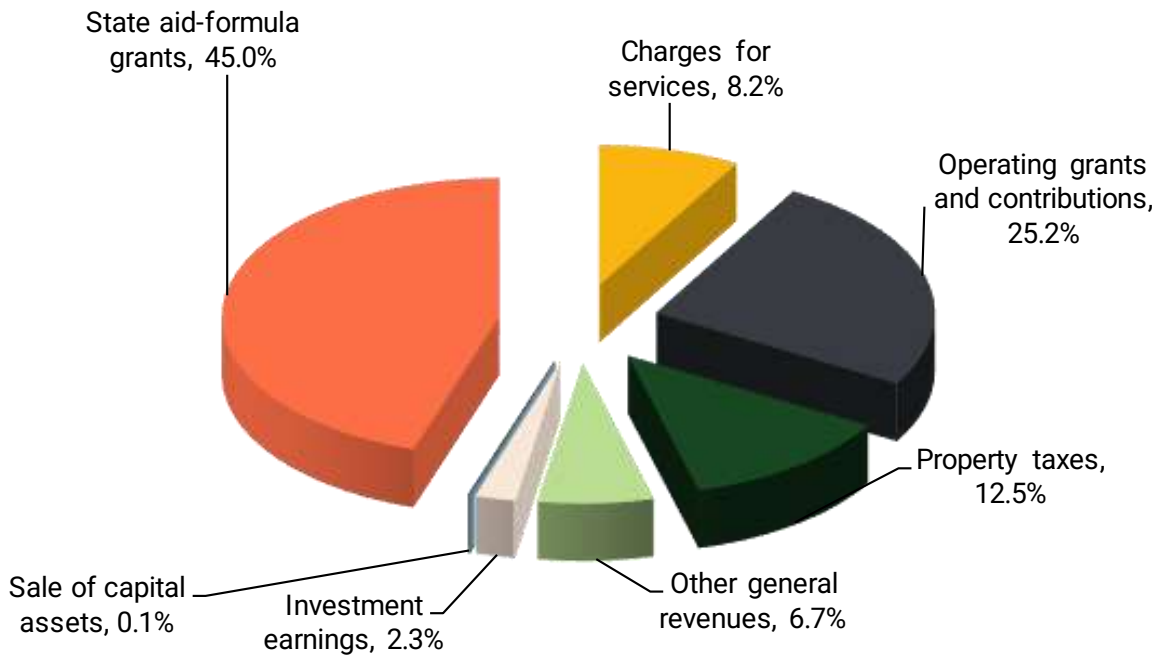
Independent School District No. 2168’s Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2025	2024	Amounts	Percent
Revenues				
Program revenues				
Charges for services	\$ 1,186,324	\$ 1,029,774	\$ 156,550	15.2 %
Operating grants and contributions	3,624,552	2,717,163	907,389	33.4
General revenues				
Property taxes	1,799,474	2,436,756	(637,282)	(26.2)
State aid-formula grants and other contributions	6,484,117	7,161,697	(677,580)	(9.5)
Other general revenues	969,328	225,054	744,274	330.7
Investment earnings	338,601	379,957	(41,356)	(10.9)
Gain on sale of capital assets	6,162	7,847	(1,685)	(21.5)
Total Revenues	<u>14,408,558</u>	<u>13,958,248</u>	<u>450,310</u>	3.2
Expenses				
Administration	701,133	590,518	110,615	18.7
District support services	336,728	319,825	16,903	5.3
Elementary and secondary regular instruction	4,829,838	4,093,250	736,588	18.0
Vocational education instruction	276,566	200,911	75,655	37.7
Special education instruction	1,481,227	1,493,087	(11,860)	(0.8)
Community education and services	506,663	478,763	27,900	5.8
Instructional support services	493,322	468,320	25,002	5.3
Pupil support services	1,785,035	1,759,875	25,160	1.4
Sites and buildings	1,670,575	1,675,777	(5,202)	(0.3)
Fiscal and other fixed cost programs	92,177	79,408	12,769	16.1
Interest and fiscal charges on long-term debt	427,486	463,235	(35,749)	(7.7)
Total Expenses	<u>12,600,750</u>	<u>11,622,969</u>	<u>977,781</u>	8.4
Change in Net Position	1,807,808	2,335,279	(527,471)	(22.6)
Net Position, July 1	<u>9,107,027</u>	<u>6,771,748</u>	<u>2,335,279</u>	34.5
Net Position, June 30	<u>\$ 10,914,835</u>	<u>\$ 9,107,027</u>	<u>\$ 1,807,808</u>	19.9 %

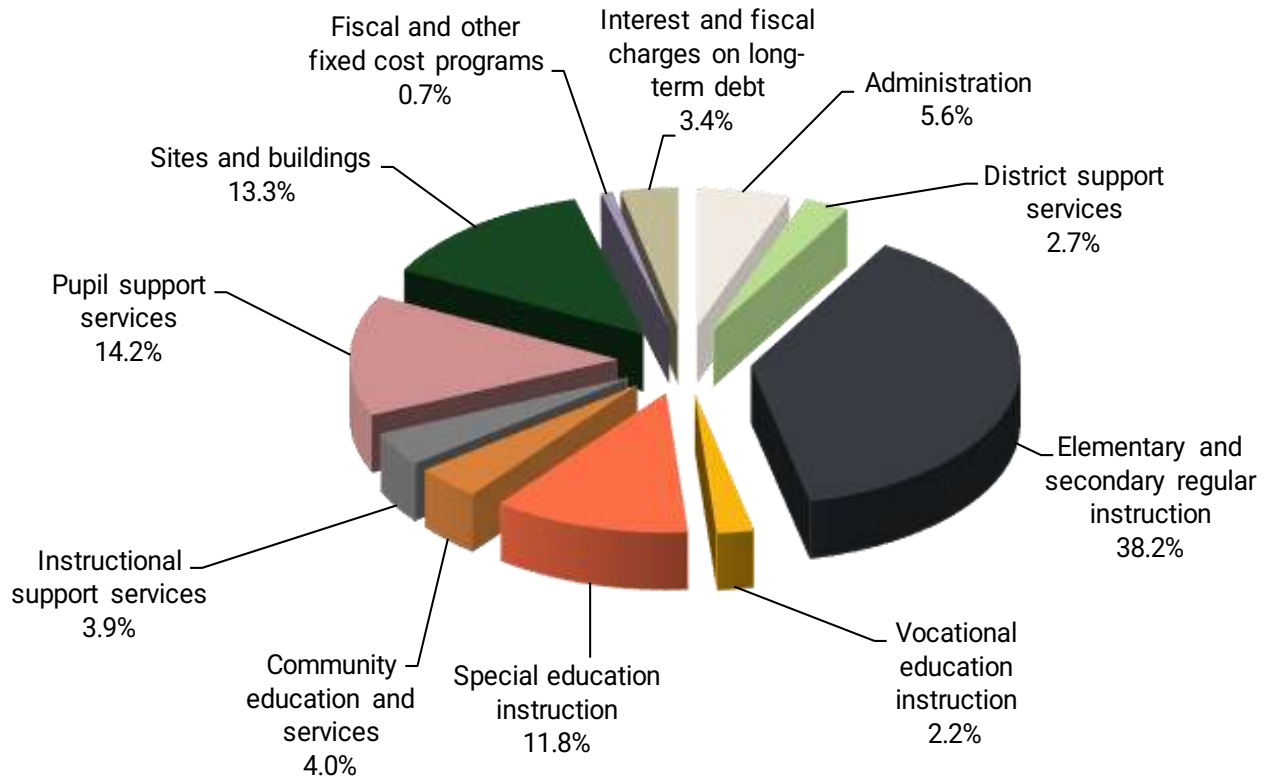
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

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

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

	General	Debt Service	Building Construction	Other Governmental Funds	Total	Prior Year Total	Increase (Decrease)
Fund Balances							
Nonspendable	\$ 30,000	\$ -	\$ -	\$ 11,963	\$ 41,963	\$ 53,208	\$ (11,245)
Restricted	275,683	187,348	151,654	397,362	1,012,047	4,596,063	(3,584,016)
Unassigned	4,123,408	-	-	-	4,123,408	3,949,265	174,143
Total	<u>\$ 4,429,091</u>	<u>\$ 187,348</u>	<u>\$ 151,654</u>	<u>\$ 409,325</u>	<u>\$ 5,177,418</u>	<u>\$ 8,598,536</u>	<u>\$ (3,421,118)</u>

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances shown above. Additional information on the District's fund balances can be found in Note 1 starting on page 41 of this report.

