

ANNUAL FINANCIAL REPORT

INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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New London, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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Independent School District No. 345
New London, Minnesota
Board of Education and Administration
For the Year Ended 2025

BOARD OF EDUCATION

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Peterson	Chairperson	12/31/2026
Darryl Nelson	Vice-Chairperson	12/31/2026
Laura Nelson	Clerk	12/31/2026
Del Brouwer	Treasurer	12/31/2026
Kristi Barber	Board Member	12/31/2028
Karen Nelson	Board Member	12/31/2028
Margo Wookey	Board Member	12/31/2028

ADMINISTRATION

<u>Name</u>	<u>Title</u>
Jamie Boelter	Superintendent

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Independent School District No. 345
New London, Minnesota

Opinions

We have audited the accompanying financial statements of governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 345 (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements, schedules, table and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements, schedules, table and schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.



Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Abdo
Minneapolis, Minnesota
December 23, 2025



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Management's Discussion and Analysis

As management of the Independent School District No. 345 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

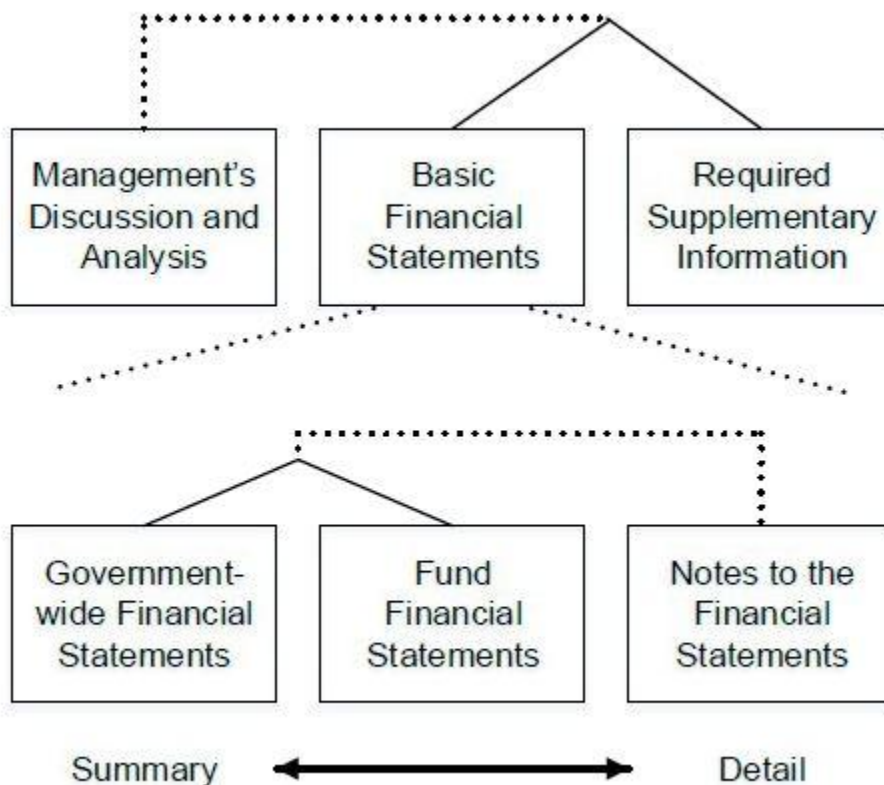
Financial Highlights

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of the District at the close of the most recent fiscal year by \$16,871,893 (net position).
- A deficit of \$12,750,722 (unrestricted net position) exists due to recognition of long-term pension liabilities in accordance with GASB Statement No. 68.
- The District's total net position increased by \$2,748,157 due to total District revenues exceeding expenditures.
- For UFARS and GASB reporting, the District's unassigned fund balance in the General fund as of June 30, 2025, decreased from the prior year as shown in the Financial Analysis of District Funds.
- The District's total long-term debt increased during the current fiscal year due to the issuance of bonds.

Overview of the Financial Statements

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

Organization of Independent School District No. 345 Annual Financial Report



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

Figure 2
Major Features of the District-wide and Fund Financial Statements

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

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

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

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

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

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

The district-wide financial statements start on page 30 of this report.

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

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

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

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

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

The basic governmental fund financial statements start on page 34 of this report.

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

The basic fiduciary fund financial statements start on page 39 of this report.

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

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

Other Information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements, schedules and table start on page 83 of this report.

District-wide Financial Analysis

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

By far, the largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Independent School District No. 345's Net Position

	Governmental Activities		
	2025	2024	Increase (Decrease)
Assets			
Current and other assets	\$ 31,387,053	\$ 24,051,178	\$ 7,335,875
Capital assets	56,946,455	47,411,406	9,535,049
Total Assets	<u>88,333,508</u>	<u>71,462,584</u>	<u>16,870,924</u>
Deferred Outflows of Resources	<u>3,030,233</u>	<u>3,559,897</u>	<u>(529,664)</u>
Liabilities			
Noncurrent liabilities outstanding	54,462,559	48,644,545	5,818,014
Other liabilities	8,554,825	3,412,891	5,141,934
Total Liabilities	<u>63,017,384</u>	<u>52,057,436</u>	<u>10,959,948</u>
Deferred Inflows of Resources	<u>11,474,464</u>	<u>8,841,309</u>	<u>2,633,155</u>
Net Position			
Net investment in capital assets	28,529,046	25,815,922	2,713,124
Restricted	1,093,569	669,628	423,941
Unrestricted	<u>(12,750,722)</u>	<u>(12,361,814)</u>	<u>(388,908)</u>
Total Net Position	<u>\$ 16,871,893</u>	<u>\$ 14,123,736</u>	<u>\$ 2,748,157</u>
Net Position as a Percent of Total			
Net investment in capital assets	169.1 %	182.8 %	
Restricted	6.5	4.7	
Unrestricted	<u>(75.6)</u>	<u>(87.5)</u>	
	<u>100.0 %</u>	<u>100.0 %</u>	

A portion of the District's net position represents restricted money that will be subject to external restrictions on how they may be used once funding is received.

At the end of the current fiscal year, the District is unable to report a positive balance in unrestricted net position reporting a deficit as shown above.

