

**Independent School District No. 879
Delano, Minnesota**

Basic Financial Statements

June 30, 2025

Independent School District No. 879
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Independent School District No. 879
Board of Education and Administration
June 30, 2025

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Susan Roeser	Chair	December 31, 2028
Ryan Schaust	Vice Chairperson	December 31, 2026
Sarah Baker	Clerk	December 31, 2026
James Gierke	Treasurer	December 31, 2028
Rachel Depa	Director	December 31, 2026
Jessica Moyryla	Director	December 31, 2028
Corey Black	Director	December 31, 2026
 <u>Administration</u>		
Matthew Schoen	Superintendent	
Mary Reeder	Business Manager	

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Independent Auditor's Report

To the School Board
Independent School District No. 879
Delano, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of June 30, 2025, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 879 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 879 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 5, 2025

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Independent School District No. 879 Management's Discussion and Analysis

This section of Independent School District No. 879, Delano Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

Financial Highlights

- *General Fund 01:* The overall fund balance decreased by \$285,237.
- *Food Service Fund 02:* The overall fund balance increased by \$494.
- *Community Service Fund 04:* The overall fund balance increased by \$250,633.
- *Debt Service Fund 07:* The overall fund balance increased by \$104,737.

Overview of the Financial Statements

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

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

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

- A. Management's Discussion and Analysis
- B. Basic Financial Statements
 - 1. Government-Wide Financial Statements
 - 2. Fund Financial Statements

Government-Wide Financial Statements

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

**Independent School District No. 879
Management's Discussion and Analysis**

Overview of the Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

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

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

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

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

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

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that is properly using certain revenues (e.g., federal grants).

The District has two kinds of funds:

- ***Governmental funds*** - Most of the District's basic services are included in governmental funds, which generally focus on:
 - (1) How cash and other financial assets that can readily be converted to cash flow in and out, and

Independent School District No. 879 Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

Fund Financial Statements (Continued)

- **Governmental funds (Continued)**
(2) The balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Fiduciary funds** - The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as A Whole

Net Position
Table A-1

	Governmental Activities		Percentage
	2025	2024	Change
Current and other assets	\$ 28,347,241	\$ 27,561,863	2.85%
Capital assets	73,380,613	74,856,418	-1.97%
Total assets	101,727,854	102,418,281	-0.67%
Deferred outflows of resources	4,208,640	4,756,402	-11.52%
Total assets and deferred outflows of resources	\$ 105,936,494	\$ 107,174,683	-1.16%
Current liabilities	\$ 8,201,364	\$ 7,503,702	9.30%
Long-term liabilities	49,449,422	52,941,214	-6.60%
Net pension and OPEB liability	18,693,461	23,469,139	-20.35%
Total liabilities	76,344,247	83,914,055	-17.65%
Deferred inflows of resources	17,174,929	13,485,505	27.36%
Net Position			
Net investment in capital assets	20,739,513	18,196,361	13.98%
Restricted	6,153,817	5,971,457	3.05%
Unrestricted	(14,476,012)	(14,392,695)	0.58%
Net position	12,417,318	9,775,123	27.03%
Total liabilities, deferred inflows of resources and net position	\$ 105,936,494	\$ 107,174,683	-1.16%

Independent School District No. 879
Management's Discussion and Analysis

Financial Analysis of the District as A Whole (Continued)

The District's combined net position was \$12,417,318 on June 30, 2025, an increase of \$2,642,195, which was due to decreases in the pension expense related to the state-wide plans and the pay down of long-term liabilities.

Changes in Net Position

The following Table A-2 presents the Change in Net Position of the District:

Change in Net Position
Table A-2

	Governmental Activities for the Fiscal Year Ended June 30,		Total Percentage Change
	2025	2024	
Revenues			
Program revenues			
Charges for services	\$ 3,242,538	\$ 2,990,495	8.43%
Operating grants and contributions	10,614,670	10,740,661	-1.17%
Capital grants and contributions	350,458	389,211	-9.96%
General Revenues			
Property taxes	10,785,706	10,574,637	2.00%
State aid-formula grants	18,748,816	18,118,079	3.48%
Investment earnings	727,998	758,886	-4.07%
Other	20,196	52,458	-61.50%
Total revenues	<u>44,490,382</u>	<u>43,624,427</u>	<u>1.99%</u>
Expenditures			
Administration	1,434,120	1,314,342	9.11%
District Support Services	851,124	939,959	-9.45%
Elementary and Secondary Regular Instruction	16,079,766	14,362,001	11.96%
Vocational Education Instruction	408,401	385,819	5.85%
Special Education Instruction	5,735,878	4,721,173	21.49%
Instructional Support Services	1,687,300	1,422,294	18.63%
Pupil Support Services	3,008,661	2,830,029	6.31%
Sites and Buildings	4,257,354	4,245,630	0.28%
Fiscal and Other Fixed Cost Programs	252,659	250,507	0.86%
Food Service	1,693,069	1,587,535	6.65%
Community Education and Services	2,692,319	2,590,140	3.94%
Unallocated Depreciation	1,653,695	1,696,452	-2.52%
Interest and Fiscal Charges on Long-Term Debt	1,336,049	1,481,395	-9.81%
Total expenditures	<u>41,090,395</u>	<u>37,827,276</u>	<u>8.63%</u>
Increase/(decrease) in net position	3,399,987	5,797,151	-41.35%
Beginning of year net position	9,775,123	3,124,385	212.87%
Change in Accounting Principle (Note 9)	(757,792)	853,587	-188.78%
Beginning of year net position - Restated	<u>9,017,331</u>	<u>3,977,972</u>	<u>24.09%</u>
End of year net position	<u>\$ 12,417,318</u>	<u>\$ 9,775,123</u>	<u>27.03%</u>

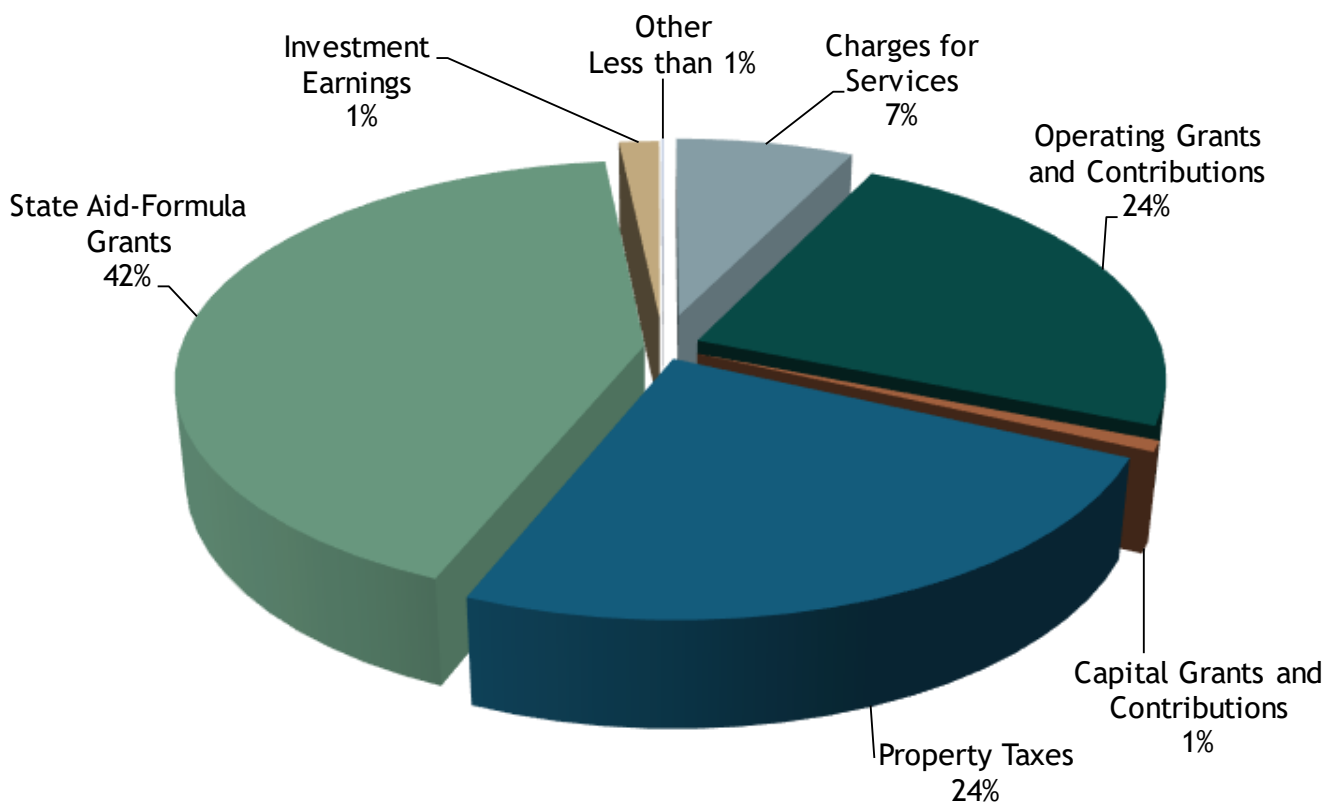
Independent School District No. 879
Management's Discussion and Analysis

Financial Analysis of the District as A Whole (Continued)

District's Revenues

The District's total revenues were \$44,490,382 for the year ended June 30, 2025. Property taxes and state aid-formula grants accounted for 66% of total revenue for the year. (See Figure A-1). The remaining 34% came from other program revenues (charges for services and operating and capital grants and contributions), investment earnings and other.