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

	Current Year Ending Balance	Prior Year Ending Balance	Increase (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 30,000	\$ 40,000	\$ (10,000)
Restricted	275,683	173,193	102,490
Unassigned	4,123,408	3,949,265	174,143
Total	<u>\$ 4,429,091</u>	<u>\$ 4,162,458</u>	<u>\$ 266,633</u>
General Fund Expenditures	\$ 11,201,706	\$ 10,413,189	
Unassigned as a Percent of Expenditures	36.8%	37.9%	
Total Fund Balance as a Percent of Expenditures	39.5%	40.0%	

The fund balance of the District's General fund increased during the current fiscal year as shown in the table above. The increase is mainly due to increased state revenue related to General education funding.

Other major governmental fund analysis is shown below:

	June 30, 2025	June 30, 2024	Increase (Decrease)
Debt Service fund	\$ 187,348	\$ 122,203	\$ 65,145
<i>The Debt Service fund increase in fund balance during the year was due to local property taxes levies and revenue from state sources exceeding scheduled debt payments.</i>			
Building Construction Fund	\$ 151,654	\$ 4,063,513	\$ (3,911,859)
<i>The Building Construction fund decrease in fund balance was due to building construction costs incurred and the spend down of prior year bond proceeds during the year.</i>			

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 10,476,691	\$ 390,342	\$ 10,867,033	\$ 11,278,158	\$ 411,125
Expenditures	10,821,210	173,376	10,994,586	11,201,706	(207,120)
Excess of Revenues Over Expenditures	<u>(344,519)</u>	<u>216,966</u>	<u>(127,553)</u>	<u>76,452</u>	<u>204,005</u>
Other Financing Sources (Uses)					
Debt issued	-	-	-	190,943	190,943
Insurance recovery	-	91,000	91,000	8,076	(82,924)
Sale of capital assets	-	6,200	6,200	6,162	(38)
Transfers out	-	(15,000)	(15,000)	(15,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>82,200</u>	<u>82,200</u>	<u>190,181</u>	<u>107,981</u>
Net Change in Fund Balances	(344,519)	299,166	(45,353)	266,633	311,986
Fund Balances, July 1	<u>4,162,458</u>	<u>-</u>	<u>4,162,458</u>	<u>4,162,458</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 3,817,939</u>	<u>\$ 299,166</u>	<u>\$ 4,117,105</u>	<u>\$ 4,429,091</u>	<u>\$ 311,986</u>

The District's General fund budget was amended during the year as shown above. The budget amendment increased revenues relating to revenue from federal sources due to funding expected relating to School Violence Prevention Program grant. Expenditures increased in Elementary and secondary regular instruction due to increased salary costs and in sites and buildings related to maintenance costs. Actual revenues were over final budgeted amounts due to state grants related to general education aid while expenditures were under, due to expenditures related to sites and buildings purchased services coming in less than expected.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2025, is shown in the chart below (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment.

Independent School District No. 2168's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2025	2024	Increase (Decrease)
Land	\$ 263,308	\$ 263,308	\$ -
Land Improvements	623,225	680,269	(57,044)
Buildings	22,276,529	17,423,874	4,852,655
Equipment	1,500,658	1,217,535	283,123
Construction in Progress	19,300	1,345,219	(1,325,919)
Total	<u>\$ 24,683,020</u>	<u>\$ 20,930,205</u>	<u>\$ 3,752,815</u>
Percent Increase/(Decrease)			17.9%

Additional information on the District's capital assets can be found in Note 3C on page 51 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total general obligation bonds and financed purchase arrangements outstanding as shown in the chart below. Most of this amount is to finance capital projects relating to school buildings.

Independent School District No. 2168's Outstanding Debt

	Governmental Activities		
	2025	2024	Increase (Decrease)
General Obligation Bonds	\$ 12,344,000	\$ 13,141,000	\$ (797,000)
Financed Purchase Arrangements	159,562	40,124	119,438
Total	<u>\$ 12,503,562</u>	<u>\$ 13,181,124</u>	<u>\$ (677,562)</u>
Percent Increase/(Decrease)			-5.1%

The decrease in the District's total debt as shown in the chart above was due to scheduled debt service payments.

Additional information on the District's long-term debt can be found in Note 3E on page 52 of this report.

Factors Bearing on the District's Future

Enrollment is an area of concern weighing on the District's financial future. Since Minnesota school districts are paid on pupil units served, any decline in enrollment results in less revenue. The District's student enrollment, which determines the pupil units for the purpose of funding, had been on a slight, but manageable decline in recent years but as we navigated through a worldwide pandemic, we saw a larger than expected drop in enrollment. We were sensitive to the choices families were making during those unprecedented times but now have started working extremely hard to contact families and offer new online learning options in the hopes of attracting our resident students back to our district.

The NRHEG School Board had asked voters for local financial support through an operating levy request on the November 3, 2020 ballot. That ask was soundly defeated and while the operating levy request was in response to a number of financial pressures that were resulting in expenses exceeding revenue, challenging the school district's ability to maintain the quality education students deserve and the community expects, we were able to refocus in the short term as much needed federal aid was received following that vote.

The COVID relief aid has now come to an end but with the largest education funding package from state legislators in the last 15 years, we have been given dollars needed to help navigate the drop in student enrollment. While we believe state funding has not kept pace with inflation over the years and additional unfunded mandates have been put in place, we appreciate the efforts made in the 2023 session and will work hard to use the dollars to continue to follow our strategic plan, with the number one goal focused on student achievement.

In the fall of 2022, the school board approved the sale of General Obligation School Building Bonds, at which point work began on a facility project which was mostly completed in the summer of 2024. Funding came from a long term facility maintenance and indoor air quality bond, along with a tax abatement bond for work done on both school parking lots. The board authorized much needed improvements to flooring, doors, air handling units, just to name a few. With changes made in the 2025 legislative session to the long term facility maintenance funding, the district plans to begin work on roof repair and replacement in the near future.

Labor costs account for over 80% of the District expenses. As cost of benefits continue to rise, it becomes more important during the negotiations of labor contracts that the District be cognizant to this potential unknown long-term liability. The District must continue to follow enrollment trends and maintain a responsible balance between staffing and student enrollment.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 2168, 306 Ash Ave, New Richland, Minnesota 56072.

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DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2168

New Richland, Minnesota

Statement of Net Position

June 30, 2025

	Governmental Activities
Assets	
Cash and temporary investments	\$ 5,231,636
Receivables	
Taxes	1,553,659
Accounts and interest	45,871
Due from other school districts	10,456
Intergovernmental	1,038,084
Inventories	11,963
Prepaid items	30,000
Capital assets not being depreciated	282,608
Capital assets net of accumulated depreciation	24,400,412
Total Assets	<u>32,604,689</u>
Deferred Outflows of Resources	
Deferred pension resources	<u>1,457,625</u>
Liabilities	
Salaries and wages payable	31,807
Accounts and other payables	86,483
Accrued interest payable	190,136
Due to other school districts	45,330
Due to other governments	24,449
Accrued expenses	125,800
Unearned revenue	45,493
Noncurrent liabilities	
Due within one year	
Long-term liabilities	904,498
Due in more than one year	
Long-term liabilities	12,538,933
Net pension liability	5,281,417
Total Liabilities	<u>19,274,346</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	2,366,905
Deferred pension resources	1,506,228
Total Deferred Inflows of Resources	<u>3,873,133</u>
Net Position	
Net investment in capital assets	11,531,648
Restricted	
Educational purposes	474,038
Food service	213,483
Debt service	2,209
Unrestricted	<u>(1,306,543)</u>
Total Net Position	<u>\$ 10,914,835</u>