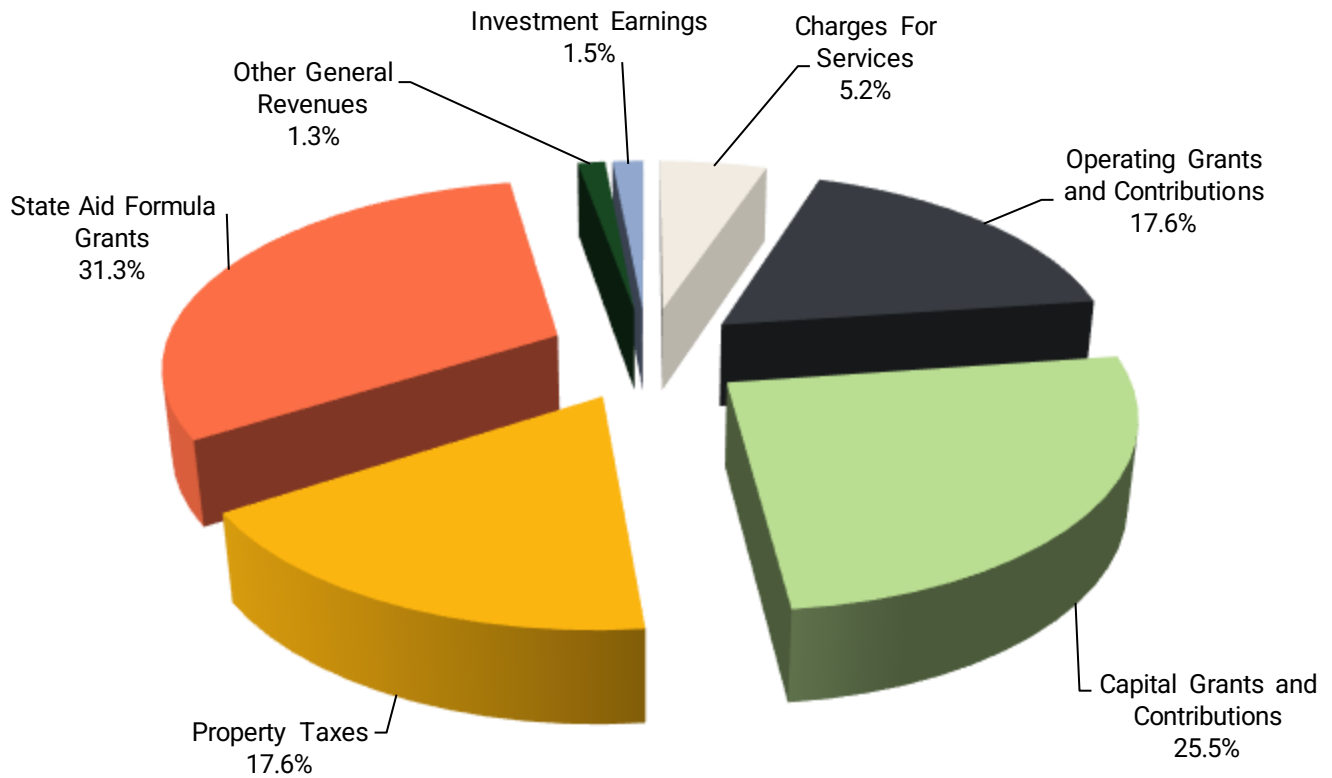
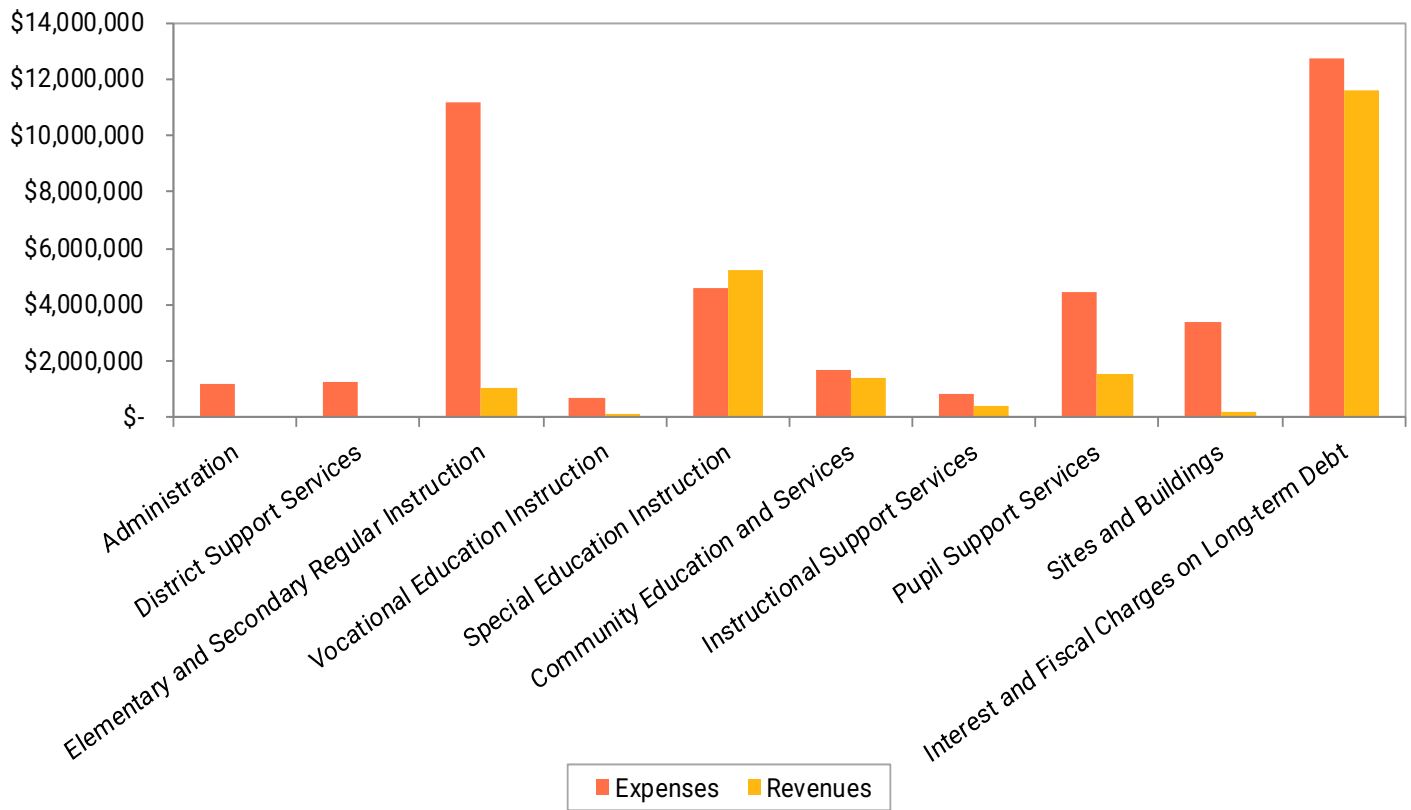
The District's total net position increased during the current fiscal year as shown below. Key elements of this increase are as follows:

Independent School District No. 345's Changes in Net Position

	Governmental Activities		
	2025	2024	Increase (Decrease)
Revenues			
Program Revenues			
Charges for services	\$ 2,304,676	\$ 2,127,017	\$ 177,659
Operating grants and contributions	7,896,148	7,049,957	846,191
Capital grants and contributions	11,426,975	13,971,139	(2,544,164)
General revenues			
Property taxes	7,856,977	6,050,774	1,806,203
State aid-formula grants	14,014,193	13,903,378	110,815
Other	1,253,247	669,449	583,798
Total Revenues	<u>44,752,216</u>	<u>43,771,714</u>	<u>980,502</u>
Expenses			
Administration	1,192,333	1,183,182	9,151
District support services	1,229,783	1,190,507	39,276
Elementary and secondary regular instruction	11,190,113	10,045,444	1,144,669
Vocational education instruction	722,871	614,609	108,262
Special education instruction	4,590,784	4,470,741	120,043
Community education and services	1,666,072	1,525,540	140,532
Instructional support services	837,263	1,592,003	(754,740)
Pupil support services	4,444,473	4,013,072	431,401
Sites and buildings	3,388,141	2,688,007	700,134
Interest and fiscal charges on long-term debt	12,742,226	14,865,079	(2,122,853)
Total Expenses	<u>42,004,059</u>	<u>42,188,184</u>	<u>(184,125)</u>
Change in Net Position	2,748,157	1,583,530	1,164,627
Net Position, July 1	<u>14,123,736</u>	<u>12,540,206</u>	<u>1,583,530</u>
Net Position, June 30	<u>\$ 16,871,893</u>	<u>\$ 14,123,736</u>	<u>\$ 2,748,157</u>

Expenses and Program Revenues - Governmental Activities

Revenues by Source - Governmental Activities



Financial Analysis of the Government's Funds

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

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

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

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

	General Fund	Debt Service Fund	Building Construction	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	\$ 462,094	\$ -	\$ -	\$ 1,040	\$ 463,134	\$ 266,930	\$ 196,204
Restricted	382,116	527,530	13,598,096	754,501	15,262,243	12,615,384	2,646,859
Assigned	33,213	-	-	-	33,213	34,526	(1,313)
Unassigned	126,750	-	-	(400,035)	(273,285)	510,022	(783,307)
	<u>\$ 1,004,173</u>	<u>\$ 527,530</u>	<u>\$ 13,598,096</u>	<u>\$ 355,506</u>	<u>\$ 15,485,305</u>	<u>\$ 13,426,862</u>	<u>\$ 2,058,443</u>

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 462,094	\$ 265,644	\$ 196,450
Restricted	382,116	270,980	111,136
Assigned	33,213	34,526	(1,313)
Unassigned	126,750	510,022	(383,272)
	<u>\$ 1,004,173</u>	<u>\$ 1,081,172</u>	<u>\$ (76,999)</u>
General Fund expenditures	\$ 26,013,876	\$ 25,058,131	
Unassigned as a percent of expenditures	0.5%	2.0%	
Total Fund Balance as a percent of expenditures	3.9%	4.3%	

The fund balance of the District's General fund decreased during the current fiscal year as shown in the table above. The decrease resulted from expenditures exceeding budgeted amounts.