Figure A-1 Sources of District's Revenues for Fiscal 2025

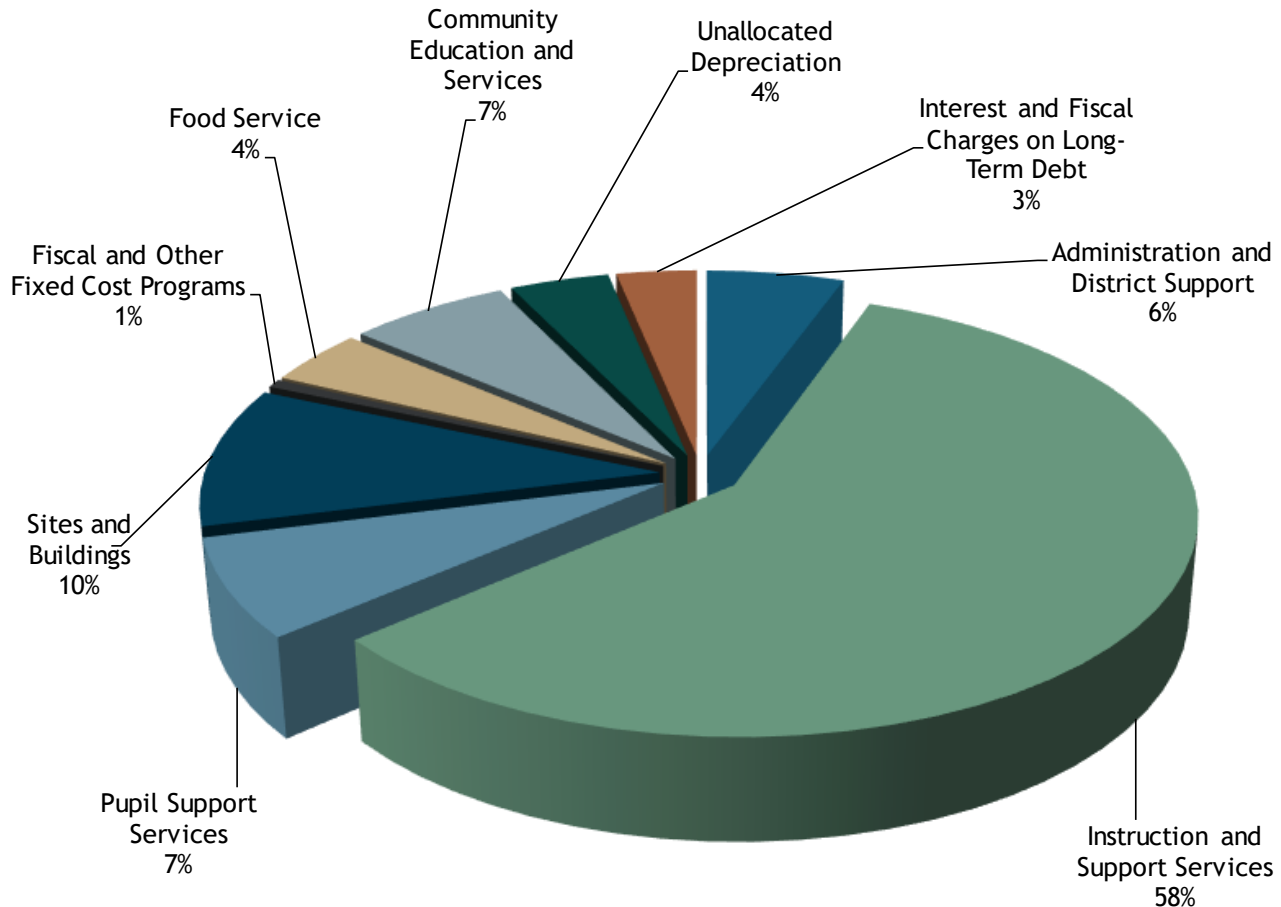


Independent School District No. 879
Management's Discussion and Analysis

Financial Analysis of the District as A Whole (Continued)

District's Expenses

Figure A-2 District Expenses for Fiscal 2025



The total costs of all programs and services were \$41,090,395 for fiscal year 2025. The District's expenses are predominately related to instruction and pupil support services (66%). (See Figure A-2.) Interest and fiscal charges for the District's bonds account for another 3%, and 10% accounts for the facilities maintenance needs of the entire district.

The cost of all governmental activities this year was \$41,090,395.

- Some of the cost was paid by the users of the District's programs - \$3,242,538.
- The federal and state governments subsidized certain programs with grants and contributions - \$10,965,128.
- Most of the District's costs - \$29,534,522, however, were paid for by District taxpayers and the taxpayers of the State of Minnesota.

**Independent School District No. 879
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (Continued)

District's Expenses (Continued)

Typically the District does not incorporate funds allocated to direct instruction as part of an analysis of expenditures in all governmental funds. Funding for general operation of the District is controlled by the state and the District does not have latitude to allocate money received from entrepreneurial-type funds like Food Service and Community Education. Therefore, a more accurate analysis would be limited to the allocation of resources received for the general operation of the District and would show that 66% of those resources are spent on instruction and support services associated with education.

Table A-3 presents the total cost of governmental activities, as well as the cost of those activities. The net cost represents total cost less program revenues applicable in each category.

**Net Cost of Governmental Activities
Table A-3**

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2025	2024	2024-2025	2025	2024	2024-2025
Administration	\$ 1,434,120	\$ 1,314,342	9.11%	\$ 1,422,819	\$ 1,299,539	9.49%
District Support Services	851,124	939,959	-9.45%	779,388	894,199	-12.84%
Elementary and Secondary						
Regular Education	16,079,766	14,362,001	11.96%	13,496,866	11,543,638	16.92%
Vocational Education						
Instruction	408,401	385,819	5.85%	407,867	382,405	6.66%
Special Education Instruction	5,735,878	4,721,173	21.49%	1,218,065	590,336	106.33%
Instructional Support Services	1,687,300	1,422,294	18.63%	1,106,051	939,954	17.67%
Pupil Support Services	3,008,661	2,830,029	6.31%	1,735,712	1,518,788	14.28%
Sites and Buildings	4,257,354	4,245,630	0.28%	3,503,085	3,246,175	7.91%
Fiscal and Other Fixed Cost						
Programs	252,659	250,507	0.86%	252,659	250,507	0.86%
Food Service	1,693,069	1,587,535	6.65%	(20,985)	(230,101)	-90.88%
Community Education and						
Services	2,692,319	2,590,140	3.94%	(8,542)	93,622	-109.12%
Unallocated Depreciation	1,653,695	1,696,452	-2.52%	1,653,695	1,696,452	-2.52%
Interest and Fiscal Charges on						
Long-Term Debt	1,336,049	1,481,395	-9.81%	1,336,049	1,481,395	-9.81%
Total	\$ 41,090,395	\$ 37,827,276	8.63%	\$ 26,882,729	\$ 23,706,909	13.40%

Financial Analysis of the District's Funds

Governmental Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$13,238,168, for an increase of \$70,629 over last year's ending fund balance of \$13,167,539.

**Independent School District No. 879
Management's Discussion and Analysis**

Financial Analysis of the District's Funds (Continued)

Governmental Funds (Continued)

Revenues and other financing sources for the District's governmental funds were \$44,000,521, while total expenditures and other financing uses were \$43,929,842, for a positive net change of \$70,629.

General Fund

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

General Fund revenues are outlined in Table A-4 below:

**Summary of General Fund Revenues
Table A-4**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30,			
	2025	2024		
Local Sources				
Property taxes	\$ 5,545,452	\$ 5,302,427	\$ 243,025	4.58%
Other local and county sources	2,017,394	2,160,142	(142,748)	-6.61%
State sources	26,023,674	25,323,505	700,169	2.76%
Federal sources	216,693	537,641	(320,948)	-59.70%
Sales and other conversion of assets	947	3,441	(2,494)	-72.48%
Total General Fund revenue	\$ 33,804,160	\$ 33,327,156	\$ 477,004	1.43%

Revenues from the General Fund totaled \$33,804,160, an increase of 1.43% over the preceding year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue, including excess levy referendum, involves an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

State sources of revenue increased due to an increase of 2% to the general education aid formula allowance, the special education cross subsidy increased, plus there were two READ Act one-time categorical aids added in the 2024-2025 school year. Other local and county sources decreased due to one-time funding for two solar projects that was received in the prior school year. Federal sources decreased due to ESSER III grants and ARP funds that ended in the 2023-2024 school year.

**Independent School District No. 879
Management's Discussion and Analysis**

Financial Analysis of the District's Funds (Continued)

General Fund (Continued)

General Fund expenditures are itemized in Table A-5:

**Summary of General Fund Expenditures
Table A-5**

	Year Ended June 30,		Amount of	Percent
	2025	2024	Increase (Decrease)	Increase (Decrease)
Salaries	\$ 18,095,767	\$ 16,671,733	\$ 1,424,034	8.54%
Employee benefits	7,106,550	6,648,784	457,766	6.88%
Purchased services	6,624,580	5,856,962	767,618	13.11%
Supplies and materials	1,597,368	1,587,701	9,667	0.61%
Capital expenditures	621,801	712,300	(90,499)	-12.71%
Other expenditures	43,379	169,996	(126,617)	-74.48%
Total General Fund expenditures	<u>\$ 34,089,445</u>	<u>\$ 31,647,476</u>	<u>\$ 2,441,969</u>	<u>7.72%</u>

Total General Fund expenditures increased by \$2,441,969 or 7.72% over the previous year.

Salaries increased due to budgeted contract salary increases, added grant positions and additional certified and non-certified staff to provide special education services. Benefits increased due to employer-paid benefits tied to increased salary costs and summer hourly personnel unemployment costs. Purchased services increased due to increased usage of contracted special education services, increased transportation costs due to budgeted contract increases, and increased utility costs. Supplies and materials increased due to additional activity and athletic supplies purchased that were funded by the Booster Clubs. Capital expenditures decreased due to the purchase of two solar arrays in the prior year - one located on the Intermediate School building and one on the High School building, and the final security grant projects that were completed in the prior year, as well.

In 2024-2025, the General Fund recorded a decrease of \$285,235. The unassigned fund balance closed at \$5,764,375, which is 17% of the total General Fund expenditures.

It is the goal of the School Board of Education to maintain an unassigned fund balance of 12% of operating expenditures. For the fiscal year ended June 30, 2025, the District is in compliance with the fund balance goal.

General Fund Budgetary Highlights

Actual revenues were \$141,534 over the final budget, a 0.4% variance. Actual expenditures were \$428,677 under budget, which is a variance of 1.2%. The variance between actual and final budgeted revenue amounts was due to increased interest revenue, tax revenue, an interfund transfer and unbudgeted donations that came in at year end. The expenditure budget variance is due to underspent benefits, unspent building and department budgeted expenses, capital and LTFM budgeted projects that were carried forward to the next school year.

**Independent School District No. 879
Management's Discussion and Analysis**

Debt Service Fund

The Debt Service Fund revenues exceeded expenditures by \$104,737 in 2024-2025.

Capital Assets and Debt Administration

Capital Assets

The District investment in capital assets for its governmental activities amounts to \$73,380,613 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment (see Table A-6). Additional information on capital assets can be found in Note 3 of this report.