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

Independent School District No. 2168
New Richland, Minnesota
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 701,133	\$ -	\$ -	\$ -	\$ (701,133)
District support services	336,728	-	-	-	(336,728)
Elementary and secondary regular instruction	4,829,838	171,996	1,119,951	-	(3,537,891)
Vocational education instruction	276,566	1,169	46,825	-	(228,572)
Special education instruction	1,481,227	170,213	1,332,311	-	21,297
Community education and services	506,663	356,628	115,314	-	(34,721)
Instructional support services	493,322	12,751	272,640	-	(207,931)
Pupil support services	1,785,035	371,421	599,606	-	(814,008)
Sites and buildings	1,670,575	91,052	113,625	-	(1,465,898)
Fiscal and other fixed cost programs	92,177	11,094	-	-	(81,083)
Interest and fiscal charges on long term debt	427,486	-	24,280	-	(403,206)
Total Governmental Activities	<u>\$ 12,600,750</u>	<u>\$ 1,186,324</u>	<u>\$ 3,624,552</u>	<u>\$ -</u>	<u>(7,789,874)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					973,171
Property taxes, levied for community service					126,604
Property taxes, levied for debt service					699,699
State aid-formula grants and other contributions					6,484,117
Other general revenues					969,328
Investment earnings					338,601
Gain on sale of capital assets					6,162
Total General Revenues					<u>9,597,682</u>
Change in Net Position					1,807,808
Net Position, July 1					<u>9,107,027</u>
Net Position, June 30					<u>\$ 10,914,835</u>

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

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2168

New Richland, Minnesota

Balance Sheet

Governmental Funds

June 30, 2025

	General	Debt Service	Building Construction	Other Governmental Funds	Total
Assets					
Cash and temporary investments	\$ 4,116,844	\$ 499,498	\$ 151,654	\$ 463,640	\$ 5,231,636
Receivables					
Taxes					
Current	508,589	958,412	-	68,674	1,535,675
Delinquent	10,474	4,997	-	2,513	17,984
Accounts and interest	16,536	-	-	29,335	45,871
Due from other school districts	10,456	-	-	-	10,456
Intergovernmental	966,635	66,143	-	5,306	1,038,084
Inventories	-	-	-	11,963	11,963
Prepaid items	30,000	-	-	-	30,000
Total Assets	<u><u>\$ 5,659,534</u></u>	<u><u>\$ 1,529,050</u></u>	<u><u>\$ 151,654</u></u>	<u><u>\$ 581,431</u></u>	<u><u>\$ 7,921,669</u></u>
Liabilities					
Salaries and wages payable	\$ 16,650	\$ -	\$ -	\$ 15,157	\$ 31,807
Accounts and other payables	85,975	-	-	508	86,483
Due to other school districts	45,330	-	-	-	45,330
Due to other governments	24,449	-	-	-	24,449
Accrued expenses	125,800	-	-	-	125,800
Unearned revenue	27,859	-	-	17,634	45,493
Total Liabilities	<u><u>326,063</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>33,299</u></u>	<u><u>359,362</u></u>
Deferred Inflows of Resources					
Property taxes levied for subsequent year	893,906	1,336,705	-	136,294	2,366,905
Unavailable revenue					
Delinquent property taxes	10,474	4,997	-	2,513	17,984
Total Deferred Inflows of Resources	<u><u>904,380</u></u>	<u><u>1,341,702</u></u>	<u><u>-</u></u>	<u><u>138,807</u></u>	<u><u>2,384,889</u></u>
Fund Balances					
Nonspendable	30,000	-	-	11,963	41,963
Restricted	275,683	187,348	151,654	397,362	1,012,047
Unassigned	4,123,408	-	-	-	4,123,408
Total Fund Balances	<u><u>4,429,091</u></u>	<u><u>187,348</u></u>	<u><u>151,654</u></u>	<u><u>409,325</u></u>	<u><u>5,177,418</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 5,659,534</u></u>	<u><u>\$ 1,529,050</u></u>	<u><u>\$ 151,654</u></u>	<u><u>\$ 581,431</u></u>	<u><u>\$ 7,921,669</u></u>

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

Independent School District No. 2168

New Richland, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2025

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

Total Fund Balances - Governmental Funds	\$ 5,177,418
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	24,683,020
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Bonds payable	(12,344,000)
Compensated absences payable	(140,405)
Financed purchase arrangements	(159,562)
Unamortized premiums	(799,464)
Net pension liability	(5,281,417)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	17,984
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,457,625
Deferred inflows of pension resources	(1,506,228)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(190,136)</u>
Total Net Position - Governmental Activities	<u><u>\$ 10,914,835</u></u>

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

Independent School District No. 2168
New Richland, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Debt Service	Building Construction	Other Governmental Funds	Total
Revenues					
Local property tax levies	\$ 969,834	\$ 698,910	\$ -	\$ 125,898	\$ 1,794,642
Other local and county revenue	693,686	-	-	402,420	1,096,106
Interest earned on investments	154,223	3,034	172,191	9,153	338,601
Revenue from state sources	8,833,573	656,032	-	440,261	9,929,866
Revenue from federal sources	551,255	-	-	400,851	952,106
Sales and other conversion of assets	75,587	-	-	88,599	164,186
Total Revenues	11,278,158	1,357,976	172,191	1,467,182	14,275,507
Expenditures					
Current					
Administration	713,375	-	-	-	713,375
District support services	344,855	-	-	-	344,855
Elementary and secondary regular instruction	4,976,570	-	-	-	4,976,570
Vocational education instruction	284,609	-	-	-	284,609
Special education instruction	1,653,023	-	-	-	1,653,023
Community education and services	3,076	-	-	519,175	522,251
Instructional support services	536,339	-	-	-	536,339
Pupil support services	961,992	-	-	796,622	1,758,614
Sites and buildings	951,104	-	-	-	951,104
Fiscal and other fixed cost programs	92,177	-	-	-	92,177
Capital outlay	610,288	-	4,167,026	7,422	4,784,736
Debt service					
Principal	71,505	797,000	-	-	868,505
Interest and other charges	2,793	495,831	-	-	498,624
Total Expenditures	11,201,706	1,292,831	4,167,026	1,323,219	17,984,782
Excess (Deficiency) of Revenues Over (Under) Expenditures	76,452	65,145	(3,994,835)	143,963	(3,709,275)
Other Financing Sources (Uses)					
Debt issued	190,943	-	-	-	190,943
Insurance recovery	8,076	-	82,976	-	91,052
Sale of capital assets	6,162	-	-	-	6,162
Transfers in	-	-	-	15,000	15,000
Transfers out	(15,000)	-	-	-	(15,000)
Total Other Financing Sources (Uses)	190,181	-	82,976	15,000	288,157
Net Change in Fund Balances	266,633	65,145	(3,911,859)	158,963	(3,421,118)
Fund Balances, July 1	4,162,458	122,203	4,063,513	250,362	8,598,536
Fund Balances, June 30	\$ 4,429,091	\$ 187,348	\$ 151,654	\$ 409,325	\$ 5,177,418

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

Independent School District No. 2168
New Richland, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2025

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

Total Net Change in Fund Balances - Governmental Funds	\$ (3,421,118)
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Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	4,742,966
Depreciation expense	(990,151)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Issuance of long-term debt	(190,943)
Principal repayments	868,505
Amortization of bond premiums	56,132

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.

15,006

Long-term pension activity is not reported in governmental funds.

Pension expense	305,726
Direct aid contributions	31,005

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.

4,832

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences costs	(37,182)
Other postemployment benefits costs	423,030

Change in Net Position - Governmental Activities	<u><u>\$ 1,807,808</u></u>
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Independent School District No. 2168
New Richland, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	\$ 980,192	\$ 974,420	\$ 969,834	\$ (4,586)
Other local and county revenue	502,376	619,049	693,686	74,637
Interest earned on investments	150,000	160,000	154,223	(5,777)
Revenue from state sources	8,455,073	8,467,402	8,833,573	366,171
Revenue from federal sources	335,550	569,162	551,255	(17,907)
Sales and other conversion of assets	53,500	77,000	75,587	(1,413)
Total Revenues	10,476,691	10,867,033	11,278,158	411,125
Expenditures				
Current				
Administration	709,258	712,046	713,375	(1,329)
District support services	360,778	357,872	344,855	13,017
Elementary and secondary regular instruction	4,709,277	4,813,513	4,976,570	(163,057)
Vocational education instruction	280,795	282,879	284,609	(1,730)
Special education instruction	1,727,086	1,716,822	1,653,023	63,799
Community education and services	2,820	3,076	3,076	-
Instructional support services	377,449	416,869	536,339	(119,470)
Pupil support services	1,006,345	958,744	961,992	(3,248)
Sites and buildings	1,128,227	1,134,920	951,104	183,816
Fiscal and other fixed cost programs	90,400	92,177	92,177	-
Capital outlay				
Administration	1,000	1,000	425	575
District support services	1,450	1,450	854	596
Elementary and secondary regular instruction	172,225	78,620	147,998	(69,378)
Vocational education instruction	2,000	35,700	35,680	20
Special education instruction	-	2,600	1,562	1,038
Instructional support services	10,000	10,000	6,385	3,615
Pupil support services	1,800	-	111,498	(111,498)
Sites and buildings	176,000	302,000	305,886	(3,886)
Debt service				
Principal	56,000	71,505	71,505	-
Interest and other charges	8,300	2,793	2,793	-
Total Expenditures	10,821,210	10,994,586	11,201,706	(207,120)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(344,519)	(127,553)	76,452	204,005
Other Financing Sources (Uses)				
Debt issued	-	-	190,943	190,943
Insurance recovery	-	91,000	8,076	(82,924)
Sale of capital assets	-	6,200	6,162	(38)
Transfers out	(15,000)	(15,000)	(15,000)	-
Total Other Financing Sources (Uses)	(15,000)	82,200	190,181	107,981
Net Change in Fund Balances	(359,519)	(45,353)	266,633	311,986
Fund Balances, July 1	4,162,458	4,162,458	4,162,458	-
Fund Balances, June 30	\$ 3,802,939	\$ 4,117,105	\$ 4,429,091	\$ 311,986