Other major governmental fund analysis is shown below:

	June 30, 2025	June 30, 2024	Increase (Decrease)
Debt Service fund	\$ 527,530	\$ 352,524	\$ 175,006
<i>The Debt Service fund increase in fund balance during the year was due to allocation of local property tax levy revenue and state revenues to the debt service fund exceeding scheduled principal and interest payments made on bonds during the year.</i>			
Building Construction Fund	\$ 13,598,096	\$ 11,558,608	\$ 2,039,488
<i>The Building Construction fund increase in fund balance is due to the issuance for 2025A G.O. Facilities Maintenance and Tax Abatement Bonds.</i>			

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 24,372,544	\$ 475,939	\$ 24,848,483	\$ 25,966,399	\$ 1,117,916
Expenditures	24,023,014	812,819	24,835,833	26,013,876	(1,178,043)
Excess (Deficiency) of Revenues Over (Under) Expenditures	349,530	(336,880)	12,650	(47,477)	(60,127)
Other Financing Sources (Uses) Transfers out	-	-	-	(29,522)	(29,522)
Net Change in Fund Balances	349,530	(336,880)	12,650	(76,999)	(89,649)
Fund Balances, July 1	1,081,172	-	1,081,172	1,081,172	
Fund Balances, June 30	<u>\$ 1,430,702</u>	<u>\$ (336,880)</u>	<u>\$ 1,093,822</u>	<u>\$ 1,004,173</u>	<u>\$ (89,649)</u>

The District's General fund budget was amended during the year as shown above. The budget amendment increased revenues relating to local property tax levies and federal sources and increased current expenditures in all departments with the exception of special education instruction. Actual expenditures exceeded the final budget amounts and revenues were above final budget amounts as shown above.

Debt Service Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 3,786,965	\$ (102,000)	\$ 3,684,965	\$ 3,817,228	\$ 132,263
Expenditures	3,637,476	7,000	3,644,476	3,642,222	2,254
Net Change in Fund Balances	149,489	(109,000)	40,489	175,006	134,517
Fund Balances, January 1	352,524	-	352,524	352,524	
Fund Balances, December 31	<u>\$ 502,013</u>	<u>\$ (109,000)</u>	<u>\$ 393,013</u>	<u>\$ 527,530</u>	<u>\$ 134,517</u>

The District's Debt Service fund budget was amended during the year as shown above. The budget amendment decreased revenues from state sources and increased expenditures for interest and other charges. Actual revenues and expenditures exceeded the final budget amounts as shown above.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2025, amounts to \$42,885,516 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The following is a schedule of capital assets as of June 30, 2025.

Independent School District No. 345's Capital Assets (Net of Depreciation)

	Governmental Activities		Increase (Decrease)
	2025	2024	
Land	\$ 95,819	\$ 95,819	\$ -
Land Improvements	2,503,517	2,677,615	(174,098)
Buildings and Improvements	37,293,055	38,314,628	(1,021,573)
Equipment	1,829,909	1,336,699	493,210
Equipment (Right to Use)	1,267,699	1,408,555	(140,856)
Total	<u>\$ 56,946,455</u>	<u>\$ 47,411,406</u>	<u>\$ 9,535,049</u>

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

Noncurrent Liabilities. At the end of the current fiscal year, the District had the following noncurrent liabilities outstanding.

Independent School District No. 345's Outstanding Debt

	Governmental Activities		Increase (Decrease)
	2025	2024	
General Obligation Bonds	\$ 39,735,000	\$ 30,465,000	\$ 9,270,000
Bond Premium	1,892,511	1,657,888	234,623
Lease Payable	745,257	1,112,727	(367,470)
Financed Purchase Obligation	213,315	314,697	(101,382)
Total	<u>\$ 42,586,083</u>	<u>\$ 33,550,312</u>	<u>\$ 9,035,771</u>

The District's total long-term debt increased due to the issuance of 2025A G.O. Facilities Maintenance and Tax Abatement bonds during the fiscal year.

Additional information on the District's long-term debt can be found in Note 3E starting on page 54 of this report.

Factors Bearing on the District Future

- Enrollment is always a large concern since Minnesota school districts are paid based on pupil units served. A decline in enrollment results in less revenue being received for operations. The District's ADM (average daily membership = pupil units served) for the past 15 years illustrates the downward trend the District faced for a number of years. The ADM's have been increasing slightly since 2014, although the COVID-19 virus caused a drop in enrollment for fiscal year 2021. The 2023-24 school year ended with enrollment of 1,542.81 and was higher than projected.
- The enrollment for 2024-25 is currently about eight ADM's lower than was budgeted. The projection was based on the migration of students at the end of the 2023-24 school year and a conservative estimate of kindergarten students. The lower enrollment appears to be from various factors, including students moving out of the district and some choosing home school or online programs.

Factors Bearing on the District Future (Continued)

- Open enrollment from other districts adds many students each year. The most recent ADM report shows the District had 393.21 nonresident ADM's, and 172.81 residents attending schools in other districts for the year ended June 30, 2024. This is a net gain of 220.4 ADM's and is lower than the prior year's net gain of 251.1.
- The New London-Spicer district is fortunate that its taxpayers voted in favor of an operating levy in November 2021. The referendum revenue authorization is \$1,020 per pupil for taxes payable in 2022 through 2031, with the additional revenue first received for the 2022-23 school year. The operating levy funds are used to maintain programming and class sizes; create instructional and professional practice improvements through more staff development and additional curriculum tools; improve and create organizational efficiencies; advance technology, innovation, and security; and help to secure the district's financial future.
- School districts throughout the country incurred many additional costs due to the COVID-19 virus. The federal government allocated funds to schools to assist with expenses and the effects of decreased enrollment during the pandemic. New London-Spicer received over \$250,000 in additional revenue during fiscal year 2024. One grant had restrictions on its use while another grant could be used for general operating expenses. A portion of the funds were unspent as of June 30, 2024, but are obligated and will be spent prior to the deadline this year.
- The Minnesota state legislature passed several bills during the 2023 session that are helpful to school districts. The bill passed making the largest impact for New London-Spicer schools is the additional amount towards the special education cross subsidy aid from 6.43% to 44.0% that began in fiscal year 2024. Since the District serves many special education students, the increased aid helps to pay costs paid by general fund dollars in the past.
- Another bill passed provides free breakfast and lunch to all students in Minnesota as part of the state meals program. Schools receive the difference from the state of the amount paid by the federal government for one breakfast and one lunch for students participating. The district is seeing higher breakfast and lunch counts since parents do not have to pay the cost of the meals.
- A large project will begin in the summer of 2025 for upgrades and repairs to HVAC systems, indoor air quality, and a large roof project, among other things. The total cost of the project is expected to be less than originally projected with an estimated total of \$27,651,000. Proceeds from two bonds will be used to fund the project. The first bond was issued in December 2023, and the second bond is expected to be issued in the spring of 2025.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 345, 101 4th Ave SW, New London, Minnesota 56273.

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DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 345

New London, Minnesota
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and temporary investments	\$ 22,883,710
Receivables	
Taxes	4,027,419
Accounts	398,209
Due from other school districts	8,925
Due from Department of Education	3,466,985
Due from other governments	138,671
Prepaid items	463,134
Capital assets	
Land and construction in progress	14,052,275
Depreciable assets (net of accumulated depreciation)	42,894,180
Total Assets	<u>88,333,508</u>
Deferred Outflows of Resources	
Deferred pension resources	3,018,406
Deferred other post employment benefit resources	11,827
Total Deferred Outflows of Resources	<u>3,030,233</u>
Liabilities	
Accrued salaries payable	1,871,906
Accounts and other payables	5,764,399
Due to other governments	117,089
Due to other school districts	139,094
Accrued interest payable	622,984
Unearned revenue	39,353
Noncurrent liabilities	
Due within one year	
Long-term liabilities	2,947,485
Net other postemployment benefits	225,312
Due in more than one year	
Long-term liabilities	40,175,024
Net pension liability	11,067,995
Net other postemployment benefits	46,743
Total Liabilities	<u>63,017,384</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	7,937,048
Deferred pension resources	3,328,617
Deferred other post employment benefit resources	208,799
Total Deferred Inflows of Resources	<u>11,474,464</u>
Net Position	
Net investment in capital assets	28,529,046
Restricted for	
Educational purposes	382,116
Food service	711,453
Unrestricted	<u>(12,750,722)</u>
Total Net Position	<u>\$ 16,871,893</u>