**Capital Assets - Governmental Activities
Table A-6**

	2025	2024	Percentage Change
Land	\$ 1,022,151	\$ 1,022,151	0.00%
Land improvements	6,503,593	6,027,587	7.90%
Buildings	96,371,497	96,268,498	0.11%
Equipment	6,099,025	5,399,037	12.97%
Leased assets	107,069	111,191	-3.71%
Construction in progress	-	21,036	-100.00%
Less accumulated depreciation	(36,722,722)	(33,993,082)	8.03%
Total	<u>\$ 73,380,613</u>	<u>\$ 74,856,418</u>	<u>-1.97%</u>

Long-Term Liabilities

At year-end, the District had \$53,539,397 in total long-term debt, a decrease of 5.61% from the previous year, as shown in Table A-7. (More detailed information about long-term liabilities can be found in Note 4 of the financial statements.)

**Independent School District No. 879
Management's Discussion and Analysis**

Capital Assets and Debt Administration (Continued)

Long-Term Liabilities (Continued)

**Long-Term Liabilities
Table A-7**

	2025	2024	Percentage Change
General obligation bonds payable	\$ 50,945,000	\$ 54,625,000	-6.74%
Bond premium payable	1,321,278	1,621,392	-18.51%
Lease	62,022	82,465	-24.79%
Special assessments payable	312,800	331,200	-5.56%
Vacation payable	898,297	60,691	1380.12%
Total	<u>\$ 53,539,397</u>	<u>\$ 56,720,748</u>	<u>-5.61%</u>

Factors Bearing on the District's Future

The District will continue to monitor enrollment as this is the largest factor in determining revenue funding. The enrollment in 2024-2025 increased by 6 students from 2023-2024. As of this date, enrollment in the 2025-2026 is projected to remain at the same number as 2024-2025.

Another factor bearing on the District's future continues to be the tight labor market. The district continues to see staffing shortages in the Paraprofessional and Community Education areas. The District will continue to be creative and find ways to fill open positions while maintaining compliance with state statutes.

Finally, the District will continue to strive to achieve its mission statement of "Providing systemic growth toward educational excellence for every learner".

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, 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 information should be addressed to: Delano Public Schools ISD #879, Attention: Business Manager, 700 Elm Avenue East, Delano, MN 55328.

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BASIC FINANCIAL STATEMENTS

Independent School District No. 879
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and investments	\$ 19,147,046
Current property taxes receivable	5,402,258
Delinquent property taxes receivable	559,763
Accounts receivable	111,912
Interest receivable	56,824
Due from Department of Education	2,306,767
Due from Federal Government through Department of Education	33,763
Due from other Minnesota school districts	148,571
Due from other governmental units	1,642
Inventory	31,035
Prepaid items	278,106
Equity interest in joint venture	269,554
Capital assets, not being depreciated	
Land	1,022,151
Capital assets, net of accumulated depreciation/amortization	
Land improvements	3,239,417
Buildings	66,397,506
Machinery and equipment	2,662,520
Leased equipment	59,019
Total assets	<u>101,727,854</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	3,930,128
Deferred outflows of resources related to other post employment benefits (OPEB)	278,512
Total deferred outflows of resources	<u>4,208,640</u>
Total assets and deferred outflows of resources	<u>\$ 105,936,494</u>
Liabilities	
Accounts payable	\$ 254,640
Contracts payable	49,018
Salaries and benefits payable	2,780,815
Interest payable	642,745
Due to other Minnesota school districts	210,983
Due to other governmental units	138,006
Unearned revenue	35,182
Bonds payable	
Payable within one year	3,835,000
Payable after one year	48,431,278
Lease liability	
Payable within one year	21,489
Payable after one year	40,533
Special assessment payable	
Payable within one year	18,400
Payable after one year	294,400
Compensated absences payable	
Payable within one year	215,086
Payable after one year	683,211
Total OPEB liability	
Payable within one year	184,653
Payable after one year	3,534,605
Net pension liability	14,974,203
Total liabilities	<u>76,344,247</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	10,835,458
Deferred inflows of resources related to pensions	5,367,831
Deferred inflows of resources related to other post employment benefits (OPEB)	971,640
Total deferred inflows of resources	<u>17,174,929</u>
Net Position	
Net investment in capital assets	20,739,513
Restricted for	
Debt service	1,014,078
Other purposes	5,139,739
Unrestricted	(14,476,012)
Total net position	<u>12,417,318</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 105,936,494</u>

See notes to basic financial statements.

Independent School District No. 879
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	\$ 1,434,120	\$ -	\$ 11,301	\$ -	\$ (1,422,819)
District support services	851,124	4,000	67,736	-	(779,388)
Elementary and secondary regular instruction	16,079,766	597,050	1,985,850	-	(13,496,866)
Vocational education instruction	408,401	-	534	-	(407,867)
Special education instruction	5,735,878	39,226	4,478,587	-	(1,218,065)
Instructional support services	1,687,300	-	581,249	-	(1,106,051)
Pupil support services	3,008,661	-	1,272,949	-	(1,735,712)
Sites and buildings	4,257,354	-	403,811	350,458	(3,503,085)
Fiscal and other fixed cost programs	252,659	-	-	-	(252,659)
Food service	1,693,069	136,891	1,577,163	-	20,985
Community education and services	2,692,319	2,465,371	235,490	-	8,542
Unallocated depreciation	1,653,695	-	-	-	(1,653,695)
Interest and fiscal charges on long-term debt	1,336,049	-	-	-	(1,336,049)
Total governmental activities	<u>\$ 41,090,395</u>	<u>\$ 3,242,538</u>	<u>\$ 10,614,670</u>	<u>\$ 350,458</u>	(26,882,729)
General revenues					
Taxes					
Property taxes, levied for general purposes					5,590,741
Property taxes, levied for community service					210,138
Property taxes, levied for debt service					4,984,827
State aid-formula grants					18,748,816
Investment income					727,998
Net income (loss) from joint venture					20,146
Gain of sale of assets					50
Total general revenues					<u>30,282,716</u>
Change in net position					<u>3,399,987</u>
Net position - beginning					9,775,123
Change in accounting principle (Note 9)					<u>(757,792)</u>
Net position - beginning, restated					<u>9,017,331</u>
Net position - ending					<u>\$ 12,417,318</u>

See notes to basic financial statements.

Independent School District No. 879
Balance Sheet - Governmental Funds
June 30, 2025

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 13,175,126	\$ 3,908,085	\$ 2,063,835	\$ 19,147,046
Current property taxes receivable	2,707,462	2,572,596	122,200	5,402,258
Delinquent property taxes receivable	280,195	268,647	10,921	559,763
Accounts receivable	77,367	-	34,545	111,912
Interest receivable	56,824	-	-	56,824
Due from Department of Education	2,237,187	38,062	31,518	2,306,767
Due from Federal Government through Department of Education	30,959	-	2,804	33,763
Due from other Minnesota school districts	139,509	-	9,062	148,571
Due from other governmental units	1,322	-	320	1,642
Inventory	8,517	-	22,518	31,035
Prepaid items	274,136	-	3,970	278,106
Total assets	<u>\$ 18,988,604</u>	<u>\$ 6,787,390</u>	<u>\$ 2,301,693</u>	<u>\$ 28,077,687</u>
Liabilities				
Accounts payable	\$ 182,919	\$ -	\$ 71,721	\$ 254,640
Contracts payable	49,018	-	-	49,018
Salaries and benefits payable	2,645,205	-	135,610	2,780,815
Due to other Minnesota school districts	210,983	-	-	210,983
Due to other governmental units	134,542	-	3,464	138,006
Unearned revenue	-	-	35,182	35,182
Total liabilities	<u>3,222,667</u>	<u>-</u>	<u>245,977</u>	<u>3,468,644</u>
Deferred Inflows of Resources				
Property taxes levied for subsequent year's expenditures	5,450,081	5,130,567	254,810	10,835,458
Unavailable revenue - delinquent property taxes	268,008	256,963	10,446	535,417
Total deferred inflows of resources	<u>5,718,089</u>	<u>5,387,530</u>	<u>265,256</u>	<u>11,370,875</u>
Fund Balances				
Nonspendable	282,653	-	26,488	309,141
Restricted	3,338,833	1,399,860	1,763,972	6,502,665
Committed	100,238	-	-	100,238
Assigned	561,749	-	-	561,749
Unassigned	5,764,375	-	-	5,764,375
Total fund balances	<u>10,047,848</u>	<u>1,399,860</u>	<u>1,790,460</u>	<u>13,238,168</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,988,604</u>	<u>\$ 6,787,390</u>	<u>\$ 2,301,693</u>	<u>\$ 28,077,687</u>

See notes to basic financial statements.

Independent School District No. 879
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2025

Total fund balance - governmental funds	\$ 13,238,168
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Equity interests in underlying capital assets of joint ventures are not reported in the funds because they do not represent current assets.	
Equity interest in joint venture - Wright Technical Center	269,554
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	110,103,335
Less accumulated depreciation/amortization	(36,722,722)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond principal payable	(50,945,000)
Lease liability	(62,022)
Special assessment payable	(312,800)
Net premium on bonds payable	(1,321,278)
Compensated absences payable	(898,297)
Total OPEB liability	(3,719,258)
Net pension liability	(14,974,203)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(5,367,831)
Deferred outflows of resources related to pensions	3,930,128
Deferred inflows of resources related to OPEB	(971,640)
Deferred outflows of resources related to OPEB	278,512
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	535,417
Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.	<u>(642,745)</u>
Total net position - governmental activities	<u>\$ 12,417,318</u>

Independent School District No. 879
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2025

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues				
Local property taxes	\$ 5,545,452	\$ 4,970,630	\$ 212,658	\$ 10,728,740
Other local and county revenues	2,017,394	108,749	2,431,627	4,557,770
Revenue from state sources	26,023,674	380,620	1,349,699	27,753,993
Revenue from federal sources	216,693	-	469,323	686,016
Sales and other conversion of assets	947	-	273,005	273,952
Total revenues	<u>33,804,160</u>	<u>5,459,999</u>	<u>4,736,312</u>	<u>44,000,471</u>
Expenditures				
Current				
Administration	1,372,222	-	-	1,372,222
District support services	824,049	-	-	824,049
Elementary and secondary regular instruction	15,839,678	-	-	15,839,678
Vocational education instruction	409,559	-	-	409,559
Special education instruction	5,765,983	-	-	5,765,983
Instructional support services	1,678,143	-	-	1,678,143
Pupil support services	2,997,000	-	-	2,997,000
Sites and buildings	4,299,314	-	-	4,299,314
Fiscal and other fixed cost programs	252,659	-	-	252,659
Food service	-	-	1,717,281	1,717,281
Community education and services	-	-	2,706,221	2,706,221
Capital outlay				
District support services	421,901	-	-	421,901
Elementary and secondary regular instruction	48,228	-	-	48,228
Special education instruction	5,787	-	-	5,787
Instructional support services	25,948	-	-	25,948
Pupil support services	5,815	-	-	5,815
Sites and buildings	90,019	-	-	90,019
Food service	-	-	33,061	33,061
Community education and services	-	-	28,622	28,622
Debt service				
Principal	38,843	3,680,000	-	3,718,843
Interest and fiscal charges	14,297	1,675,262	-	1,689,559
Total expenditures	<u>34,089,445</u>	<u>5,355,262</u>	<u>4,485,185</u>	<u>43,929,892</u>
Excess of revenues over (under) expenditures	(285,285)	104,737	251,127	70,579
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	<u>50</u>	<u>-</u>	<u>-</u>	<u>50</u>
Net change in fund balances	(285,235)	104,737	251,127	70,629
Fund Balances				
Beginning of year	<u>10,333,083</u>	<u>1,295,123</u>	<u>1,539,333</u>	<u>13,167,539</u>
End of year	<u>\$ 10,047,848</u>	<u>\$ 1,399,860</u>	<u>\$ 1,790,460</u>	<u>\$ 13,238,168</u>

See notes to basic financial statements.