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

Independent School District No. 2168
New Richland, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Private Purpose Trust
Assets	
Cash and temporary investments	\$ 114,470
Interest receivable	<u>1,909</u>
Total Assets	<u><u>\$ 116,379</u></u>
Net Position	
Held in Trust for Scholarships	<u><u>\$ 116,379</u></u>

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

Independent School District No. 2168
New Richland, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Private Purpose Trust
Revenues	
Interest earned on investments	\$ 3,828
Expenditures	
Other expenditures	<u>1,000</u>
Change in Net Position	2,828
Net Position, July 1	<u>113,551</u>
Net Position, June 30	<u><u>\$ 116,379</u></u>

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2168, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

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

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

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

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

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

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Description of Funds

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

Major Governmental Funds

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

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

The *Building Construction capital project fund* accounts for capital costs related to building construction.

Non-Major Governmental Funds

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

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

Fiduciary Funds

The *Private-Purpose Trust fund* is used to account for resources legally held in trust by agreements where the School Board has accepted the responsibility to serve as trustee.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

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

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

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

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

Current property taxes receivable is the uncollected portion of the taxes levied in 2024 and collectible in 2025. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

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

Inventories And Prepaid Items

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

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

Assets	Years
Buildings	50
Plumbing and electrical	30
Building improvements interior, portable classroom, and fire system	25
Heating and ventilation system, long-term admin software, furniture and fixtures, outdoor equipment, roofing, and site improvements	20
Custodial equipment, grounds equipment, kitchen equipment, and machinery and tools	15
All other equipment, short-term admin software and long-term instructional software	10
Vehicles and buses	8
Carpet replacement	7
Computer hardware, copiers, short-term instructional software, and library books	5

Deferred Outflows of Resources

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

Compensated Absences

Vacation Pay - Vacations taken or estimated to be taken within 60 days after year end are expensed and included in salaries payable as of June 30. Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no long-term portion of vacation liabilities is recorded in the financial statements.

Sick Pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment. An estimated amount of sick leave is accrued as a liability based on an estimate derived from historical data using the last in first out (LIFO) method.

Severance Pay - The District maintains a severance pay plan for its staff. The plan contains benefit formulas based on years of service and minimum age requirements. If severance benefits are paid within the first 60 days after year end, an accrual is made in the governmental fund incurring the liability. Otherwise, vested severance pay, if any, is recorded in the statement of net position and severance pay expenses are recognized when earned. As of June 30, 2025, the District has a severance liability of \$140,405 of which \$14,472 is considered current.

Long-term Obligations

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

Pensions

Teachers Retirement Association (TRA)

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in in Note 4.

Public Employees Retirement Association (PERA)

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

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

	Public Employees Retirement Association of Minnesota (PERA)	Teacher's Retirement Association (TRA)	Total All Plans
School's proportionate share	\$ 106,274	\$ 287,128	\$ 393,402
Proportionate share of State's contribution	604	18,772	19,376
Total pension expense	<u>\$ 106,878</u>	<u>\$ 305,900</u>	<u>\$ 412,778</u>

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Furthermore, the District has an additional item which qualify for reporting in this category on the statement of net position. The item, deferred pension resources, is reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

Fund Balance

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

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

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

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

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

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

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

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of 22% to 28% of the general fund annual operating budget.

Net Position

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

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

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

The District amended the originally adopted budget for the General fund in the current year to account for increased revenues relating to revenue from federal sources due to funding expected relating to School Violence Prevention Program grant. Expenditures increased in Elementary and secondary regular instruction due to increased salary costs and in sites and buildings related to maintenance costs. Actual revenues were over final budgeted amounts due to state grants related to general education aid while expenditures were under, due to expenditures related to sites and buildings purchased services coming in less than expected.

B. Excess of Actual Expenditures Over Appropriations

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

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General	\$ 10,994,586	\$ 11,201,706	\$ 207,120
Community Service	469,114	526,597	57,483

The excess expenditures were funded by revenues in excess of budget.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the District's carrying amount of deposits was \$797,426 and the bank balance was \$1,268,640. Of the bank balance, \$500,000 was covered by federal depository insurance and the remaining balance was covered by bonds or collateral held by the District's agent in the District's name.

Investments

The investments of the District are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the District's investments to the list on page 41 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled Investments at Amortized Costs			
Financial Investors Trust - U.S.			
Treasury Money Market Fund	NA	less than six months	<u>\$ 4,548,680</u>

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

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

N/A Indicates not applicable or available.

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

Deposits	\$ 797,426
Investments	<u>4,548,680</u>
Total	<u>5,346,106</u>
Less Fiduciary Fund Cash and Temporary Investments	<u>(114,470)</u>
Cash and Temporary Investments	<u>\$ 5,231,636</u>

B. Property Taxes

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

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

Taxes receivable is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	\$ 508,589	\$ 958,412	\$ 68,674	\$ 1,535,675
Delinquent Taxes	<u>10,474</u>	<u>4,997</u>	<u>2,513</u>	<u>17,984</u>
Total Taxes Receivable	<u>\$ 519,063</u>	<u>\$ 963,409</u>	<u>\$ 71,187</u>	<u>\$ 1,553,659</u>
Property Taxes Levied for Subsequent Year	<u>\$ 893,906</u>	<u>\$ 1,336,705</u>	<u>\$ 136,294</u>	<u>\$ 2,366,905</u>

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 263,308	\$ -	\$ -	\$ 263,308
Construction In Progress	1,345,219	4,119,424	(5,445,343)	19,300
Total Capital Assets not Being Depreciated	<u>1,608,527</u>	<u>4,119,424</u>	<u>(5,445,343)</u>	<u>282,608</u>
Capital Assets Being Depreciated				
Land Improvements	1,634,222	-	-	1,634,222
Buildings	29,038,640	5,492,945	-	34,531,585
Equipment	7,853,777	575,940	(77,935)	8,351,782
Total Capital Assets Being Depreciated	<u>38,526,639</u>	<u>6,068,885</u>	<u>(77,935)</u>	<u>44,517,589</u>
Less Accumulated Depreciation				
Land Improvements	(953,953)	(57,044)	-	(1,010,997)
Buildings	(11,614,766)	(640,290)	-	(12,255,056)
Equipment	(6,636,242)	(292,817)	77,935	(6,851,124)
Total Accumulated Depreciation	<u>(19,204,961)</u>	<u>(990,151)</u>	<u>77,935</u>	<u>(20,117,177)</u>
Total Capital Assets Being Depreciated, Net	<u>19,321,678</u>	<u>5,078,734</u>	<u>-</u>	<u>24,400,412</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 20,930,205</u>	<u>\$ 9,198,158</u>	<u>\$ (5,445,343)</u>	<u>\$ 24,683,020</u>

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 375
District Support Services	107
Elementary And Secondary Regular Instruction	132,688
Vocational Education Instruction	2,799
Community Education	5,145
Instructional Support Services	4,977
Pupil Support Services	70,623
Sites and Buildings	755,783
Special Education Instruction	<u>17,654</u>
Total Depreciation Expense	<u>\$ 990,151</u>

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

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

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Bus Garage Roof	<u>\$ 19,300</u>	<u>\$ 18,100</u>

D. Interfund Receivables, Payables and Transfers

Transfers

During the year ended June 30, 2025, the District made the following transfer:

- \$15,000 from the General Fund to the Community Service Fund for preschool support.