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

Independent School District No. 345
New London, Minnesota
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 1,192,333	\$ -	\$ -	\$ -	\$ (1,192,333)
District support services	1,229,783	-	-	-	(1,229,783)
Elementary and secondary regular instruction	11,190,113	746,313	306,879	-	(10,136,921)
Vocational education instruction	722,871	143,215	10,588	-	(569,068)
Special education instruction	4,590,784	-	5,235,364	-	644,580
Community education and services	1,666,072	1,175,059	223,371	-	(267,642)
Instructional support services	837,263	-	436,896	-	(400,367)
Pupil support services	4,444,473	211,339	1,313,324	-	(2,919,810)
Sites and buildings	3,388,141	28,750	1,570	175,313	(3,182,508)
Interest and fiscal charges on long term debt	12,742,226	-	368,156	11,251,662	(1,122,408)
Total Governmental Activities	<u>\$ 42,004,059</u>	<u>\$ 2,304,676</u>	<u>\$ 7,896,148</u>	<u>\$ 11,426,975</u>	<u>(20,376,260)</u>
General Revenues					
Taxes					
Property taxes, levied for general purpose					4,210,555
Property taxes, levied for community service					149,959
Property taxes, levied for debt service					3,496,463
State aid-formula grants					14,014,193
Other general revenues					592,800
Investment earnings					660,447
Total General Revenues					<u>23,124,417</u>
Change In Net Position					2,748,157
Net Position, July 1					<u>14,123,736</u>
Net Position, June 30					<u>\$ 16,871,893</u>

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

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 345
New London, Minnesota
Balance Sheet
Governmental Funds
June 30, 2025

	General	Debt Service	Capital Projects Building Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 1,091,382	\$ 2,354,804	\$ 18,892,725	\$ 544,799	\$ 22,883,710
Receivables					
Taxes	2,066,286	1,881,719	-	79,414	4,027,419
Accounts	397,484	-	-	725	398,209
Due from other school districts	-	-	-	8,925	8,925
Due from Department of Education	3,336,538	36,816	-	93,631	3,466,985
Due from other governments	95,210	-	-	43,461	138,671
Prepaid items	462,094	-	-	1,040	463,134
Total Assets	\$ 7,448,994	\$ 4,273,339	\$ 18,892,725	\$ 771,995	\$ 31,387,053
Liabilities					
Accrued salaries payable	\$ 1,773,688	\$ -	\$ -	\$ 98,218	\$ 1,871,906
Accounts and other payables	351,441	-	5,294,629	118,329	5,764,399
Due to other governments	116,491	-	-	598	117,089
Due to other school districts	139,094	-	-	-	139,094
Unearned revenue	7,208	-	-	32,145	39,353
Total Liabilities	2,387,922	-	5,294,629	249,290	7,931,841
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	19,052	13,006	-	801	32,859
Property taxes levied for subsequent year	4,037,847	3,732,803	-	166,398	7,937,048
Total Deferred Inflows of Resources	4,056,899	3,745,809	-	167,199	7,969,907
Fund Balances					
Nonspendable	462,094	-	-	1,040	463,134
Restricted	382,116	527,530	13,598,096	754,501	15,262,243
Assigned	33,213	-	-	-	33,213
Unassigned	126,750	-	-	(400,035)	(273,285)
Total Fund Balances	1,004,173	527,530	13,598,096	355,506	15,485,305
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,448,994	\$ 4,273,339	\$ 18,892,725	\$ 771,995	\$ 31,387,053

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

Independent School District No. 345

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

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

Total Fund Balances - Governmental Funds	\$ 15,485,305
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	86,209,712
Less accumulated depreciation/amortization	(29,263,257)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bonds payable	(39,735,000)
Bond premium	(1,892,511)
Financed purchase obligation	(213,315)
Lease payable	(745,257)
Compensated absences payable	(536,426)
Net pension liability	(11,067,995)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	3,018,406
Deferred inflows of pension resources	(3,328,617)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other post employment benefit resources	11,827
Deferred inflows of other post employment benefit resources	(208,799)
Net other postemployment benefits	(272,055)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	32,859
Governmental funds do not report a liability for accrued interest until due and payable.	(622,984)
Total Net Position - Governmental Activities	<u>\$ 16,871,893</u>

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

Independent School District No. 345
New London, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Debt Service	Building Construction	Other Governmental Funds	Total
Revenues					
Local property tax levies	\$ 4,048,383	\$ 3,659,535	\$ -	\$ 149,460	\$ 7,857,378
Other local revenue					
Interest earned on investments	186,353	-	474,094	-	660,447
Other	1,465,510	-	-	1,300,809	2,766,319
Revenue from state sources	19,990,582	157,693	-	897,202	21,045,477
Revenue from federal sources	275,571	-	-	490,934	766,505
Sales of food and other assets	-	-	-	211,339	211,339
Total Revenues	25,966,399	3,817,228	474,094	3,049,744	33,307,465
Expenditures					
Current					
Administration	1,201,347	-	-	-	1,201,347
District support services	1,235,261	-	-	-	1,235,261
Elementary and secondary regular instruction	11,011,179	-	-	-	11,011,179
Vocational education instruction	565,891	-	-	-	565,891
Special education instruction	4,711,877	-	-	-	4,711,877
Community education and services	-	-	-	1,648,395	1,648,395
Instructional support services	805,174	-	-	-	805,174
Pupil support services	3,082,946	-	-	1,271,535	4,354,481
Sites and buildings	2,211,790	-	-	-	2,211,790
Total current	24,825,465	-	-	2,919,930	27,745,395
Capital outlay					
Elementary and secondary regular instruction	119,977	-	-	-	119,977
Vocational education instruction	7,024	-	-	-	7,024
Community education and services	-	-	-	365	365
Instructional support services	30,354	-	-	-	30,354
Pupil support services	138,722	-	-	223,734	362,456
Sites and buildings	413,852	-	10,125,614	-	10,539,466
Total capital outlay	709,929	-	10,125,614	224,099	11,059,642
Debt service					
Principal	458,421	2,330,000	-	10,431	2,798,852
Interest and other charges	20,061	1,312,222	-	3,858	1,336,141
Bond issuance costs	-	-	257,330	-	257,330
Total debt service	478,482	3,642,222	257,330	14,289	4,392,323
Total Expenditures	26,013,876	3,642,222	10,382,944	3,158,318	43,197,360
Excess (Deficiency) of Revenues Over (Under) Expenditures	(47,477)	175,006	(9,908,850)	(108,574)	(9,889,895)
Other Financing Sources (Uses)					
Premium on bonds issued	-	-	348,338	-	348,338
Bonds issued	-	-	11,600,000	-	11,600,000
Transfers in	-	-	-	29,522	29,522
Transfers out	(29,522)	-	-	-	(29,522)
Total Other Financing Sources (Uses)	(29,522)	-	11,948,338	29,522	11,948,338
Net Change in Fund Balances	(76,999)	175,006	2,039,488	(79,052)	2,058,443
Fund Balances, July 1	1,081,172	352,524	11,558,608	434,558	13,426,862
Fund Balances, June 30	\$ 1,004,173	\$ 527,530	\$ 13,598,096	\$ 355,506	\$ 15,485,305

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

Independent School District No. 345
New London, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2025

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

Total Net Change in Fund Balances - Governmental Funds	\$ 2,058,443
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 outlay	11,278,180
Depreciation /Amortization	(1,743,131)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	2,798,852
Bonds issued	(11,600,000)
Premium on bonds issued	(348,338)
Current year amortization of bond premium	113,715
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 the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	(10,808)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds	
	2,526
Long-term pension activity is not reported in governmental funds.	
Pension expense	269,364
Direct aid contributions	49,803
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(237,838)
Other post employment benefits	117,389
Change in Net Position - Governmental Activities	<u><u>\$ 2,748,157</u></u>