Independent School District No. 879
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities -
Governmental Funds
Year Ended June 30, 2025

Net change in fund balances - total governmental funds	\$ 70,629
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net income from the equity interest in a joint venture does not provide current financial resources and its not reported as revenue in the funds.	20,146
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/amortization expense.	
Capital outlays	1,276,972
Depreciation/amortization expense	(2,752,777)
Compensated absences payable are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(79,814)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	3,718,843
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	53,396
Premiums and discounts are amortized over the life of the bond on the statement of net position.	300,114
Net OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(206,385)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	941,897
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	56,966
Change in net position - governmental activities	<u>\$ 3,399,987</u>

Independent School District No. 879
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
Revenues				
Local property taxes	\$ 5,476,548	\$ 5,511,460	\$ 5,545,452	\$ 33,992
Other local and county revenues	986,990	1,877,334	2,017,394	140,060
Revenue from state sources	25,639,049	26,056,126	26,023,674	(32,452)
Revenue from federal sources	201,372	216,759	216,693	(66)
Sales and other conversion of assets	-	947	947	-
Total revenues	<u>32,303,959</u>	<u>33,662,626</u>	<u>33,804,160</u>	<u>141,534</u>
Expenditures				
Current				
Administration	1,393,415	1,463,554	1,372,222	(91,332)
District support services	879,736	823,314	824,049	735
Elementary and secondary regular instruction	15,319,594	15,915,389	15,839,678	(75,711)
Vocational education instruction	390,596	417,114	409,559	(7,555)
Special education instruction	5,658,242	5,826,324	5,765,983	(60,341)
Instructional support services	1,719,040	1,689,308	1,678,143	(11,165)
Pupil support services	2,943,581	3,025,773	2,997,000	(28,773)
Sites and buildings	4,602,263	4,453,464	4,299,314	(154,150)
Fiscal and other fixed cost programs	206,000	253,502	252,659	(843)
Capital outlay				
Administration	9,347	5,125	-	(5,125)
District support services	376,000	427,643	421,901	(5,742)
Elementary and secondary regular instruction	29,500	56,450	48,228	(8,222)
Special education instruction	-	5,787	5,787	-
Instructional support services	31,255	31,665	25,948	(5,717)
Pupil support services	1,100	5,815	5,815	-
Sites and buildings	79,800	93,793	90,019	(3,774)
Debt service				
Principal	22,521	22,656	38,843	16,187
Interest and fiscal charges	6,233	1,446	14,297	12,851
Total expenditures	<u>33,668,223</u>	<u>34,518,122</u>	<u>34,089,445</u>	<u>(428,677)</u>
Excess of revenues over (under) expenditures	(1,364,264)	(855,496)	(285,285)	570,211
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	50	50	-
Net change in fund balance	<u>\$ (1,364,264)</u>	<u>\$ (855,446)</u>	<u>(285,235)</u>	<u>\$ 570,211</u>
Fund Balance				
Beginning of year			10,333,083	
End of year			<u>\$ 10,047,848</u>	

See notes to basic financial statements.

Independent School District No. 879
Statement of Fiduciary Net Position
June 30, 2025

	<u>Custodial Fund</u>
Assets	
Current	
Cash and investments	<u>\$ 30,404</u>
Liabilities	
Accounts Payable	<u>\$ 3,500</u>
Net Position	
Restricted for scholarships	3,500
Restricted for other purposes	23,404
Total Net Position	<u>26,904</u>
 Total Liabilities and Net Position	 <u>\$ 30,404</u>

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

	<u>Custodial Fund</u>
Additions	
Other local revenues	\$ 80,858
Deductions	
Scholarships	5,630
Pupil support services	71,638
Total deductions	<u>77,268</u>
 Change in net position	 3,590
Net Position	
Beginning of year	<u>23,314</u>
 End of year	 <u>\$ 26,904</u>

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Independent School District No. 879
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

Joint Venture

A joint venture is a legal entity or other organization that results from a contracted agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. The participants retain either an ongoing financial interest or an ongoing financial responsibility. The District participates in one joint venture. A description of this organization is included in Note 8.

B. Basic Financial Statement Information

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

Depreciation/ amortization expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation/ amortization expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

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

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

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures

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

The District applies resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, committed, assigned, and unassigned.

Description of Funds:

Major Funds:

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

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

Nonmajor Funds:

Food Service Special Revenue Fund - This fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund - This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services.

Fiduciary Fund:

Custodial Fund - This fund is used to account for resources received and held by the District to be used in making scholarship awards, theater, concerts in the park, county conferences, and youth assistance programs.

D. Deposits and Investments

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

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

Cash and investments at June 30, 2025, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF), shares in MNTrust MNTrust Term series. MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value

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

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

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 1899, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2025. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Prepaid Items

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

I. Property Taxes

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

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

J. Capital Assets

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

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

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

Capital assets are depreciated/amortized using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration. Useful lives vary from 5 to 50 years for land improvements, buildings, machinery and equipment, and vehicles.

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

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

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Right-to-Use Lease Assets/Lease Liabilities (Continued)

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

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District determines its estimated borrowing rate based on the applicable State and Local Government Securities rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources.

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

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

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

N. Compensated Absences

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

Certain District employees earn vacation days based on the number of completed years of service. Vacation is accumulated at various rates and maximum hours are capped at different amounts. Certain employees are compensated for unused vacation upon termination of employment. Employees are entitled to paid sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment (sick pay is recorded as an expenditure when payment is made).

O. Pensions

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

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2025.

Q. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- **Nonspendable Fund Balances** - These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include prepaids and inventory.
- **Restricted Fund Balances** - These amounts are subject to externally enforceable legal restrictions.
- **Committed Fund Balances** - The government's highest level of decision making authority is the School Board. The formal action to establish, modify, or rescind a commitment must be made by the School Board.
- **Assigned Fund Balances** - The School Board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The School Board also delegates the power to assign fund balances to the Superintendent or Business Manager.
- **Minimum Fund Balance Policy** - The District will strive to maintain a minimum unassigned General Fund balance of 12% of operating expenditures.

R. Net Position

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

S. Use of Estimates

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Budgetary Information

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk - Deposits: This is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. The District has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of June 30, 2025, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

As of June 30, 2025, the District had the following pooled deposits:

Checking	\$ 608,887
Certificates of deposit	<u>966,100</u>
Total deposits	<u><u>\$ 1,574,987</u></u>

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

1. District Governmental Funds Pooled

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

	Fair Value	Less Than One Year	1-2 Years	Moody's/S&P Ratings
MSDLAF - Liquid Class	\$ 3,403,683	\$ 3,403,683	\$ -	NR
MSDLAF - Max Class	9,404,938	9,404,938	-	NR
MNTrust IS Account Balance	2,281,971	2,281,971	-	AAAm
MNTrust Term Series	2,000,000	-	2,000,000	AAAm
US Treasury Securities	511,271	511,271	-	AAA
	<u>\$ 17,601,863</u>	<u>\$ 15,601,863</u>	<u>\$ 2,000,000</u>	
Total investments	<u>\$ 17,601,863</u>	<u>\$ 15,601,863</u>	<u>\$ 2,000,000</u>	

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy states the District shall manage its investments in a manner to attain a market yield rate of return through various economics and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to be in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy indicates the District will follow state law. The District's investments were rated in the table above by Standards and Poor's (S&P) and Moody's Investor Services. These investments were in the top two rating categories.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's policy does not allow for an investment in any one issuer that is in excess of five percent of the total investments.

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

The District has the following recurring fair value measurements as of June 30, 2025:

- \$511,271 of investments are valued using a matrix pricing model (Level 2 inputs).

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

C. Summary of Deposits and Investments

Summary of deposits and investments as of June 30, 2025:

Deposits (Note 3.A.)	\$ 1,574,987
Petty cash	600
Investments (Note 3.B.)	<u>17,601,863</u>
Total deposits and investments	<u><u>\$ 19,177,450</u></u>

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

Statement of Net Position	
Cash and investments	\$ 19,147,046
Statement of Fiduciary Net Position	
Cash and investments - custodial fund	<u>30,404</u>
Total deposits and investments	<u><u>\$ 19,177,450</u></u>

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,022,151	\$ -	\$ -	\$ 1,022,151
Construction in progress	21,036	-	21,036	-
Total capital assets not being depreciated	1,043,187	-	21,036	1,022,151
Other capital assets				
Improvements	6,027,587	476,006	-	6,503,593
Buildings	96,268,497	103,000	-	96,371,497
Equipment	5,403,160	719,002	23,137	6,099,025
Lease equipment	107,069	-	-	107,069
Total other capital assets at historical cost	107,806,313	1,298,008	23,137	109,081,184
Less accumulated depreciation for				
Improvements	3,008,655	255,521	-	3,264,176
Buildings	28,051,384	1,922,607	-	29,973,991
Equipment	2,906,407	553,235	23,137	3,436,505
Less accumulated amortization for				
Lease equipment	26,636	21,414	-	48,050
Total accumulated depreciation/amortization	33,993,082	2,752,777	23,137	36,722,722
Total capital assets being depreciated/ amortized, net	73,813,231	(1,454,769)	-	72,358,462
Governmental activities, capital assets, net	<u>\$ 74,856,418</u>	<u>\$ (1,454,769)</u>	<u>\$ -</u>	<u>\$ 73,380,613</u>

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 3 - CAPITAL ASSETS

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

Administration	\$ 80,181
District Support Services	21,414
Elementary and Secondary Regular Instruction	244,773
Special Education Instruction	1,767
Pupil Support Services	15,895
Sites and Buildings	726,720
Community Service	8,332
Unallocated	<u>1,653,695</u>
 Total depreciation/amortization expense	 <u><u>\$ 2,752,777</u></u>

NOTE 4 - LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. School Building Bonds, Series 2016A	02/18/16	2.75%-4.00%	\$ 62,900,000	02/01/36	\$ 49,835,000	\$ 3,475,000
G.O. Alternative Facilities Bonds, Series 2017A	09/21/17	2.00%-3.00%	3,390,000	02/01/28	1,110,000	360,000
Total G.O. bonds					<u>50,945,000</u>	<u>3,835,000</u>
 Premium on bonds payable					1,321,278	-
Lease liability					62,022	21,489
Special assessments payable					312,800	18,400
Compensated absences payable					<u>898,297</u>	<u>215,086</u>
 Total all long-term liabilities					 <u><u>\$ 53,539,397</u></u>	 <u><u>\$ 4,089,975</u></u>

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities.