E. Long-term Liabilities

Finance Purchased Arrangements

The District has entered into multiple finance purchase arrangements. The details are as follows:

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Due Within One Year</u>	<u>Balance at Year End</u>
Bus 32 and 34	\$ 80,000	5.65 %	11/20/22	12/20/25	\$ 20,612	\$ 20,612
230 Apple 10.9-Inch Ipads	79,445	7.98	07/15/24	07/15/27	17,635	57,240
Bus 36 and 38	111,498	5.55	08/15/24	09/15/27	25,779	81,710
					<u>\$ 64,026</u>	<u>\$ 159,562</u>

The annual requirement to amortize all finance purchase arrangements at June 30, 2025 are as follows:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2026	\$ 64,026	\$ 10,273	\$ 74,299
2027	46,252	6,266	52,518
2028	49,284	3,235	52,519
Total	<u>\$ 159,562</u>	<u>\$ 19,774</u>	<u>\$ 179,336</u>

General Obligation Bonds

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

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

Description	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
G.O. School Building Bonds, Series 2019A	\$ 8,575,000	2.98 - 5.00 %	08/14/19	02/01/40	\$ 395,000	\$ 7,700,000
G.O. Capital Facilities Refunding Bonds, Series 2021A	611,000	0.59	06/08/21	02/01/28	86,000	264,000
G.O. Facilities Maintenance and Tax Abatement Bonds, Series 2022	4,985,000	4.00 - 5.00	11/10/22	02/01/38	345,000	4,380,000
Total					<u>\$ 826,000</u>	<u>\$ 12,344,000</u>

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

Year Ending June 30,	Principal Payments	Interest Payments	Total
2026	\$ 826,000	\$ 456,328	\$ 1,282,328
2027	875,000	418,820	1,293,820
2028	913,000	379,039	1,292,039
2029	860,000	337,270	1,197,270
2030	900,000	303,370	1,203,370
2031 - 2035	4,360,000	997,000	5,357,000
2036 - 2040	3,610,000	323,700	3,933,700
Total	<u>\$ 12,344,000</u>	<u>\$ 3,215,527</u>	<u>\$ 15,559,527</u>

Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 13,141,000	\$ -	\$ (797,000)	\$ 12,344,000	\$ 826,000
Bond premiums	855,596	-	(56,132)	799,464	-
Total Bonds Payable	13,996,596	-	(853,132)	13,143,464	826,000
Other Liabilities					
Financed purchase arrangements	40,124	190,943	(71,505)	159,562	64,026
Compensated absences payable*	103,223	37,182	-	140,405	14,472
Total Long-term Liabilities	<u>\$ 14,139,943</u>	<u>\$ 228,125</u>	<u>\$ (924,637)</u>	<u>\$ 13,443,431</u>	<u>\$ 904,498</u>

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

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

	General	Debt Service	Building Construction	Nonmajor Governmental	Total	Reconciling Items	UFARS Balance
Nonspendable							
Inventories	\$ -	\$ -	\$ -	\$ 11,963	\$ 11,963	\$ -	\$ 11,963
Prepaid items	30,000	-	-	-	30,000	-	30,000
Total	\$ 30,000	\$ -	\$ -	\$ 11,963	\$ 41,963	\$ -	\$ 41,963
Restricted							
Student activities	\$ 26,498	\$ -	\$ -	\$ -	\$ 26,498	\$ -	\$ 26,498
Staff development	232	-	-	-	232	-	232
Literacy aid	20,226	-	-	-	20,226	-	20,226
Operating capital	152,023	-	-	-	152,023	-	152,023
Learning and development	8,457	-	-	-	8,457	-	8,457
Basic skills	1,542	-	-	-	1,542	-	1,542
Long term facility maintenance	56,993	-	-	-	56,993	-	56,993
Medical assistance	6,679	-	-	-	6,679	-	6,679
Library aid	3,033	-	-	-	3,033	-	3,033
Community education	-	-	-	83,867	83,867	-	83,867
Early childhood and family education	-	-	-	79,771	79,771	-	79,771
School readiness	-	-	-	16,700	16,700	-	16,700
Food service	-	-	-	201,520	201,520	8,222	209,742
Community service	-	-	-	15,504	15,504	-	15,504
Capital projects	-	-	151,654	-	151,654	-	151,654
Debt service	-	187,348	-	-	187,348	-	187,348
Total	\$ 275,683	\$ 187,348	\$ 151,654	\$ 397,362	\$ 1,012,047	\$ 8,222	\$ 1,020,269
Unassigned	\$ 4,123,408	\$ -	\$ -	\$ -	\$ 4,123,408	\$ (8,222)	\$ 4,115,186

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

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

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

Restricted for Literacy Aid - This amount represents available resources for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy. Revenues are derived from state aids.

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

Restricted for Learning and Development - This amount represents available general education revenues for learning and development, which is mainly for reducing the pupil-to-staff ratio.

Restricted for Basic Skills - This amount represents resources available for the basic skills uses.

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

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

Restricted for Library Aid - This amount represents available resources for school library aid expenditures. Revenues are derived from state or federal aids.

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

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

Restricted for Teacher Compensation- This amount represents available resources for teacher compensation for Read Act training. Revenues are derived from State aids.

Restricted for School Readiness - This amount represents available resources to provide for services for school readiness programs. Revenues are derived from State aids, fees and grants and expenditures are for salaries, benefits and supplies.

Restricted for Food Service - This amount represents available resources available for food service. Revenues are derived from sales to pupils and State aid.

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

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

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide

A. Teacher Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

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

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

With these provisions:

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

or

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

Tier II:

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

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

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

3. Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025, 2024, and 2023 were \$413,409, \$419,015, and \$373,226. The District's contributions were equal to the required contributions for each year as set by state statute.

4. Actuarial Assumptions

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

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

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

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

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

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

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

Changes in the actuarial assumptions since the 2022 valuation:

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

5. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Net Pension Liability

On June 30, 2025, The District reported a liability of \$4,409,899 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.0694% at the end of the measurement period and 0.0686% for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	\$ 4,409,899
State's Proportionate Share of Net Pension Liability Associated with the District	<u>270,381</u>
Total	<u><u>\$ 4,680,280</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$287,128. It also recognized \$18,772 as an decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$122,260 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 213,717	\$ 58,591
Changes in Actuarial Assumptions	450,548	752,777
Net Difference Between Projected and Actual Investment Earnings	-	143,234
Changes in Proportion	55,042	-
Contributions Paid to PERA Subsequent to the Measurement Date	413,409	-
	<u>\$ 1,132,716</u>	<u>\$ 954,602</u>
Total		

The \$413,409 reported as deferred outflows of resources related to pensions resulting from District Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2026	\$ (283,008)
2027	399,644
2028	182,482
2029	(247,323)
2030	(200,454)
Thereafter	(86,636)

7. Pension Liability Sensitivity

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

	District's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
Teachers Retirement Association	\$ 7,766,090	\$ 4,409,899	\$ 2,905,402

8. Pension Plan Fiduciary Net Position

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

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

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan

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

2. Benefits Provided

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

General Employees Plan Benefits

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

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

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

3. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the years ending June 30, 2025, 2024 and 2023, were \$154,364, \$149,640 and \$122,430, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$871,518 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 \$22,536.

District's Proportionate Share of Net Pension Liability	\$ 871,518
State's Proportionate Share of Net Pension Liability Associated with the District	<u>22,536</u>
Total	<u>\$ 894,054</u>

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0236 percent at the end of the measurement period and 0.0215 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$106,274 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$604 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2025, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$40,098 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 79,624	\$ -
Changes in Actuarial Assumptions	3,935	486,872
Net Difference Between Projected and Actual Investment Earnings	-	64,754
Changes in Proportion	86,986	-
Contributions Paid to PERA Subsequent to the Measurement Date	154,364	-
	<u>324,909</u>	<u>551,626</u>
Total	<u>\$ 324,909</u>	<u>\$ 551,626</u>

The \$154,364 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ (234,897)
2027	(33,820)
2028	(90,120)
2029	(22,244)

5. Long-term Expected Return on Investment

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

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

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

6. Actuarial Assumptions

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

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

7. Discount Rate

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

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

8. Pension Liability Sensitivity

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

	District's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
General Employees Fund	\$ 1,903,535	\$ 871,518	\$ 22,589

9. Pension Plan Fiduciary Net Position

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions

Plan Description

As of July 1, 2024, the District switched to age-based premiums, therefore there will be no OPEB liability as of June 30, 2025. In the current year the district recognized a negative OPEB expense of \$423,030.