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

Independent School District No. 345
New London, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget And Actual
General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	\$ 4,077,238	\$ 4,078,420	\$ 4,048,383	\$ (30,037)
Other local revenue				
Interest earned on investments	70,000	108,000	186,353	78,353
Other	1,060,600	1,289,683	1,465,510	175,827
Revenue from state sources	18,990,027	19,117,169	19,990,582	873,413
Revenue from federal sources	174,679	255,211	275,571	20,360
Total Revenues	<u>24,372,544</u>	<u>24,848,483</u>	<u>25,966,399</u>	<u>1,117,916</u>
Expenditures				
Current				
Administration	1,361,918	1,287,429	1,201,347	86,082
District support services	1,148,669	1,200,405	1,235,261	(34,856)
Elementary and secondary regular instruction	10,591,601	10,490,224	11,011,179	(520,955)
Vocational education instruction	541,679	461,603	565,891	(104,288)
Special education instruction	4,356,197	4,584,725	4,711,877	(127,152)
Instructional support services	592,000	767,729	805,174	(37,445)
Pupil support services	2,727,131	2,628,082	3,082,946	(454,864)
Sites and buildings	1,992,708	2,206,738	2,211,790	(5,052)
Total current	<u>23,311,903</u>	<u>23,626,935</u>	<u>24,825,465</u>	<u>(1,198,530)</u>
Capital outlay				
Elementary and secondary regular instruction	36,527	179,624	119,977	59,647
Vocational education instruction	4,300	6,140	7,024	(884)
Instructional support services	30,000	32,000	30,354	1,646
Pupil support services	-	138,722	138,722	-
Sites and buildings	110,137	373,515	413,852	(40,337)
Total capital outlay	<u>180,964</u>	<u>730,001</u>	<u>709,929</u>	<u>20,072</u>
Debt service				
Principal	518,186	471,782	458,421	13,361
Interest and other charges	11,961	7,115	20,061	(12,946)
Total debt service	<u>530,147</u>	<u>478,897</u>	<u>478,482</u>	<u>415</u>
Total Expenditures	<u>24,023,014</u>	<u>24,835,833</u>	<u>26,013,876</u>	<u>(1,178,043)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	349,530	12,650	(47,477)	(60,127)
Other Financing Sources (Uses)				
Transfer out	-	-	(29,522)	(29,522)
Net Change in Fund Balances	349,530	12,650	(76,999)	(89,649)
Fund Balances, July 1	<u>1,081,172</u>	<u>1,081,172</u>	<u>1,081,172</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 1,430,702</u>	<u>\$ 1,093,822</u>	<u>\$ 1,004,173</u>	<u>\$ (89,649)</u>

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

Independent School District No. 345
New London, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Private-purpose Trust Funds	Other Employee Benefit Trust Funds
Assets		
Cash and deposits	\$ 129,243	\$ -
Receivables		
Accounts	17,031	-
Investments		
Money market	-	3,829
Mutual funds	-	1,333,527
Total Investments	-	1,337,356
Total Assets	146,274	1,337,356
Liabilities		
Payables		
Accounts payable	-	1,091
Bank overdraft	-	12,173
Due to primary government	-	175,201
Total Liabilities	-	188,465
Net Position		
Restricted		
Scholarship trusts	146,274	-
Postemployment benefits other than pensions	-	1,148,891
Total Net Position	\$ 146,274	\$ 1,148,891

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

Independent School District No. 345
New London, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025

	Private-purpose Trust Funds	Other Employee Benefit Trust Funds
Additions		
Contributions and donations	\$ 48,814	\$ -
Investment income		
Interest and dividends	9,757	142,501
Total Additions	<u>58,571</u>	<u>142,501</u>
Deductions		
Scholarship awards	72,572	-
OPEB health insurance benefits	-	175,201
Administrative expense	-	7,773
Total Deductions	<u>72,572</u>	<u>182,974</u>
Change in Net Position	(14,001)	(40,473)
Net Position, July 1	<u>160,275</u>	<u>1,189,364</u>
Net Position, June 30	<u><u>\$ 146,274</u></u>	<u><u>\$ 1,148,891</u></u>

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 345 (the District), New London, Minnesota was incorporated under the laws of the State of Minnesota (the State). The District operates under a Board of Education form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected Board of Education of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to net pension liability, compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

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

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

Description of Funds

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

Major Governmental Funds

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

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

The *Building Construction fund* is the District's primary construction project fund. It accounts for financial resources of the District reserved for capital projects.

Nonmajor Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenues and expenditures. Revenues include contributions from state and federal sources as well as charges for services.

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

The *OPEB Debt Service fund* is used to account for the financial resources relating to the bond issued for post-employment benefits.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

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

The *OPEB Trust fund* is used to account for the financial resources relating to post-employment benefits.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

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

Deposits and Investments

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

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

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

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements are listed in detail on page 48 and are valued using quoted market prices (Level 1 inputs).

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

Property Taxes

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

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

Current property taxes receivable is the uncollected portion of the taxes levied in 2024 and collectible in 2025. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year. Delinquent property taxes receivable is the uncollected portion of the taxes levied prior to 2024 and not yet collected. Delinquent property taxes receivable is offset with a deferred inflow of resources, unavailable revenue delinquent property taxes.

Accounts Receivable

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

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, parking lots, sidewalks and similar items). Capital assets are defined by the District as assets with an initial, individual or group cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed or the present value of the related lease. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets are recorded at acquisition value at the date of donation.

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

Assets	Useful Lives in Years
Land Improvements	20 - 50
Buildings and Improvements	20 - 50
Equipment	5 - 20

Deferred Outflows of Resources

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

Compensated Absences Payable and Net Other Postemployment Benefits

Sick pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment. However, unused sick leave does enter into the calculation of an employee's severance pay upon termination.

Severance pay - The district maintains severance pay plans for all eligible employees. Teachers, who leave the District at age 55 or more, with 15 years of service, will receive five days of pay for each year of service, up to a maximum of 100 days.

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

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

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

Pensions

Teachers Retirement Association (TRA)

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

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

Public Employees Retirement Association (PERA)

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

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

	GERP	TRA	Total Pension Expense
District's proportionate share	\$ 124,386	\$ 1,104,986	\$ 1,229,372
Proportionate share of State's contribution	1,026	40,817	41,843
Total Pension Expense	<u>\$ 125,412</u>	<u>\$ 1,145,803</u>	<u>\$ 1,271,215</u>

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

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

Furthermore, the District has two additional items which qualify for reporting in this category on the Statement of Net Position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the Statement of Net Position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

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

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

Fund Balance

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

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

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

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unrestricted fund balance of three percent of the District's General fund operating budget.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General, Food Service, Community Service and Debt Service funds. All annual appropriations lapse at fiscal year-end.

Budgets are prepared for each fund on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year.

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

1. Each June, the budget is prepared by management to be adopted by the Board of Education.
2. Budgets for each of the respective funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as amended.
4. Budget appropriations lapse at year-end.
5. The legal level of control is the fund level.
6. The District does not use encumbrance accounting.

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

Total fund expenditures in excess of the budget require approval of the Board of Education. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels. Budget provisions for the Debt Service and OPEB Debt Service funds are set by state law governing required debt service levels.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures over Appropriations

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

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Major			
General	\$ 24,835,833	\$ 26,013,876	\$ 1,178,043
Nonmajor			
Food Service	1,400,500	1,495,269	94,769
Community Service	1,575,455	1,662,275	86,820

The excess of expenditures over appropriations were funded with revenues in excess of budget and available fund balance.

C. Deficit Fund Equity

For the year ended June 30, 2025, the Nonmajor Community Service fund had deficit fund equity of \$398,995. The deficit will be funded with future community education grants.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any Federal agency.

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

At year-end, the District's carrying amount of deposits was \$298,792 and the bank balance was \$1,025,414. Of the bank balance, \$846,453 was covered by Federal depository insurance and the remaining was covered by collateral held by the District's agent in the District's name.

Investments

The District's investment balances were as follows for June 30, 2025:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount
Pooled Investments at Amortized Cost			
Minnesota School District Liquid Asset Fund	N/A	Less than 6 months	\$ 3,497,662
Money Market	N/A	Less than 6 months	20,541,682
Total Investments			<u>\$ 24,039,344</u>

(1) Ratings are provided by various credit ratings agencies where applicable to indicate association's credit risk.

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

N/A Indicates not applicable or available.

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

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. The District has established guidelines within the investment policy to ensure credit risk minimized while taking advantage of maximum return. Minnesota statutes limit the District's investments to the list on page 41 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. In accordance with the Districts investment policy, the District typically limits its exposure by purchasing insured or registered investments.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. To manage this risk the District places limits on the amount that can be invested in any one issuer and are diversified with the intent to minimize the risk of investment losses.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting a majority of investments to less than five years.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

A reconciliation of cash and temporary investments as shown on the financial statements for the District follows:

Carrying amount of deposits	\$ 298,792
Investments	<u>24,039,344</u>
Total	<u><u>\$ 24,338,136</u></u>
Statement of net position	\$ 22,883,710
Statement of fiduciary net position	
Cash and deposits	129,243
Investments	1,337,356
Bank overdraft	<u>(12,173)</u>
Total Cash and Temporary Investments	<u><u>\$ 24,338,136</u></u>

B. Property Taxes

Current property taxes receivable are recorded for uncollected taxes levied in 2024 and payable in 2025. The total levy is unavailable as it is for subsequent years' operations.