The bond obligations are paid from the Debt Service Fund. Other long-term liability payments are paid from the General Fund.

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

B. Changes in Long-Term Liabilities

	Beginning Balance	Change in Accounting Principle	Beginning Balance Restated	Additions	Reductions	Ending Balance
Long-term liabilities						
G.O. bonds	\$ 54,625,000	\$ -	\$ 54,625,000	\$ -	\$ 3,680,000	\$ 50,945,000
Premium on bonds payable	1,621,392	-	1,621,392	-	300,114	1,321,278
Lease liability	82,465	-	82,465	-	20,443	62,022
Special assessments payable	331,200	-	331,200	-	18,400	312,800
Compensated absences payable	60,691	757,792	818,483	79,814	-	898,297
Total long-term liabilities	<u>\$ 56,720,748</u>	<u>\$ 757,792</u>	<u>\$ 57,478,540</u>	<u>\$ 79,814</u>	<u>\$ 4,018,957</u>	<u>\$ 53,539,397</u>

The change in compensated absences payable are shown as a net change.

See Note 9 for discussion on the change in accounting principle.

C. Bond Payment Schedule

Minimum annual principal and interest payments required to retire bonds:

Year Ended June 30,	G.O. Bonds		
	Principal	Interest	Total
2026	\$ 3,835,000	\$ 1,542,588	\$ 5,377,588
2027	3,955,000	1,396,388	5,351,388
2028	4,070,000	1,279,588	5,349,588
2029	4,385,000	1,159,388	5,544,388
2030	4,530,000	1,038,800	5,568,800
2031-2035	24,760,000	3,086,330	27,846,330
2036-2039	5,410,000	162,300	5,572,300
Total	<u>\$ 50,945,000</u>	<u>\$ 9,665,382</u>	<u>\$ 60,610,382</u>

D. Lease Liability

On March 31, 2023, the District entered into a lease agreement for copiers. The obligation totaled \$93,528. This agreement includes monthly principal and interest payments of \$1,758 per month for 60 months.

On April 19, 2023, the District entered into a lease agreement for a postage machine. The obligation totaled \$13,541. This agreement includes monthly principal and interest payments of \$251 per month for 60 months.

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

D. Lease Liability (Continued)

Minimum annual principal and interest payments required to retire lease liabilities:

Year Ended June 30,	Lease Liability		
	Principal	Interest	Total
2026	\$ 21,489	\$ 2,313	\$ 23,802
2027	22,588	1,514	24,102
2028	17,945	381	18,326
Total	<u>\$ 62,022</u>	<u>\$ 4,208</u>	<u>\$ 66,230</u>

E. Special Assessment

The District is obligated to pay special assessments to the City of Delano for a water main relocation. The minimum annual principal and interest payments required to retire the assessment are as follows:

Year Ended June 30,	Special Assessments		
	Principal	Interest	Total
2026	\$ 18,400	\$ 10,086	\$ 28,486
2027	18,400	9,534	27,934
2028	18,400	8,982	27,382
2029	18,400	8,430	26,830
2030	18,400	7,878	26,278
2031-2035	115,000	29,354	144,354
2036-2039	105,800	9,442	115,242
Total	<u>\$ 312,800</u>	<u>\$ 83,706</u>	<u>\$ 396,506</u>

NOTE 5 - FUND BALANCES

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 5 - FUND BALANCES (CONTINUED)

Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service Fund	Other Nonmajor Funds	Total
Nonspendable for				
Inventory	\$ 8,517	\$ -	\$ 22,518	\$ 31,035
Prepays items	274,136	-	3,970	278,106
Total nonspendable	<u>282,653</u>	<u>-</u>	<u>26,488</u>	<u>309,141</u>
Restricted/reserved for				
Student Activities	49,730	-	-	49,730
Scholarships	4,285	-	-	4,285
Staff Development	252,071	-	-	252,071
Q Comp	244,893	-	-	244,893
Literacy Incentive	244,397	-	-	244,397
Operating Capital	488,436	-	-	488,436
Teacher Compensation Read Act	19,439	-	-	19,439
Long-Term Facilities Maintenance	1,996,281	-	-	1,996,281
Medical Assistance	39,301	-	-	39,301
Debt Service	-	1,399,860	-	1,399,860
Food Service	-	-	989,676	989,676
Community Service	-	-	508	508
Community Education	-	-	764,676	764,676
Early Childhood and Family Education	-	-	330	330
School Readiness	-	-	7,885	7,885
Adult Basic Education	-	-	897	897
Total restricted/reserved	<u>3,338,833</u>	<u>1,399,860</u>	<u>1,763,972</u>	<u>6,502,665</u>
Committed for				
Separation/Retirement Benefits	<u>100,238</u>	<u>-</u>	<u>-</u>	<u>100,238</u>
Assigned for				
Donated Funds	532,616	-	-	532,616
Providing Transformative Learning Experiences	<u>29,133</u>	<u>-</u>	<u>-</u>	<u>29,133</u>
Total assigned	<u>561,749</u>	<u>-</u>	<u>-</u>	<u>561,749</u>
Unassigned	<u>5,764,375</u>	<u>-</u>	<u>-</u>	<u>5,764,375</u>
Total fund balance	<u>\$ 10,047,848</u>	<u>\$ 1,399,860</u>	<u>\$ 1,790,460</u>	<u>\$ 13,238,168</u>

Nonspendable for Inventory - This balance represents fund balance that has already been spent as inventory.

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 5 - FUND BALANCES (CONTINUED)

Fund Equity (Continued)

Nonspendable for Prepaid Items - This balance represents fund balance that has already been spent as prepaid items.

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

Restricted/Reserved for Scholarships - This balance represents available resources for the scholarship funds.

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

Restricted/Reserved for Quality Compensation - Alternative Teacher Professional Pay System - This balance represents available resources to be used for Quality Compensation - Alternative Teacher Professional Pay System.

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

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

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

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

Restricted/Reserved for Medical Assistance - This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* § 125A.21, subd. 3).

Restricted for Debt Service - This balance represents the resources available for the payment of G.O. bond principal, interest, and related costs.

Restricted for Food Service - This balance represents the accumulation of the activity to provide the food service program.

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 5 - FUND BALANCES (CONTINUED)

Fund Equity (Continued)

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

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

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

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

Committed for Separation/Retirement Benefits - This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences, pensions, other post-employment benefits (OPEB), and termination benefits (as defined in GASB Statements Nos. 16, 27, 45, 47 and 50 and *Minnesota Statutes* § 123B.79, subd. 7).

Assigned for Donated Funds - This balance represents resources segregated from unassigned fund balance for different groups (athletics, media center, principals, etc.) who have done fundraising or receive donations for specific purposes.

Assigned for Providing Transformative Learning Experiences - This balance represents resources segregated from unassigned fund balances for providing transformative learning experiences.

Net position restricted for other purposes on the Statement of Net Position are comprised of the total positive General Fund restricted fund balances and the total net position restricted for food service and community service.

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2025, was \$1,222,725. The components of pension expense are noted in the following plan summaries.

The General Fund and Community Service Fund typically liquidate the liability related to the pensions.

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association

A. Plan Description

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

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

B. Benefits Provided

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

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

Tier I Benefits

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

With these provisions:

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

Or

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

Tier II Benefits

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

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

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

C. Contributions

Per *Minnesota Statutes* Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$1,288,362. The District's contributions were equal to the required contributions for each year as set by state statute.

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

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

Mortality Assumptions

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

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

Changes in actuarial assumptions since the previous valuation:

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

E. Discount Rate

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

F. Net Pension Liability

On June 30, 2025, the District reported a liability of \$13,016,348 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.2048% at the end of the measurement period and 0.2034% 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	\$ 13,016,348
State's proportionate share of the net pension liability associated with the District	<u>851,323</u>
Total	<u><u>\$ 13,867,671</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$1,151,202. Included in this amount, the District recognized \$46,798 as pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$360,865 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. 879
Notes to Basic Financial Statements

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

As of 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 experience	\$ 623,020	\$ 168,545
Net difference between projected and actual earnings on plan investments	-	1,853,614
Changes of assumptions	1,334,261	1,552,235
Changes in proportion	110,135	295,982
Contributions to TRA subsequent to the measurement date	1,288,362	-
	<u>1,288,362</u>	<u>-</u>
Total	<u>\$ 3,355,778</u>	<u>\$ 3,870,376</u>

The \$1,288,362 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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

Year Ended June 30,	Pension Expense Amount
2026	\$ (909,983)
2027	1,100,166
2028	(998,593)
2029	(808,390)
2030	(186,160)
	<u>(186,160)</u>
Total	<u>\$ (1,802,960)</u>

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

	Sensitivity of NPL to Changes in the Discount Rate		
	1% Decrease in	Current	1% Increase in
	Discount Rate (6.0%)	Discount Rate (7.0%)	Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	\$ 22,917,798	\$ 13,016,348	\$ 4,862,300

H. Pension Plan Fiduciary Net Position

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

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

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$377,157. The District's contributions were equal to the required contributions as set by state statute.

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$1,957,855 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$50,626.

District's proportionate share of net pension liability	\$ 1,957,855
State's proportionate share of the net pension liability associated with the District	<u>50,626</u>
Total	<u><u>\$ 2,008,481</u></u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0530% at the end of the measurement period and 0.0552% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$71,523 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$1,357 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedule for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$90,083 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 186,977	\$ -
Changes in actuarial assumptions	10,216	763,914
Net difference between projected and actual investments earnings	-	572,370
Change in proportion	-	161,171
Contributions paid to PERA subsequent to the measurement date	377,157	-
Total	<u>\$ 574,350</u>	<u>\$ 1,497,455</u>

The \$377,157 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2026	\$ (723,682)
2027	(152,592)
2028	(273,930)
2029	(150,058)
Total	<u>\$ (1,300,262)</u>

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

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

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

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

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

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

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

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	\$ 4,276,270	\$ 1,957,855	\$ 50,747

I. Pension Plan Fiduciary Net Position

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

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by PIEP. It is the District's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are accimated in a trust.