Note 6: 403(b) Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan beginning their fourth year of service with the District. Some employees are eligible to receive a match of employee contributions up to the qualifying amount set forth in their contract. Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2025, 2024, and 2023 are \$57,268, \$57,792 and \$58,974 respectively. The related employee contributions were \$124,298, \$124,466 and \$123,768 for the years ended June 30, 2025, 2024, and 2023, respectively.

Note 7: Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

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.

C. Affiliated Organizations

The District, in conjunction with South Central Service Cooperative (SCSC), created a joint powers agreement for group employee benefits and other financial and risk management services. The SCSC's board is defined in the Joint Powers Agreement. A member may withdraw upon written notice given to the Board. In the event of dissolution, amounts received from participants to the benefit fund reserve shall be used exclusively for the payment of benefits to or on behalf of enrolled employees, payment of reasonable expenses, and payment of taxes. Separate financial statements of the affiliated organization may be obtained from SCSC. The affiliated organization is in good financial health. It is not anticipated to be a burden on the District.

Note 8: Adjustments to and Restatements of Beginning Balances

Change in Accounting Principle

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

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2168

New Richland, Minnesota

Required Supplementary Information

For the Year Ended June 30, 2025

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0694 %	\$ 4,409,899	\$ 270,381	\$ 4,680,280	\$ 4,788,740	92.1 %	82.1 %
6/30/2023	0.0686	5,663,770	397,003	6,060,773	4,365,220	129.7	76.4
6/30/2022	0.0734	5,877,484	435,804	6,313,288	4,472,758	131.4	76.2
6/30/2021	0.0703	3,076,538	259,373	3,335,911	4,205,629	73.2	86.6
6/30/2020	0.0742	5,481,995	459,303	5,941,298	4,198,079	130.6	75.5
6/30/2019	0.0785	5,003,606	442,560	5,446,166	4,396,706	113.8	78.2
6/30/2018	0.0796	5,002,273	469,844	5,472,117	4,400,760	113.7	78.1
6/30/2017	0.0792	15,809,757	1,529,052	17,338,809	4,262,870	370.9	51.6
6/30/2016	0.0773	18,437,894	1,851,052	20,288,946	4,022,721	458.3	44.9
6/30/2015	0.0803	4,967,349	608,958	5,576,307	4,432,631	112.1	76.8

Schedule of Employer's TRA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 413,409	\$ 413,409	\$ -	\$ 4,724,674	8.75 %
6/30/2024	419,015	419,015	-	4,788,740	8.75
6/30/2023	373,226	373,226	-	4,365,220	8.55
6/30/2022	373,028	373,028	-	4,472,758	8.34
6/30/2021	341,918	341,918	-	4,205,629	8.13
6/30/2020	332,488	332,488	-	4,198,079	7.92
6/30/2019	338,986	338,986	-	4,396,706	7.71
6/30/2018	330,057	330,057	-	4,400,760	7.50
6/30/2017	319,715	319,715	-	4,262,870	7.50
6/30/2016	301,704	301,704	-	4,022,721	7.50

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

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

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

2022
No changes noted.

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

2020
Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019
No changes noted.

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

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

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

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

2014
The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2024
No changes noted.

2023
No changes noted.

2022
No changes noted.

2021
No changes noted.

2020
No changes noted.

2019
No changes noted.

2018
The 2018 Omnibus Pension Bill contained a number of changes: The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028. Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt. The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated. Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt. Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018. The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017
No changes noted.

2016
No changes noted.

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

2014
The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the 0.0796 (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0236 %	\$ 871,518	\$ 22,536	\$ 894,054	\$ 1,995,201	43.7 %	86.7 %
6/30/2023	0.0215	1,202,256	33,153	1,235,409	1,711,154	70.3	83.1
6/30/2022	0.0218	1,726,567	50,755	1,777,322	1,632,394	105.8	76.7
6/30/2021	0.0208	888,253	272,207	1,160,460	1,498,813	59.3	87.0
6/30/2020	0.0214	1,283,028	39,457	1,322,485	1,523,920	84.2	79.0
6/30/2019	0.0209	1,155,514	35,998	1,191,512	1,474,256	78.4	80.2
6/30/2018	0.0213	1,181,637	38,762	1,220,399	1,431,852	82.5	79.5
6/30/2017	0.0210	1,340,626	16,832	1,357,458	1,350,812	99.2	75.9
6/30/2016	0.0220	1,786,291	23,343	1,809,634	1,364,235	130.9	68.9
6/30/2015	0.0221	1,145,337	-	1,145,337	1,278,861	89.6	78.2

Schedule of Employer's PERA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 154,364	\$ 154,364	\$ -	\$ 2,058,189	7.50 %
6/30/2024	149,640	149,640	-	1,995,201	7.50
6/30/2023	128,337	128,337	-	1,711,154	7.50
6/30/2022	122,430	122,430	-	1,632,394	7.50
6/30/2021	112,411	112,411	-	1,498,813	7.50
6/30/2020	114,294	114,294	-	1,523,920	7.50
6/30/2019	110,569	110,569	-	1,474,256	7.50
6/30/2018	107,389	107,389	-	1,431,852	7.50
6/30/2017	101,311	101,311	-	1,350,812	7.50
6/30/2016	102,318	102,318	-	1,364,235	7.50

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2024

The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023

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

2022

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

2021

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

2020

The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019

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

2018

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

2017

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

2016

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

2015

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

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

2024

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

2023

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

2022

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

2021

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

2020

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

2019

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

2018

The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

2016

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

2015

On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

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COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2168

New Richland, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2025

	Special Revenue		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	\$ 204,269	\$ 259,371	\$ 463,640
Receivables			
Taxes			
Current	-	68,674	68,674
Delinquent	-	2,513	2,513
Accounts and interest	-	29,335	29,335
Intergovernmental	-	5,306	5,306
Inventories	11,963	-	11,963
Total Assets	\$ 216,232	\$ 365,199	\$ 581,431
Liabilities			
Salaries and wages payable	\$ 2,749	\$ 12,408	\$ 15,157
Accounts and other payables	-	508	508
Unearned revenue	-	17,634	17,634
Total Liabilities	2,749	30,550	33,299
Deferred Inflows of Resources			
Property taxes levied for subsequent year	-	136,294	136,294
Unavailable revenue			
Delinquent property taxes	-	2,513	2,513
Total Deferred Inflows of Resources	-	138,807	138,807
Fund Balances			
Nonspendable			
Inventories	11,963	-	11,963
Restricted			
Community education	-	83,867	83,867
Early childhood family education	-	79,771	79,771
School readiness	-	16,700	16,700
Community service	-	15,504	15,504
Food service	201,520	-	201,520
Total Fund Balances	213,483	195,842	409,325
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 216,232	\$ 365,199	\$ 581,431

Independent School District No. 2168
New Richland, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	Special Revenue		
	Food Service	Community Service	Total
Revenues			
Local property tax levies	\$ -	\$ 125,898	\$ 125,898
Other local and county revenue	-	402,420	402,420
Interest earned on investments	4,257	4,896	9,153
Revenue from state sources	365,748	74,513	440,261
Revenue from federal sources	400,851	-	400,851
Sales and other conversion of assets	88,599	-	88,599
Total Revenues	<u>859,455</u>	<u>607,727</u>	<u>1,467,182</u>
Expenditures			
Current			
Community education and services	-	519,175	519,175
Pupil support services	796,622	-	796,622
Capital outlay	-	7,422	7,422
Total Expenditures	<u>796,622</u>	<u>526,597</u>	<u>1,323,219</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	62,833	81,130	143,963
Other Financing Sources (Uses)			
Transfers in	<u>-</u>	<u>15,000</u>	<u>15,000</u>
Net Change in Fund Balances	62,833	96,130	158,963
Fund Balances, July 1	<u>150,650</u>	<u>99,712</u>	<u>250,362</u>
Fund Balances, June 30	<u>\$ 213,483</u>	<u>\$ 195,842</u>	<u>\$ 409,325</u>