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

Taxes receivable by fund type is comprised of the following components:

	Major Funds		Other Governmental Funds	Total
	General	Debt Service		
Current Taxes	\$ 2,047,234	\$ 1,868,713	\$ 78,612	\$ 3,994,559
Delinquent Taxes	<u>19,052</u>	<u>13,006</u>	<u>802</u>	<u>32,860</u>
Total Reported Taxes Receivable	<u><u>\$ 2,066,286</u></u>	<u><u>\$ 1,881,719</u></u>	<u><u>\$ 79,414</u></u>	<u><u>\$ 4,027,419</u></u>

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated/Amortized				
Land	\$ 95,819	\$ -	\$ -	\$ 95,819
Construction in progress	3,578,090	10,378,366	-	13,956,456
Total Capital Assets not Being Depreciated/Amortized	3,673,909	10,378,366	-	14,052,275
Capital Assets Being Depreciated/Amortized				
Land improvements	3,662,339	9,250	-	3,671,589
Buildings and improvements	62,925,556	119,399	-	63,044,955
Equipment	3,347,233	771,165	(86,060)	4,032,338
Equipment (Right to Use)	1,408,555	-	-	1,408,555
Total Capital Assets Being Depreciated/Amortized	71,343,683	899,814	(86,060)	72,157,437
Less Accumulated Depreciation/Amortization for				
Land improvements	(984,724)	(183,348)	-	(1,168,072)
Buildings and improvements	(24,610,928)	(1,140,972)	-	(25,751,900)
Equipment	(2,010,534)	(277,955)	86,060	(2,202,429)
Equipment (Right to Use)	-	(140,856)	-	(140,856)
Total Accumulated Depreciation	(27,606,186)	(1,743,131)	86,060	(29,263,257)
Total Capital Assets Being Depreciated/Amortized, Net	43,737,497	(843,317)	-	42,894,180
Governmental Activities Capital Assets, Net	<u>\$ 47,411,406</u>	<u>\$ 9,535,049</u>	<u>\$ -</u>	<u>\$ 56,946,455</u>

Depreciation expense was charged to functions of the District as follows:

District Support Services	\$ 23,845
Elementary and Secondary Regular Instruction	193,715
Vocational Education Instruction	8,507
Community Education and Services	9,081
Instructional Support Services	4,555
Pupil Support Services	40,486
Sites and Buildings	1,462,942
Total Depreciation Expense - Governmental Activities	<u>\$ 1,743,131</u>

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Liabilities

Lease Payable

Lease payable obligations currently outstanding are as follows:

Description	Lease Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
Bremer Bank						
Vantage Smart Boards / Security Lease	\$ 1,128,541	2.87 %	08/16/22	11/01/28	\$ 564,395	\$ 201,133
Vantage Chrome Books	543,289	4.98	08/08/23	08/08/25	180,862	180,862
Total Lease Payable					<u>\$ 745,257</u>	<u>\$ 381,995</u>

Annual debt service requirements to maturity for lease payables are as follows:

Year Ending June 30,	Lease Payable		
	Principal	Interest	Total
2026	\$ 381,995	\$ 25,268	\$ 407,263
2027	206,915	10,479	217,394
2028	156,347	5,850	162,197
Total	<u>\$ 745,257</u>	<u>\$ 41,597</u>	<u>\$ 786,854</u>

In 2017, the District entered into an agreement as lessee for financing the acquisition of the track and turf additions. In 2022, the District entered into an agreement as lessee for financing the acquisition of security equipment. In 2023, the District entered into an agreement as lessee for financing the acquisition of fitness center equipment. These agreements qualify as financed purchase obligations for accounting purposes and, therefore have been recorded at the present value of the future minimum payments as of the date of its inception.

Financed purchase obligations currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
Bremer Bank						
2017 Lease Purchase	\$ 857,000	2.76 %	04/20/17	02/01/27	\$ 189,547	\$ 90,952
Fitness Center Equipment	57,283	9.02	03/25/23	03/25/27	23,768	10,431
Total Finance Purchase Obligations					<u>\$ 213,315</u>	<u>\$ 101,383</u>

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

E. Long-term Liabilities

Annual debt service requirements to maturity for financed purchase obligations are as follows:

Year Ending June 30,	Financed Purchase Obligation		
	Principal	Interest	Total
2026	\$ 101,383	\$ 6,734	\$ 108,117
2027	111,932	3,111	115,043
Total	<u>\$ 213,315</u>	<u>\$ 9,845</u>	<u>\$ 223,160</u>

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund general obligation bonds and to fund the District's Post-Employment Benefits trust.

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year-End
G.O. School Building Bonds 2016A	\$ 20,390,000	2.00 - 5.00 %	02/11/16	02/01/36	\$ 14,300,000
G.O. Tax Abatement Bonds Series 2018A	1,320,000	2.53	09/06/18	02/01/29	620,000
G.O. Facilities Maintenance Bonds Series 2023A	14,380,000	4.00 - 5.00	12/14/23	02/01/44	13,215,000
G.O. Facilities Maintenance and Tax Abatement Bonds 2025A	11,600,000	4.13-5.00	06/26/25	02/01/44	<u>11,600,000</u>
Total G.O. Bonds					<u>\$ 39,735,000</u>

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2026	\$ 2,330,000	\$ 1,427,650	\$ 3,757,650
2027	2,215,000	1,549,138	3,764,138
2028	2,295,000	1,449,538	3,744,538
2029	2,440,000	1,346,388	3,786,388
2030	2,550,000	1,236,438	3,786,438
2031 - 2035	12,530,000	4,619,738	17,149,738
2036 - 2040	8,925,000	2,328,269	11,253,269
2041 - 2044	<u>6,450,000</u>	<u>697,504</u>	<u>7,147,504</u>
Total	<u>\$ 39,735,000</u>	<u>\$ 14,654,663</u>	<u>\$ 54,389,663</u>

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 30,465,000	\$ 11,600,000	\$ (2,330,000)	\$ 39,735,000	\$ 2,330,000
Bond premium	1,657,888	348,338	(113,715)	1,892,511	-
Total Bonds Payable	<u>32,122,888</u>	<u>11,948,338</u>	<u>(2,443,715)</u>	<u>41,627,511</u>	<u>2,330,000</u>
Financed Purchase Obligation	314,697	-	(101,382)	213,315	101,383
Lease Payable	1,112,727	-	(367,470)	745,257	381,995
Compensated Absences Payable	<u>298,588</u>	<u>237,838</u>	<u>-</u>	<u>536,426</u>	<u>134,107</u>
Governmental Activity Long-term Liabilities	<u>\$ 33,848,900</u>	<u>\$ 12,186,176</u>	<u>\$ (2,912,567)</u>	<u>\$ 43,122,509</u>	<u>\$ 2,947,485</u>

The Debt Service fund has typically been used to liquidate the general obligation bond and capital lease payable obligations. The General fund has typically been used to liquidate the compensated absences payable obligation.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At June 30, 2025, portions of the District's fund balance are not available for appropriation due to not being in spendable form (Nonspendable) and legal restrictions (Restricted). The following schedule summarizes the components of fund balances based on GASB 54 reporting standards:

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
Nonspendable					
Prepaid items	<u>\$ 462,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,040</u>	<u>\$ 463,134</u>
Restricted for					
Operating Capital	\$ 15,822	\$ -	\$ -	\$ -	\$ 15,822
Student Activities	212,185	-	-	-	212,185
Literacy Incentive Aid	44,452	-	-	-	44,452
Debt Service	-	527,530	-	43,048	570,578
Building Construction	-	-	2,482,585	-	2,482,585
Longterm Facilities Maintenance	-	-	11,115,511	-	11,115,511
Food Service	-	-	-	711,453	711,453
READ Act - Literacy aid	61,867	-	-	-	61,867
READ Act - Teacher compensation	47,790	-	-	-	47,790
Total Restricted	<u>\$ 382,116</u>	<u>\$ 527,530</u>	<u>\$ 13,598,096</u>	<u>\$ 754,501</u>	<u>\$ 15,262,243</u>
Assigned to					
School to Career Opportunities					
Partnership Endeavor	\$ 5,350	\$ -	\$ -	\$ -	\$ 5,350
Wildcat Clothing	26,758	-	-	-	26,758
Girls United	1,105	-	-	-	1,105
Total Assigned	<u>\$ 33,213</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,213</u>
Unassigned	<u>\$ 126,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (400,035)</u>	<u>\$ (273,285)</u>