B. Benefits Paid

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 56 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Members

As of July 1, 2024, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Active employees	<u>275</u>
Total	<u><u>287</u></u>

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with PIEP. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2025, the District contributed \$170,399 to the plan.

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	4.10%
Salary increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.50% in 2024, grading to 5.00% over 6 years and then to 4.00% over the next 48 years
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

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

The discount rate used to measure the total OPEB liability was 4.10% based on the 20-year municipal bond yield.

F. Total OPEB Liability

The District's total OPEB liability of \$3,719,258 was measured as of July 1, 2024, and was determined by an actuarial valuation as of July 1, 2024.

Assumption changes for the June 30, 2025, year:

- The discount rate was changed from 3.90% to 4.10%
- The health care trend rates were updated.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability (a)
Balances at July 1, 2024	\$ 3,589,257
Changes for the year	
Service cost	243,159
Interest cost	145,975
Assumption changes	(11,147)
Plan changes	70,022
Differences between expected and actual economic experience	(137,368)
Benefit payments	(180,640)
Net changes	130,001
Balances at June 30, 2025	\$ 3,719,258

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 4.10% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (3.10%)	Current Discount Rate (4.10%)	1% Increase in Discount Rate (5.10%)
Total OPEB liability	\$ 3,982,515	\$ 3,719,258	\$ 3,466,940

The following presents the total OPEB liability of the District as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates. The decrease in health care cost trend rates is over six years.

	1% Decrease (5.50 Decreasing to 4.0%)	1% Decrease (6.50 Decreasing to 5.0%)	1% Decrease (7.50 Decreasing to 6.0%)
Total OPEB liability	\$ 3,521,303	\$ 3,719,258	\$ 3,952,051

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$341,166. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses/gains	\$ 28,153	\$ 626,015
Changes of assumptions	79,960	345,625
Subsequent contributions	170,399	-
Total	<u>\$ 278,512</u>	<u>\$ 971,640</u>

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

The \$170,399 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	
2026	\$ (117,990)
2027	(117,990)
2028	(117,987)
2029	(122,021)
2030	(131,805)
Thereafter	<u>(255,734)</u>
Total	<u><u>\$ (863,527)</u></u>

NOTE 8 - COMMITMENTS

A. Joint Powers

The District entered into a joint powers agreement in February 1998 with Wright Technical Center No. 966 (WTC), a cooperative center for vocational education, between and among eight other independent school districts to finance the acquisition and betterment of the addition to the existing WTC facilities.

The addition was financed through capital lease agreements. Each participating district annually authorizes a leading levy to cover their allocated portion of the lease payment based on the formula set out in the joint powers agreement. Participating districts will also be apportioned operating costs and continuing costs for the addition based on the current cost. Separately issued basic financial statements can be obtained from Wright Technical Center, 1400 Highway 25 North Buffalo, Minnesota 55313-1936.

Independent School District No. 879
Notes to Basic Financial Statements

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE

The government wide beginning net position for governmental activities was restated as a result of the implementation of GASB Statement No. 101, Compensated Absences.

Reporting Units Affected by Adjustments to and Restatements of Beginning Balances	
	Governmental Activities
6/30/2024, as previously reported	\$ 9,775,123
Change in accounting principle GASB Statement No. 101 implementation	<u>(757,792)</u>
6/30/2024, as adjusted or restated	<u><u>\$ 9,017,331</u></u>

NOTE 10 - GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 879
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability				
Service cost	\$ 237,911	\$ 280,201	\$ 308,361	\$ 300,001
Interest	135,041	138,749	148,759	137,879
Changes of assumptions	-	(53,622)	97,912	(81,954)
Differenced between expected and actual experience	-	93,855	-	(472,316)
Plan changes	-	-	-	-
Benefit payments	(331,767)	(280,164)	(356,424)	(341,531)
Net change in total OPEB liability	41,185	179,019	198,608	(457,921)
Beginning of year	3,898,370	3,939,555	4,118,574	4,317,182
End of year	<u>\$ 3,939,555</u>	<u>\$ 4,118,574</u>	<u>\$ 4,317,182</u>	<u>\$ 3,859,261</u>
Covered payroll	\$ 13,280,316	\$ 14,490,655	\$ 14,925,375	\$ 15,133,308
Total OPEB liability as a percentage of covered-employee payroll	29.66%	28.42%	28.93%	25.50%

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

<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>
\$ 323,451	\$ 219,021	\$ 222,088	\$ 243,159
97,469	87,736	135,710	145,975
64,116	(369,185)	(20,356)	(11,147)
-	(347,873)	-	(137,368)
-	38,666	-	70,022
<u>(244,450)</u>	<u>(283,393)</u>	<u>(193,004)</u>	<u>(180,640)</u>
<u>240,586</u>	<u>(655,028)</u>	<u>144,438</u>	<u>130,001</u>
<u>3,859,261</u>	<u>4,099,847</u>	<u>3,444,819</u>	<u>3,589,257</u>
<u>\$ 4,099,847</u>	<u>\$ 3,444,819</u>	<u>\$ 3,589,257</u>	<u>\$ 3,719,258</u>
\$ 15,587,307	\$ 15,750,414	\$ 16,222,926	\$ 17,448,678
26.30%	21.87%	22.12%	21.32%

Independent School District No. 879
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0560%	\$ 2,902,211	\$ -	\$ 2,902,211	\$ 3,237,587	89.6%	78.2%
2016	0.0591%	4,798,627	62,701	4,861,328	3,669,560	130.8%	68.9%
2017	0.0587%	3,747,369	47,113	3,794,482	3,781,053	99.1%	75.9%
2018	0.0584%	3,239,793	106,243	3,346,036	3,927,360	82.5%	79.5%
2019	0.0616%	3,405,726	105,829	3,511,555	4,361,667	78.1%	80.2%
2020	0.0607%	3,639,242	112,272	3,751,514	4,328,760	84.1%	79.1%
2021	0.0577%	2,464,048	75,168	2,539,216	4,151,733	59.3%	87.0%
2022	0.0566%	4,482,739	131,287	4,614,026	4,237,480	105.8%	76.7%
2023	0.0552%	3,086,722	85,058	3,171,780	4,389,387	70.3%	83.1%
2024	0.0530%	1,957,855	50,626	2,008,481	4,482,200	43.7%	89.1%

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1976%	\$ 12,223,514	\$ 1,499,077	\$ 13,722,591	\$ 10,030,187	121.9%	76.8%
2016	0.2037%	48,587,310	4,875,894	53,463,204	10,593,453	458.7%	44.9%
2017	0.2055%	41,021,528	3,966,035	44,987,563	11,061,400	370.9%	51.6%
2018	0.2063%	12,957,571	1,217,498	14,175,069	11,396,373	113.7%	78.1%
2019	0.2112%	13,461,932	1,191,389	14,653,321	11,992,776	112.3%	78.2%
2020	0.2125%	15,699,785	1,315,641	17,015,426	12,347,336	127.2%	75.5%
2021	0.2082%	9,111,455	768,587	9,880,042	12,457,589	73.1%	86.6%
2022	0.2061%	16,503,398	1,223,608	17,727,006	12,736,894	129.6%	76.2%
2023	0.2034%	16,793,160	1,176,078	17,969,238	12,932,292	129.9%	76.4%
2024	0.2048%	13,016,348	851,323	13,867,671	13,571,097	95.9%	82.1%

See notes to required supplementary information.

Independent School District No. 879
Schedule of District Contributions
General Employees Retirement Fund

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2016	\$ 275,217	\$ 275,217	\$ -	\$ 3,669,560	7.50%
2017	283,579	283,579	-	3,781,053	7.50%
2018	294,552	294,552	-	3,927,360	7.50%
2019	327,125	327,125	-	4,361,667	7.50%
2020	324,657	324,657	-	4,328,760	7.50%
2021	311,380	311,380	-	4,151,733	7.50%
2022	317,811	317,811	-	4,237,480	7.50%
2023	329,204	329,204	-	4,389,387	7.50%
2024	336,165	336,165	-	4,482,200	7.50%
2025	377,157	377,157	-	5,028,760	7.50%

Schedule of District Contributions
TRA Retirement Fund

<u>Fiscal Year Ending June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2016	\$ 794,509	\$ 794,509	\$ -	\$ 10,593,453	7.50%
2017	829,605	829,605	-	11,061,400	7.50%
2018	854,728	854,728	-	11,396,373	7.50%
2019	924,643	924,643	-	11,992,776	7.71%
2020	977,909	977,909	-	12,347,336	7.92%
2021	1,012,802	1,012,802	-	12,457,589	8.13%
2022	1,062,257	1,062,257	-	12,736,894	8.34%
2023	1,105,711	1,105,711	-	12,932,292	8.55%
2024	1,187,471	1,187,471	-	13,571,097	8.75%
2025	1,288,362	1,288,362	-	14,724,137	8.75%

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Independent School District No. 879
Notes to the Required Supplementary Information

TRA Retirement Fund

2024 Changes

Changes in Actuarial Assumptions

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

Changes of Benefit Terms

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

2023 Changes

Changes in Actuarial Assumptions

- None

2022 Changes

Changes in Actuarial Assumptions

- None

2021 Changes

Changes in Actuarial Assumptions

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

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.

Independent School District No. 879
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2018 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.

Independent School District No. 879
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Independent School District No. 879
Notes to the Required Supplementary Information

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 879
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed.

Independent School District No. 879
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions

- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 879
Notes to the Required Supplementary Information

Post Employment Health Care Plan

No assets have been accumulated in a trust to fund these benefits.

2025 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.90% to 4.10%.
- The health care trend rates were updated.

2024 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.80% to 3.90%.

2023 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The discount rate was changed from 2.10% to 3.80%.

2022 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.40% to 2.10%.

2021 Changes

Changes in Actuarial Assumptions

- The health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 3.10% to 2.40%.

2020 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.10% to 2.4%.
- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.

Independent School District No. 879
Notes to the Required Supplementary Information

Post Employment Health Care Plan (Continued)

2019 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.50% to 3.10%.