Independent School District No. 2168
New Richland, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Page)
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 980,192	\$ 974,420	\$ 969,834	\$ (4,586)	\$ 994,203
Other local and county revenue	502,376	619,049	693,686	74,637	563,018
Interest earned on investments	150,000	160,000	154,223	(5,777)	191,003
Revenue from state sources	8,455,073	8,467,402	8,833,573	366,171	8,516,330
Revenue from federal sources	335,550	569,162	551,255	(17,907)	647,760
Sales and other conversion of assets	53,500	77,000	75,587	(1,413)	51,280
Total Revenues	10,476,691	10,867,033	11,278,158	411,125	10,963,594
Expenditures					
Current					
Administration					
Salaries	510,600	513,438	510,121	3,317	481,774
Employee benefits	174,238	177,368	179,454	(2,086)	181,189
Purchased services	10,700	9,600	12,060	(2,460)	9,344
Supplies and materials	3,150	1,650	1,712	(62)	836
Other expenditures	10,570	9,990	10,028	(38)	9,642
Total administration	709,258	712,046	713,375	(1,329)	682,785
District support services					
Salaries	145,074	145,074	132,408	12,666	139,391
Employee benefits	63,304	62,504	58,087	4,417	53,670
Purchased services	109,800	107,800	122,778	(14,978)	91,639
Supplies and materials	12,200	12,000	12,103	(103)	9,596
Other expenditures	30,400	30,494	19,479	11,015	28,384
Total district support services	360,778	357,872	344,855	13,017	322,680
Elementary and secondary regular instruction					
Salaries	3,223,163	3,284,398	3,230,142	54,256	3,203,241
Employee benefits	959,197	956,929	1,141,897	(184,968)	887,157
Purchased services	295,507	330,261	361,379	(31,118)	328,062
Supplies and materials	212,410	220,425	221,317	(892)	238,073
Other expenditures	19,000	21,500	21,835	(335)	23,250
Total elementary and secondary regular instruction	4,709,277	4,813,513	4,976,570	(163,057)	4,679,783
Vocational education instruction					
Salaries	198,786	201,251	197,874	3,377	170,360
Employee benefits	64,589	58,308	61,880	(3,572)	55,209
Purchased services	2,100	2,100	3,208	(1,108)	1,641
Supplies and materials	15,320	21,220	21,647	(427)	19,366
Total vocational education instruction	280,795	282,879	284,609	(1,730)	246,576
Special education instruction					
Salaries	1,138,849	1,129,112	1,126,165	2,947	1,076,694
Employee benefits	320,162	334,771	284,980	49,791	293,822
Purchased services	259,150	242,764	228,295	14,469	208,750
Supplies and materials	8,700	9,950	13,352	(3,402)	21,829
Other expenditures	225	225	231	(6)	200
Total special education instruction	1,727,086	1,716,822	1,653,023	63,799	1,601,295

Independent School District No. 2168
New Richland, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Community education and services	\$ 2,820	\$ 3,076	\$ 3,076	\$ -	\$ 1,210
Employee benefits					
Instructional support services					
Salaries	258,103	291,530	390,131	(98,601)	343,746
Employee benefits	69,046	75,039	111,250	(36,211)	94,300
Purchased services	33,600	33,600	27,688	5,912	70,699
Supplies and materials	16,700	16,700	7,270	9,430	10,228
Total instructional support services	377,449	416,869	536,339	(119,470)	518,973
Pupil support services					
Salaries	546,848	535,816	538,265	(2,449)	546,873
Employee benefits	134,347	135,778	138,973	(3,195)	116,957
Purchased services	159,560	153,560	171,258	(17,698)	143,337
Supplies and materials	165,590	133,590	113,496	20,094	120,629
Total pupil support services	1,006,345	958,744	961,992	(3,248)	927,796
Sites and buildings					
Salaries	312,404	312,745	353,278	(40,533)	310,141
Employee benefits	114,678	119,030	116,435	2,595	103,859
Purchased services	513,145	509,145	315,068	194,077	433,766
Supplies and materials	188,000	194,000	166,323	27,677	136,387
Total sites and buildings	1,128,227	1,134,920	951,104	183,816	984,153
Fiscal and other fixed cost programs					
Purchased services	90,400	92,177	92,177	-	79,408
Total current	10,392,435	10,488,918	10,517,120	(28,202)	10,044,659
Capital outlay					
Administration	1,000	1,000	425	575	982
District support services	1,450	1,450	854	596	656
Elementary and secondary regular instruction	172,225	78,620	147,998	(69,378)	154,265
Vocational education instruction	2,000	35,700	35,680	20	-
Special education instruction	-	2,600	1,562	1,038	1,991
Instructional support services	10,000	10,000	6,385	3,615	15,374
Pupil support services	1,800	-	111,498	(111,498)	31,762
Sites and buildings	176,000	302,000	305,886	(3,886)	79,964
Total capital outlay	364,475	431,370	610,288	(178,918)	284,994
Debt service					
Principal	56,000	71,505	71,505	-	79,575
Interest and other charges	8,300	2,793	2,793	-	3,961
Total debt service	64,300	74,298	74,298	-	83,536
Total Expenditures	10,821,210	10,994,586	11,201,706	(207,120)	10,413,189
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(344,519)	(127,553)	76,452	204,005	550,405
Other Financing Sources (Uses)					
Debt issued	-	-	190,943	190,943	-
Insurance recovery	-	91,000	8,076	(82,924)	573
Sale of capital assets	-	6,200	6,162	(38)	7,847
Transfers out	(15,000)	(15,000)	(15,000)	-	-
Total Other Financing Sources (Uses)	(15,000)	82,200	190,181	107,981	8,420
Net Change in Fund Balances	(359,519)	(45,353)	266,633	311,986	558,825
Fund Balances, July 1	4,162,458	4,162,458	4,162,458	-	3,603,633
Fund Balances, June 30	\$ 3,802,939	\$ 4,117,105	\$ 4,429,091	\$ 311,986	\$ 4,162,458

Independent School District No. 2168
New Richland, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Interest earned on investments	\$ 1,200	\$ 1,200	\$ 4,257	\$ 3,057	\$ 2,432
Revenue from state sources	330,000	349,000	365,748	16,748	330,568
Revenue from federal sources	432,600	418,500	400,851	(17,649)	440,440
Sales and other conversion of assets	95,900	95,400	88,599	(6,801)	103,556
Total Revenues	859,700	864,100	859,455	(4,645)	876,996
Expenditures					
Current					
Pupil support services					
Salaries	257,578	273,862	288,128	(14,266)	269,921
Employee benefits	56,628	58,775	60,383	(1,608)	56,508
Purchased services	23,400	23,400	19,463	3,937	18,887
Supplies and materials	471,150	471,150	428,324	42,826	435,312
Other expenditures	1,000	1,000	324	676	587
Total Expenditures	809,756	828,187	796,622	31,565	781,215
Net Change in Fund Balances	49,944	35,913	62,833	26,920	95,781
Fund Balances, July 1	150,650	150,650	150,650	-	54,869
Fund Balances, June 30	\$ 200,594	\$ 186,563	\$ 213,483	\$ 26,920	\$ 150,650

Independent School District No. 2168
New Richland, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025			2024
	Original and Final Budget	Actual Amounts	Variance with Budget	Actual Amounts
Revenues				
Local property tax levies	\$ 102,978	\$ 125,898	\$ 22,920	\$ 102,628
Other local and county revenue	281,065	402,420	121,355	330,822
Interest earned on investments	4,000	4,896	896	4,848
Revenue from state sources	74,243	74,513	270	72,862
Total Revenues	<u>462,286</u>	<u>607,727</u>	<u>145,441</u>	<u>511,160</u>
Expenditures				
Current				
Community education and services				
Salaries	298,399	323,827	(25,428)	309,208
Employee benefits	81,880	75,401	6,479	48,846
Purchased services	51,985	49,532	2,453	97,160
Supplies and materials	31,700	65,776	(34,076)	45,374
Other expenditures	1,700	4,639	(2,939)	3,788
Total community education and services	<u>465,664</u>	<u>519,175</u>	<u>(53,511)</u>	<u>504,376</u>
Capital outlay				
Community education and services	<u>3,450</u>	<u>7,422</u>	<u>(3,972)</u>	<u>2,993</u>
Total Expenditures	<u>469,114</u>	<u>526,597</u>	<u>(57,483)</u>	<u>507,369</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,828)	81,130	87,958	3,791
Other Financing Sources (Uses)				
Transfers in	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	8,172	96,130	87,958	3,791
Fund Balances, July 1	<u>99,712</u>	<u>99,712</u>	<u>-</u>	<u>95,921</u>
Fund Balances, June 30	<u>\$ 107,884</u>	<u>\$ 195,842</u>	<u>\$ 87,958</u>	<u>\$ 99,712</u>