Independent School District No. 345

New London, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balances reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Prepaid items	\$ 463,134	\$ -	\$ 463,134
Restricted for			
Operating Capital	\$ 15,822	\$ -	\$ 15,822
Student Activities	212,185	-	212,185
Literacy Incentive Aid	44,452	-	44,452
READ Act - Literacy aid	61,867	-	61,867
READ Act - Teacher compensation	47,790	-	47,790
Long Term Facilities Maintenance (General Fund)	-	(12,665)	(12,665)
Debt Service	570,578	-	570,578
Building Construction	2,482,585	-	2,482,585
Long Term Facilities Maintenance (Building Fund)	11,115,511	-	11,115,511
Food Service	711,453	-	711,453
Community Education	-	(147,813)	(147,813)
Early Childhood Family Education	-	(131,310)	(131,310)
School Readiness	-	(120,912)	(120,912)
Total Restricted	\$ 15,262,243	\$ (412,700)	\$ 14,849,543
Assigned to			
School to Career Opportunities			
Partnership Endeavor	\$ 5,350	\$ -	\$ 5,350
Wildcat Clothing	26,758	-	26,758
Girls United	1,105	-	1,105
Total Assigned	\$ 33,213	\$ -	\$ 33,213
Unassigned	\$ (273,285)	\$ 412,700	\$ 139,415

Restricted for Student Activities - This amount represents available resources for student activities. Revenues are derived from donations and fundraising and expenditures are for student activities at each site.

Restricted for Long Term Facilities Maintenance - This amount represents resources available for maintaining facilities.

Restricted for Literacy Incentive - This amount represents available resources for literacy education. Revenues are derived from State aids.

Restricted for Building Construction - This amount represents resources available for building improvements.

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

Restricted for Food Service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Community Service - This amount represents available resources for community service programs. Revenues are derived from State aids and expenditures are for salaries, benefits and supplies.

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

Restricted for School Readiness - This amount represents available resources to provide services for learning readiness programs. Related to Finance Code 344, School Readiness, Minnesota statute 124D.16, includes aids, fees, grants and all other revenues received by the District.

G. Noncash Assistance - Commodities

Of the amount reported in the accompanying schedule of expenditures of federal awards included within the National School Lunch Program, of the commodities distribution, \$81,133 represents noncash assistance comprised of the value of commodities issued to the District for the year.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide

A. Teacher Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

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

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

With these provisions:

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

or

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

Tier II:

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

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

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

3. Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The DISTRICT's contributions to TRA for the plan's fiscal year ended June 30, 2025, 2024, and 2023 were \$925,144, \$874,219, and \$805,157. The DISTRICT's contributions were equal to the required contributions for each year as set by state statute.

4. Actuarial Assumptions

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

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

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

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

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

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

Changes in the actuarial assumptions since the 2022 valuation:

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

5. Discount Rate

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

6. Net Pension Liability

On June 30, 2025, The DISTRICT reported a liability of \$9,588,670 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The DISTRICT's proportion of the net pension liability was based on the DISTRICT's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The DISTRICT's proportionate share was 0.1509% at the end of the measurement period and 0.1481% 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	\$ 9,588,670
State's Proportionate Share of Net Pension Liability Associated with the DISTRICT	<u>587,741</u>
Total	<u><u>\$ 10,176,411</u></u>

For the year ended June 30, 2025, the DISTRICT recognized pension expense of \$1,104,986. It also recognized \$40,817 as an decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The DISTRICT recognized \$265,836 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. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 456,553	\$ 125,382
Changes in Actuarial Assumptions	940,091	1,636,803
Net Difference Between Projected and Actual Investment Earnings	-	576,758
Changes in Proportion	192,645	-
Contributions Paid to PERA Subsequent to the Measurement Date	925,144	-
	<u>\$ 2,514,433</u>	<u>\$ 2,338,943</u>
Total		

The \$925,144 reported as deferred outflows of resources related to pensions resulting from DISTRICT Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2026	\$ (675,254)
2027	752,064
2028	298,896
2029	(525,580)
2030	(423,563)
Thereafter	(176,217)

7. Pension Liability Sensitivity

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

	DISTRICT's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
Teachers Retirement Association	\$ 16,886,209	\$ 9,588,670	\$ 6,272,450

8. Pension Plan Fiduciary Net Position

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan (General Plan)

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

2. Benefits Provided

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

General Employees Plan Benefits

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

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

3. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the DISTRICT was required to contribute 7.50 percent for Coordinated Plan members. The DISTRICT's contributions to the General Employees Fund for the years ending June 30, 2025, 2024 and 2023, were \$289,496, \$253,999 and \$227,049, respectively. The DISTRICT's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the DISTRICT reported a liability of \$1,479,325 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 \$38,252.

DISTRICT's Proportionate Share of Net Pension Liability	\$ 1,479,325
State's Proportionate Share of Net Pension Liability Associated with the DISTRICT	<u>38,252</u>
Total	<u><u>\$ 1,517,577</u></u>

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The DISTRICT's proportion of the net pension liability was based on the DISTRICT's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The DISTRICT's proportionate share was 0.04 percent at the end of the measurement period and 0.0383 percent for the beginning of the period.

For the year ended June 30, 2025, the DISTRICT recognized pension expense of \$124,386 for its proportionate share of the General Employees Plan's pension expense. In addition, the DISTRICT recognized an additional \$1,026 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2025, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The DISTRICT recognized \$68,063 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 136,306	\$ -
Changes in Actuarial Assumptions	6,246	844,872
Net Difference Between Projected and Actual Investment Earnings	-	144,802
Changes in Proportion	71,925	-
Contributions Paid to PERA Subsequent to the Measurement Date	289,496	-
	<u>\$ 503,973</u>	<u>\$ 989,674</u>
Total		

The \$289,496 reported as deferred outflows of resources related to pensions resulting from the DISTRICT's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ (446,599)
2027	(110,439)
2028	(180,402)
2029	(37,757)

5. Long-Term Expected Return on Investment

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

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

6. Actuarial Assumptions

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

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

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

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

7. Discount Rate

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

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

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

8. Pension Liability Sensitivity

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

	DISTRICT's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
General Employees Fund	\$ 3,231,085	\$ 1,479,325	\$ 38,344

9. Pension Plan Fiduciary Net Position

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

Independent School District No. 345

New London, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the District's group health insurance plan until Medicare age, which covers both active and retired members. There are 54 active participants and 1 retired participants. Benefit provisions are established through negotiations between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	18
Active Plan Members	246
Total Plan Members	264

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement.

For the year ended June 30, 2025, the District's average contribution rate was 2.08 percent of covered-employee payroll. For the fiscal year 2025, the District contributed \$94,935 to the plan, while implicit contributions totaled \$130,377. The General fund is typically used to liquidate the governmental portion of the net OPEB obligation.

C. Actuarial Methods and Assumptions

The District's total OPEB liability of \$272,055 was measured as of June 30, 2025, and the OPEB liability was determined by an actuarial valuation as of July 1, 2024.

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

Discount Rate	4.70%
20-Year Municipal Bond Yield	4.90%
Inflation Rate	2.50%
Salary Increases	See sample rates in actuarial valuation report
Medical Trend Rate	6.25% in 2024 grading to 5.00% over 5 years and then to 4.00% over the next 48 years
Discount Trend Rate	N/A

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

Future retiree electing coverage for retiree plan participation pre-65 subsidy not available is 25%. Percent of future retirees electing coverage for retirees pre-65 spouse coverage not available is 25%.