2018 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.
- The trend on the Medicare Supplement Rate was changed from the health care trend rates to 4% per year.
- The percentage of future retirees not eligible for a subsidy who are assumed to continue on one of the District's medical plans post-employment was decreased from 50% to 40%.
- The percentage of future spouses eligible for a subsidy who are assumed to continue on one of the District's medical plans after their spouses' retirement was increased from 15% to 25%.

2017 Changes

Changes in Actuarial Assumptions

- Changes of assumptions and other inputs reflect a change in the discount rate from 3.0% in 2016 to 3.4% in 2017.

SUPPLEMENTARY INFORMATION

Independent School District No. 879
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Assets			
Cash and investments (including cash equivalents)	\$ 1,012,013	\$ 1,051,822	\$ 2,063,835
Current property taxes receivable	-	122,200	122,200
Delinquent property taxes receivable	-	10,921	10,921
Accounts receivable	4,237	30,308	34,545
Due from Department of Education	8,234	23,284	31,518
Due from Federal Government through Department of Education	2,804	-	2,804
Due from other Minnesota school districts	-	9,062	9,062
Due from other governmental units	-	320	320
Inventory	15,777	6,741	22,518
Prepaid items	3,970	-	3,970
Total assets	\$ 1,047,035	\$ 1,254,658	\$ 2,301,693
Liabilities			
Accounts payable	\$ 2,501	\$ 69,220	\$ 71,721
Salaries and benefits payable	(71)	135,681	135,610
Due to other governmental units	-	3,464	3,464
Unearned revenue	35,182	-	35,182
Total liabilities	37,612	208,365	245,977
Deferred Inflows of Resources			
Property taxes levied for subsequent year's expenditures	-	254,810	254,810
Unavailable revenue - delinquent property taxes	-	10,446	10,446
Total deferred inflows of resources	-	265,256	265,256
Fund Balances			
Nonspendable	19,747	6,741	26,488
Restricted	989,676	774,296	1,763,972
Total fund balances	1,009,423	781,037	1,790,460
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,047,035	\$ 1,254,658	\$ 2,301,693

Independent School District No. 879
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2025

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Revenues			
Local property taxes	\$ -	\$ 212,658	\$ 212,658
Other local and county revenues	37,074	2,394,553	2,431,627
Revenue from state sources	1,107,840	241,859	1,349,699
Revenue from federal sources	469,323	-	469,323
Sales and other conversion of assets	136,599	136,406	273,005
Total revenues	<u>1,750,836</u>	<u>2,985,476</u>	<u>4,736,312</u>
Expenditures			
Current			
Food service	1,717,281	-	1,717,281
Community education and services	-	2,706,221	2,706,221
Capital outlay			
Food service	33,061	-	33,061
Community education and services	-	28,622	28,622
Total expenditures	<u>1,750,342</u>	<u>2,734,843</u>	<u>4,485,185</u>
Excess of revenues over (under) expenditures	494	250,633	251,127
Fund Balances			
Beginning of year	<u>1,008,929</u>	<u>530,404</u>	<u>1,539,333</u>
End of year	<u>\$ 1,009,423</u>	<u>\$ 781,037</u>	<u>\$ 1,790,460</u>

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Detail General Fund
Year Ended June 30, 2025

	2025			2024
	Budgeted Amounts		Variance with	Actual
	Original	Final	Final Budget - Over (Under)	Amounts
Revenues				
Local property taxes				
Property tax levy	\$ 5,341,548	\$ 5,326,385	\$ 5,360,024	\$ 5,192,430
County apportionment	95,000	111,075	111,424	101,367
Miscellaneous taxes	40,000	74,000	74,004	8,630
Total local property taxes	<u>5,476,548</u>	<u>5,511,460</u>	<u>5,545,452</u>	<u>5,302,427</u>
Other local and county revenues				
Tuition and fees	494,550	608,604	611,025	577,019
Interest	400,000	524,215	549,814	566,113
Other local revenues	92,440	744,515	856,555	1,017,010
Total other local and county revenues	<u>986,990</u>	<u>1,877,334</u>	<u>2,017,394</u>	<u>2,160,142</u>
Revenue from state sources				
General education aid	20,056,138	20,054,610	20,038,624	19,907,355
Endowment fund	145,000	164,483	164,483	144,479
Special education aid	4,075,000	4,233,211	4,233,208	3,838,179
Educational agricultural and homestead credit	7,120	7,364	7,364	7,121
Other aids	1,355,791	1,596,458	1,579,995	1,426,371
Total revenue from state sources	<u>25,639,049</u>	<u>26,056,126</u>	<u>26,023,674</u>	<u>25,323,505</u>
Revenue from federal sources				
Title I	38,771	41,864	41,798	44,202
Special education	128,590	138,934	138,934	138,155
Other	34,011	35,961	35,961	33,322
Coronavirus relief funds	-	-	-	27,288
Education stabilization funds	-	-	-	294,674
Total revenue from federal source	<u>201,372</u>	<u>216,759</u>	<u>216,693</u>	<u>537,641</u>
Sales and other conversion of assets				
Local sales and other conversion of assets	-	947	947	3,441
Total revenues	<u>32,303,959</u>	<u>33,662,626</u>	<u>33,804,160</u>	<u>33,327,156</u>
Expenditures				
Current				
Administration				
Salaries and wages	923,208	918,448	911,333	861,084
Employee benefits	395,416	386,763	382,732	376,428
Purchased services	23,750	36,365	34,160	35,043
Supplies and materials	9,100	28,821	24,437	22,649
Capital expenditures	9,347	5,125	-	5,263
Other expenditures	41,941	93,157	19,560	22,828
Total administration	<u>1,402,762</u>	<u>1,468,679</u>	<u>1,372,222</u>	<u>1,323,295</u>
District support services				
Salaries and wages	461,953	464,753	464,568	421,705
Employee benefits	172,508	173,910	172,382	159,928
Purchased services	233,500	197,472	193,462	251,944
Supplies and materials	100,000	124,854	123,350	143,368
Capital expenditures	376,000	427,643	421,901	291,114
Other expenditures	(88,225)	(137,675)	(129,713)	(120,554)
Total district support services	<u>1,255,736</u>	<u>1,250,957</u>	<u>1,245,950</u>	<u>1,147,505</u>

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes In Fund Balance -
Budget and Actual - Detail General Fund
Year Ended June 30, 2025

	2025			2024	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	Actual Amounts
	Original	Final			
Expenditures					
Elementary and secondary regular instruction					
Salaries and wages	\$ 10,313,463	\$ 10,294,412	\$ 10,247,565	\$ (46,847)	\$ 9,716,746
Employee benefits	3,971,793	3,909,134	3,856,243	(52,891)	3,692,669
Purchased services	657,502	794,565	804,376	9,811	878,068
Supplies and materials	309,261	853,039	871,729	18,690	816,483
Capital expenditures	29,500	56,450	48,228	(8,222)	40,193
Other expenditures	67,575	64,239	59,765	(4,474)	71,108
Total elementary and secondary regular instruction	15,349,094	15,971,839	15,887,906	(83,933)	15,215,267
Vocational education instruction					
Salaries and wages	109,484	135,319	135,316	(3)	104,468
Employee benefits	46,112	48,339	48,232	(107)	48,830
Purchased services	232,000	230,300	223,248	(7,052)	239,844
Supplies and materials	2,000	2,156	2,138	(18)	4,521
Other expenditures	1,000	1,000	625	(375)	516
Total vocational education instruction	390,596	417,114	409,559	(7,555)	398,179
Special education instruction					
Salaries and wages	3,638,055	3,643,681	3,623,053	(20,628)	3,140,255
Employee benefits	1,426,882	1,434,950	1,411,803	(23,147)	1,258,962
Purchased services	540,675	677,679	668,937	(8,742)	479,310
Supplies and materials	34,905	52,014	45,573	(6,441)	26,642
Capital expenditures	-	5,787	5,787	-	4,662
Other expenditures	17,725	18,000	16,617	(1,383)	50,821
Total special education instruction	5,658,242	5,832,111	5,771,770	(60,341)	4,960,652
Instructional support services					
Salaries and wages	1,026,733	1,080,937	1,079,621	(1,316)	949,445
Employee benefits	451,782	458,473	456,695	(1,778)	397,581
Purchased services	18,500	72,652	68,152	(4,500)	76,122
Supplies and materials	213,835	69,006	66,406	(2,600)	61,896
Capital expenditures	31,255	31,665	25,948	(5,717)	8,014
Other expenditures	8,190	8,240	7,269	(971)	7,288
Total instructional support services	1,750,295	1,720,973	1,704,091	(16,882)	1,500,346
Pupil support services					
Salaries and wages	504,561	573,048	570,708	(2,340)	545,216
Employee benefits	278,681	365,247	361,139	(4,108)	295,602
Purchased services	2,135,579	2,051,057	2,037,840	(13,217)	1,992,123
Supplies and materials	20,610	31,771	22,831	(8,940)	24,712
Capital expenditures	1,100	5,815	5,815	-	1,929
Other expenditures	4,150	4,650	4,482	(168)	4,892
Total pupil support services	2,944,681	3,031,588	3,002,815	(28,773)	2,864,474

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Detail General Fund
Year Ended June 30, 2025

	2025			2024	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)	Actual Amounts
	Original	Final			
Expenditures					
Sites and buildings					
Salaries and wages	\$ 1,060,496	\$ 1,068,577	\$ 1,063,603	\$ (4,974)	\$ 932,814
Employee benefits	512,114	433,797	417,343	(16,454)	418,784
Purchased services	2,394,497	2,454,139	2,358,031	(96,108)	1,660,651
Supplies and materials	589,480	448,203	440,876	(7,327)	487,430
Capital expenditures	79,800	93,793	90,019	(3,774)	361,125
Other expenditures	45,676	48,748	19,461	(29,287)	73,506
Total sites and buildings	4,682,063	4,547,257	4,389,333	(157,924)	3,934,310
Fiscal and other fixed cost programs					
Purchased services	205,000	247,202	246,959	(243)	243,857
Other expenditures	1,000	6,300	5,700	(600)	6,650
Total fiscal and other fixed cost programs	206,000	253,502	252,659	(843)	250,507
Debt service					
Principal	22,521	22,656	38,843	16,187	38,020
Interest and fiscal charges	6,233	1,446	14,297	12,851	14,921
Total debt service	28,754	24,102	53,140	29,038	52,941
Total expenditures	33,668,223	34,518,122	34,089,445	(428,677)	31,647,476
Excess of revenues over (under) expenditures					
	(1,364,264)	(855,496)	(285,285)	570,211	1,679,680
Other Financing Sources					
Proceeds from sale of capital assets	-	50	50	-	10
Net change in fund balance	\$ (1,364,264)	\$ (855,446)	(285,235)	\$ 570,211	1,679,690
Fund Balance					
Beginning of year			10,333,083		8,653,393
End of year			\$ 10,047,848		\$ 10,333,083