Independent School District No. 2168
New Richland, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025			2024
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Revenues				
Local property tax levies	\$ 1,293,410	\$ 1,272,709	\$ 698,910	\$ 759,762
Interest earned on investments	-	-	3,034	4,226
Revenue from state sources	80,264	89,878	656,032	597,553
Total Revenues	<u>1,373,674</u>	<u>1,362,587</u>	<u>1,357,976</u>	<u>1,361,541</u>
Expenditures				
Debt service				
Principal	797,000	797,000	797,000	713,000
Interest and other charges	495,841	495,831	495,831	579,204
Total Expenditures	<u>1,292,841</u>	<u>1,292,831</u>	<u>1,292,831</u>	<u>1,292,204</u>
Net Change in Fund Balances	80,833	69,756	65,145	(4,611)
Fund Balances, July 1	<u>122,203</u>	<u>122,203</u>	<u>122,203</u>	<u>52,866</u>
Fund Balances, June 30	<u>\$ 203,036</u>	<u>\$ 191,959</u>	<u>\$ 187,348</u>	<u>\$ 122,203</u>

Independent School District No. 2168
New Richland, Minnesota
Schedules of Tax Capacity, Tax Levy and Tax Rates
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Tax Capacity		
Agricultural	\$ 12,159,938	\$ 12,187,330
Nonagricultural	<u>5,591,729</u>	<u>5,699,131</u>
Total	<u><u>\$ 17,751,667</u></u>	<u><u>\$ 17,886,461</u></u>
Tax Levy		
General	\$ 1,031,034	\$ 980,187
Community Service	132,839	124,246
Debt Service	<u>1,302,819</u>	<u>1,193,370</u>
Total	<u><u>\$ 2,466,692</u></u>	<u><u>\$ 2,297,803</u></u>
Tax Capacity Rates		
General	1.971	1.839
Community Service	0.722	0.717
Debt Service	<u>7.081</u>	<u>7.231</u>
Total	<u><u>9.774</u></u>	<u><u>9.787</u></u>

Fiscal Compliance Report - 6/30/2025
District: N.R.H.E.G. (2168-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	\$11,278,158	<u>\$11,278,148</u>	<u>\$10</u>
Total Expenditures	\$11,201,706	<u>\$11,201,693</u>	<u>\$13</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$30,000	<u>\$30,000</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$26,498	<u>\$26,498</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$232	<u>\$233</u>	<u>(\$1)</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.12 Literacy Incentive Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>
4.20 American Indian Education Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.24 Operating Capital	\$152,023	<u>\$152,023</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$8,457	<u>\$8,457</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>
4.39 English Learner	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$1,542	<u>\$1,542</u>	<u>\$0</u>
4.43 School Library Aid	\$3,033	<u>\$3,033</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.49 Safe Schools Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retiremt Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$20,226	<u>\$20,226</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$0	<u>\$0</u>	<u>\$0</u>
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$56,993	<u>\$56,992</u>	<u>\$1</u>
4.71 Student Support Personnel Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$6,679	<u>\$6,680</u>	<u>(\$1)</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>			
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>			
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	\$4,123,408	<u>\$4,123,409</u>	<u>(\$1)</u>

06 BUILDING CONSTRUCTION

Total Revenue	\$172,191	<u>\$172,192</u>	<u>(\$1)</u>
Total Expenditures	\$4,167,026	<u>\$4,167,026</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$151,654	<u>\$151,655</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

07 DEBT SERVICE

Total Revenue	\$1,357,976	<u>\$1,357,976</u>	<u>\$0</u>
Total Expenditures	\$1,292,831	<u>\$1,292,831</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$187,348	<u>\$187,347</u>	<u>\$1</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

08 TRUST

Total Revenue	\$3,828	<u>\$3,828</u>	<u>\$0</u>
Total Expenditures	\$1,000	<u>\$1,000</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$116,379	<u>\$116,378</u>	<u>\$1</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

18 CUSTODIAL

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

20 INTERNAL SERVICE

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

25 OPEB REVOCABLE TRUST

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

02 FOOD SERVICES

Total Revenue	\$859,455	<u>\$859,451</u>	<u>\$4</u>
Total Expenditures	\$796,622	<u>\$796,618</u>	<u>\$4</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$11,963	<u>\$11,963</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$209,742	<u>\$209,742</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balancee	(\$8,222)	<u>(\$8,222)</u>	<u>\$0</u>

04 COMMUNITY SERVICE

Total Revenue	\$607,727	<u>\$607,725</u>	<u>\$2</u>
Total Expenditures	\$526,597	<u>\$526,595</u>	<u>\$2</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$83,867	<u>\$83,865</u>	<u>\$2</u>
4.32 E.C.F.E	\$79,771	<u>\$79,772</u>	<u>(\$1)</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$16,700	<u>\$16,700</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$15,504	<u>\$15,505</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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

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

47 OPEB DEBT SERVICE

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

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2168, New Richland, Minnesota, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal Compliance Audit Guide for Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as item 2025-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters

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



Abdo
Mankato, Minnesota
November 7, 2025

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

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2168, New Richland, Minnesota, (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2025.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2025-001 and 2025-002 to be a significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards* or statutes set forth by the State of Minnesota.

Response to Findings

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

Purpose of this Report

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



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Mankato, Minnesota
November 7, 2025



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Independent School District No. 2168
New Richland, Minnesota
Schedules of Findings, Responses and Questioned Costs
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-001	Segregation of Duties
<i>Condition:</i>	During our audit, we found that the District has a limited segregation of duties related to many aspects of its accounting systems.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	Specific situations include: cash receipts, cash disbursements and payroll. The Business and Finance Manager has responsibility over all areas of authorization, custody of assets, recording and reconciling activity. While there is some review of transactions by the Board and Superintendent, there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential could go undetected.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
<i>Recommendation:</i>	Under these circumstances the most effective controls lie in 1) managements knowledge of the District's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the District evaluate its controls and make any changes considered necessary. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management Response:</i>	The District will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

Independent School District No. 2168
New Richland, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-002	Financial Report Preparation
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	The District is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of school districts. Each year, the District has a presentation from our auditor to the Board of Education after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight by management and School Board to monitor the deficiency.

Independent School District No. 2168
New Richland, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-003	Contracting and Bidding
<i>Condition:</i>	During our audit we noted that the District entered into a contract for Security Camera and Door Access project.
<i>Criteria:</i>	Minnesota statute §471.345 sets certain requirements for contracts that exceed certain thresholds. In the District's case, the contracts over \$175,000, which requires contracts to be let on sealed bids should be kept on file for at least one year.
<i>Cause:</i>	The District did not let on sealed bids for the Security Camera and Door Access project.
<i>Effect:</i>	The District is out of compliance with Minnesota statute.
<i>Recommendation:</i>	We recommend that the District review the statute and develop a set of procedures that will allow the District to be in compliance for all major contracts.
<i>Management Response:</i>	
The Business Manager continues training dealing with governmental financial/accounting practices.	

New Richland-Hartland-Ellendale-Geneva Public Schools

Independent School District No. 2168



District Office

306 Ash Avenue South
New Richland, MN 56072
(507)465-3206

Fax (507)465-8633

Michael Meihak, Superintendent

Secondary School

306 Ash Avenue South
New Richland, MN 56072
(507)465-3205

Fax (507)465-8633

David Bunn, Principal

Elementary School

600 School Street
Ellendale, MN 56026
(507)684-3181

Fax (507)684-2108

Nicholas Jurrens, Principal

Empowering students with knowledge and skills to succeed

2025-001 Segregation of Duties

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas with the limited staff available.

3. Official Responsible for Ensuring CAP:

Michael Meihak, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

Continuous

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

Michael Meihak
Superintendent

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2025-002 Financial Statement Preparations

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District will have the auditor prepare the financial statements. The District is relying on oversight of management and Board to monitor the deficiency.

3. Official Responsible for Ensuring CAP:

Michael Meihak, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

Continuous

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

Michael Meihak
Superintendent

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2025-003 Contracting and Bidding

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District will review state statutes and develop a set of procedures to be in compliance for all major contracts.

3. Official Responsible for Ensuring CAP:

Michael Meihak, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

June 30, 2026.

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

Michael Meihak
Superintendent