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Detail Food Service Fund
Year Ended June 30, 2025

	2025			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Other local and county revenues				
Interest	\$ 30,000	\$ 35,000	\$ 36,782	\$ 1,782
Other local revenues	2,250	130	292	162
Total other local and county revenues	32,250	35,130	37,074	1,944
Revenue from state sources				
Lunch program aid	1,114,288	1,099,355	1,107,840	8,485
Revenue from federal sources				
Coronavirus relief funds	-	8,847	8,847	-
Lunch aid program	337,135	335,590	335,590	-
Food distribution program	75,000	120,000	124,886	4,886
Total revenue from federal sources	412,135	464,437	469,323	4,886
Sales and other conversion of assets				
Sale of food	145,943	123,770	136,599	12,829
Total revenues	1,704,616	1,722,692	1,750,836	28,144
Expenditures				
Current				
Food service				
Salaries and wages	556,216	523,142	488,693	(34,449)
Employee benefits	198,803	192,163	176,460	(15,703)
Purchased services	44,355	47,355	47,127	(228)
Supplies and materials	726,800	857,933	861,546	3,613
Capital expenditures	101,000	33,640	33,061	(579)
Other expenditures	103,500	152,500	143,455	(9,045)
Total expenditures	1,730,674	1,806,733	1,750,342	(56,391)
Net change in fund balance	\$ (26,058)	\$ (84,041)	494	\$ 84,535
Fund Balance				
Beginning of year			1,008,929	
Ending of year			\$ 1,009,423	

Independent School District No. 879
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Detail Community Service Fund
Year Ended June 30, 2025

	2025			Variance with
	Budgeted Amounts		Actual	Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes				
Property tax levy	\$ 210,861	\$ 210,737	\$ 212,277	\$ 1,540
Miscellaneous taxes	300	380	381	1
Total local property taxes	<u>211,161</u>	<u>211,117</u>	<u>212,658</u>	<u>1,541</u>
Other local and county revenues				
Tuition and fees	1,951,900	2,053,389	2,225,700	172,311
Interest	20,000	27,000	32,653	5,653
Other local revenues	73,500	113,415	136,200	22,785
Total other local and county revenues	<u>2,045,400</u>	<u>2,193,804</u>	<u>2,394,553</u>	<u>200,749</u>
Revenue from state sources				
Educational agricultural and homestead credit	1,103	1,024	1,024	-
Other aids	236,726	246,692	240,835	(5,857)
Lunch program aid				
Total revenue from state sources	<u>237,829</u>	<u>247,716</u>	<u>241,859</u>	<u>(5,857)</u>
Sales and other conversion of assets				
Sale of food	135,225	135,225	136,406	1,181
Total revenues	<u>2,629,615</u>	<u>2,787,862</u>	<u>2,985,476</u>	<u>197,614</u>
Expenditures				
Community education and services				
Salaries and wages	1,662,093	1,720,300	1,677,511	(42,789)
Employee benefits	388,193	384,124	373,207	(10,917)
Purchased services	310,545	422,036	417,817	(4,219)
Supplies and materials	214,409	249,801	229,463	(20,338)
Capital expenditures	12,605	30,863	28,622	(2,241)
Other expenditures	12,540	12,189	8,223	(3,966)
Total expenditures	<u>2,600,385</u>	<u>2,819,313</u>	<u>2,734,843</u>	<u>(84,470)</u>
Excess of revenues over (under) expenditures	<u>\$ 29,230</u>	<u>\$ (31,451)</u>	250,633	<u>\$ 282,084</u>
Fund Balance				
Beginning of year			<u>530,404</u>	
End of year			\$ 781,037	

Independent School District No. 879
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2025

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 33,804,160	\$ 33,804,157	\$ 3	Total revenue	\$ -	\$ -	\$ -
Total expenditures	34,089,445	34,089,445	-	Total expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	282,653	282,652	1	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	49,730	49,730	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	4,285	4,285	-	4.13 Building Projects Funded by COP	-	-	-
4.03 Staff Development	252,071	252,071	-	4.67 Long-term Facilities Maintenance	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	-	-	-
4.12 Literacy Incentive Aid	244,397	244,397	-	<i>Unassigned:</i>			
4.13 Building Projects Funded by COP/LP	-	-	-	4.63 Unassigned fund balance	-	-	-
4.14 Operating Debt	-	-	-				
4.16 Levy Reduction	-	-	-	07 DEBT SERVICE FUND			
4.17 Taconite Building Maintenance	-	-	-	Total revenue	\$ 5,459,999	\$ 5,459,998	\$ 1
4.20 American Indian Education Aid	-	-	-	Total expenditures	5,355,262	5,355,263	(1)
4.24 Operating Capital	488,436	488,436	-	<i>Nonspendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Restricted/reserved:</i>			
4.28 Learning and Development	-	-	-	4.25 Bond refunding	-	-	-
4.34 Area Learning Center	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.51 QZAB payments	-	-	-
4.36 State Approved Alternative Learning Program	-	-	-	4.67 LTFM	-	-	-
4.37 Quality Compensation - Alternative Teacher Professional Pay System	244,893	244,893	-	4.64 Restricted fund balance	1,399,860	1,399,860	-
4.39 English Learner	-	-	-	<i>Restricted:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.63 Unassigned fund balance	-	-	-
4.41 Basic Skills Programs	-	-	-	<i>Unassigned:</i>			
4.43 School Library Aid	-	-	-	08 TRUST FUND	\$ -	\$ -	\$ -
4.48 Achievement and Integration	-	-	-	Total revenue	-	-	-
4.49 Safe Schools Revenue	-	-	-	Total expenditures	-	-	-
4.51 QZAB Payments	-	-	-	U 4.01 Student Activities	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.02 Scholarships	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-	4.22 Net position	-	-	-
4.56 Literacy Aid	-	-	-				
4.57 Teacher Compensation for Read Act Training	19,439	19,439	-	18 CUSTODIAL FUND			
4.67 Long-term Facilities Maintenance	1,996,281	1,996,281	-	Total revenue	\$ 80,858	\$ 80,858	\$ -
4.71 Student Support Personnel Aid	-	-	-	Total expenditures	77,268	77,268	-
<i>Restricted:</i>				4.01 Student Activities	-	-	-
4.64 Restricted fund balance	-	-	-	4.02 Scholarships	3,500	3,500	-
4.72 Medical Assistance	39,301	39,301	-	4.48 Achievement & Integration	-	-	-
4.75 Title VII - Impact Aid	-	-	-	4.64 Restricted fund balance	23,404	23,404	-
4.76 Payments in Lieu of Taxes	-	-	-				
<i>Committed:</i>				20 INTERNAL SERVICE FUND			
4.18 Committed for separation	100,238	100,238	-	Total revenue	\$ -	\$ -	\$ -
4.61 Committed	-	-	-	Total expenditures	-	-	-
<i>Assigned:</i>				<i>Unassigned:</i>			
4.62 Assigned fund balance	561,749	561,748	1	4.22 Net position	-	-	-
<i>Unassigned:</i>				25 OPEB REVOCABLE TRUST			
4.22 Unassigned fund balance	5,764,375	5,764,377	(2)	Total revenue	\$ -	\$ -	\$ -
02 FOOD SERVICES FUND				Total expenditures	\$ -	-	-
Total revenue	\$ 1,750,836	\$ 1,750,836	\$ -	<i>Unassigned:</i>			
Total expenditures	1,750,342	1,750,341	1	4.22 Net position	-	-	-
<i>Nonspendable:</i>				45 OPEB IRREVOCABLE TRUST			
4.60 Nonspendable fund balance	19,747	19,747	-	Total revenue	\$ -	\$ -	\$ -
<i>Restricted/reserved:</i>				Total expenditures	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-	<i>Unassigned:</i>			
<i>Restricted:</i>				4.22 Net position	-	-	-
4.64 Restricted fund balance	989,676	989,676	-	47 OPEB DEBT SERVICE	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total revenue	-	-	-
4.63 Unassigned fund balance	-	-	-	Total expenditures	-	-	-
04 COMMUNITY SERVICE FUND				N 4.60 Nonspendable fund balance	-	-	-
Total revenue	\$ 2,985,476	\$ 2,985,477	\$ (1)	R 4.64 Restricted fund balance	-	-	-
Total expenditures	2,734,843	2,734,841	2	U 4.25 Bond refundings	-	-	-
<i>Nonspendable:</i>				4.63 Restricted fund balance	-	-	-
4.60 Nonspendable fund balance	6,741	6,741	-	4.63 Unassigned fund balance	-	-	-
<i>Restricted/reserved:</i>							
4.26 \$25 Taconite	-	-	-				
4.31 Community Education	764,676	764,676	-				
4.32 ECFE	330	330	-				
4.40 Teacher Development and Evaluation	-	-	-				
4.44 School Readiness	7,885	7,885	-				
4.47 Adult Basic Education	897	897	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	508	511	(3)				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

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

Independent Auditor's Report

To the School Board
Independent School District No. 879
Delano, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of and for the year ending June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control as described in the accompanying Schedule of Finding and Corrective Action Plan on Internal Control that we consider to be a significant deficiency, Audit Finding 2025-001.

Report on Compliance and Other Matters

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

District's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Finding and Corrective Action Plan on Internal Control. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 5, 2025



Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 879
Delano, 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 Independent School District No. 879, Delano, Minnesota, as of and for the year ended June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2025.

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 5, 2025

Independent School District No. 879
Schedule of Finding and Corrective Action Plan on Internal Control

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:

Significant Deficiency:

Lack of Segregation of Accounting Duties

The District does not have adequate segregation of accounting duties due to a limited number of office employees.

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

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Administration will examine current segregation of accounting duties and identify areas of concern. As these areas are identified, Administration will develop policies that will address and mitigate such potential problems while working within current financial constraints. Specific areas of greatest concern will be identified first and then addressed, followed up by policies with a plan to reduce the risk of problems. Specifics will be noted in the policies as they are brought before the School Board. An individual who is responsible for the implementation of the specific control will be named, as well as information on how the control added will potentially reduce risk of possible misstatement in the basic financial statements. As areas are addressed, other areas will be examined and corrected whenever possible.
3. Official Responsible for Ensuring CAP
Matthew Schoen, Superintendent, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP
The School Board will be monitoring this CAP.