Independent School District No. 345

New London, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2024	\$ 1,615,848	\$ 1,189,364	\$ 426,484
Changes for the Year			
Adjustments	(57,673)	-	(57,673)
Service Costs	63,768	-	63,768
Interest Costs	61,846	-	61,846
Assumption Changes	(14,821)	-	(14,821)
Employer Contributions	-	54,120	(54,120)
Projected Investment Return	-	52,853	(52,853)
Differences between expected and actual experience	(18,701)	81,875	(100,576)
Benefit Payment	(229,321)	(229,321)	-
Net Changes	(194,902)	(40,473)	(154,429)
Balances at June 30, 2025	\$ 1,420,946	\$ 1,148,891	\$ 272,055

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were updated.
- The discount rate was changed from 4.10% to 4.70%.

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

- None

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

- None

E. Sensitivity of the Net OPEB Liability

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

1 Percent Decrease 3.7%	Discount Rate Current 4.7%	1 Percent Increase 5.7%
\$ 337,817	\$ 272,055	\$ 211,420

Independent School District No. 345

New London, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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

1 Percent Decrease 5.25% Decreasing to 4.00% then <u>3.00%</u>	Healthcare Cost Trend Rates 6.25% Decreasing to 5.00% then <u>4.00%</u>	1 Percent Increase 7.25% Decreasing to 6.00% then <u>5.00%</u>
\$ 179,887	\$ 272,055	\$ 381,888

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the District Recognized OPEB expense of \$976,760. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 54,772
Changes in Actuarial Assumptions	11,827	69,747
Net Difference Between Projected and Actual Investment Earnings	-	84,280
Total	<u>\$ 11,827</u>	<u>\$ 208,799</u>

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

2026	\$ (22,051)
2027	(78,584)
2028	(57,508)
2029	(29,249)
2030	(4,790)
Thereafter	(4,790)

Independent School District No. 345
New London, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 6: Other Information

A. Risk Management

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

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

B. Federal and State Programs

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

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 345
New London, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2025

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	DISTRICT's Proportion of the Net Pension Liability	DISTRICT's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the DISTRICT (b)	Total (a+b)	DISTRICT's Covered Payroll (c)	DISTRICT's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.1509 %	\$ 9,588,670	\$ 587,741	\$ 10,176,411	\$ 9,991,074	96.0 %	82.1 %
6/30/2023	0.1481	12,227,468	856,574	13,084,042	9,417,039	129.8	76.4
6/30/2022	0.1408	11,274,519	835,977	12,110,496	8,701,918	129.6	76.2
6/30/2021	0.1467	6,420,031	130,708	6,550,739	8,776,199	73.2	86.6
6/30/2020	0.1458	10,771,899	200,517	10,972,416	8,246,692	130.6	75.5
6/30/2019	0.1249	7,961,152	163,240	8,124,392	6,336,939	125.6	78.2
6/30/2018	0.1420	8,916,951	141,870	9,058,821	7,843,613	113.7	78.1
6/30/2017	0.1357	27,088,182	441,648	27,529,830	7,272,587	372.5	51.6
6/30/2016	0.1262	30,101,711	559,172	30,660,883	6,566,307	458.4	44.9
6/30/2015	0.1252	7,744,858	135,174	7,880,032	6,379,907	121.4	76.8

Schedule of Employer's TRA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	DISTRICT's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 925,144	\$ 925,144	\$ -	\$ 10,573,074	8.75 %
6/30/2024	874,219	874,219	-	9,991,074	8.75
6/30/2023	805,157	805,157	-	9,417,039	8.55
6/30/2022	725,740	725,740	-	8,701,918	8.34
6/30/2021	713,505	713,505	-	8,776,199	8.13
6/30/2020	653,138	653,138	-	8,246,692	7.92
6/30/2019	488,578	488,578	-	6,336,939	7.71
6/30/2018	588,271	588,271	-	7,843,613	7.50
6/30/2017	545,444	545,444	-	7,272,587	7.50
6/30/2016	492,473	492,473	-	6,566,307	7.50

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

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

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

2022
No changes noted.

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

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

2019
No changes noted.

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

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

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

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2024
No changes noted.

2023
No changes noted.

2022
No changes noted.

2021
No changes noted.

2020
No changes noted.

2019
No changes noted.

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

2017
No changes noted.

2016
No changes noted.

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	DISTRICT's Proportion of the Net Pension Liability	DISTRICT's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the 0.142 (b)	Total (a+b)	DISTRICT's Covered Payroll (c)	DISTRICT's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0400 %	\$ 1,479,325	\$ 38,252	\$ 1,517,577	\$ 3,386,653	43.7 %	86.7 %
6/30/2023	0.0383	2,141,693	59,105	2,200,798	3,027,316	70.7	83.1
6/30/2022	0.0346	2,740,331	80,306	2,820,637	1,632,394	167.9	76.7
6/30/2021	0.0347	1,481,845	45,304	1,527,149	2,498,693	59.3	87.0
6/30/2020	0.0342	2,050,446	63,131	2,113,577	2,436,400	84.2	79.0
6/30/2019	0.0323	1,785,795	55,498	1,841,293	2,287,853	78.1	80.2
6/30/2018	0.0335	1,858,443	60,962	1,919,405	2,251,067	82.6	79.5
6/30/2017	0.0323	2,062,011	25,939	2,087,950	2,081,733	99.1	75.9
6/30/2016	0.0297	2,411,493	31,403	2,442,896	1,842,720	130.9	68.9
6/30/2015	0.0294	1,523,661	-	1,523,661	1,698,760	89.7	78.2

Schedule of Employer's PERA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	DISTRICT's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 289,496	\$ 289,496	\$ -	\$ 3,859,947	7.50 %
6/30/2024	253,999	253,999	-	3,386,653	7.50
6/30/2023	227,049	227,049	-	3,027,316	7.50
6/30/2022	122,430	122,430	-	1,632,394	7.50
6/30/2021	187,402	187,402	-	2,498,693	7.50
6/30/2020	182,730	182,730	-	2,436,400	7.50
6/30/2019	171,589	171,589	-	2,287,853	7.50
6/30/2018	168,830	168,830	-	2,251,067	7.50
6/30/2017	156,130	156,130	-	2,081,733	7.50
6/30/2016	138,204	138,204	-	1,842,720	7.50

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2024

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

2023

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

2022

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

2021

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

2020

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

2019

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

2018

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

2017

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

2016

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

2015

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

2024

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

2023

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

2022

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

2021

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

2020

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

2019

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

2018

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

2017

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

2016

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

2015

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2025

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

	2025	2024	2023	2022	2022	2021	2020	2019	2018
Total OPEB Liability									
Adjustments	\$ 34,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Service Costs	63,768	62,459	62,475	72,933	85,563	75,629	68,913	71,837	75,739
Interest Costs	61,846	62,954	61,791	49,302	47,927	53,268	65,867	58,960	58,994
Assumption Changes	(14,821)	(48,519)	23,653	(70,124)	(7,927)	25,168	32,871	(36,677)	-
Plan Changes	-	-	177,065	-	342,913	-	-	-	-
Differences between expected and actual experience	(18,701)	-	(67,375)	-	(30,347)	-	(233,540)	-	-
Benefit Payment	(229,321)	(212,606)	(228,410)	(200,079)	(135,108)	(164,774)	(135,481)	(137,518)	(126,246)
Net Change in Total OPEB Liability	(102,569)	(135,712)	29,199	(147,968)	303,021	(10,709)	(201,370)	(43,398)	8,487
Total OPEB Liability - Beginning	1,523,515	1,659,227	1,630,028	1,777,996	1,474,975	1,485,684	1,687,054	1,730,452	1,721,965
Total OPEB Liability - Ending (a)	<u>\$ 1,420,946</u>	<u>\$ 1,523,515</u>	<u>\$ 1,659,227</u>	<u>\$ 1,630,028</u>	<u>\$ 1,777,996</u>	<u>\$ 1,474,975</u>	<u>\$ 1,485,684</u>	<u>\$ 1,687,054</u>	<u>\$ 1,730,452</u>
Plan Fiduciary Net Postion									
Net investment income	\$ 52,853	\$ 156,232	\$ 57,256	\$ 76,320	\$ 66,825	\$ 120,404	\$ 116,776	\$ 125,183	\$ 160,113
Employer Contributions	54,120	-	-	-	-	-	-	-	-
Differences between expected and actual experience	81,875	-	-	(319,574)	302,500	-	-	-	-
Benefit payments	(229,321)	(212,606)	(228,410)	(200,079)	(135,108)	(164,774)	(135,481)	(137,518)	(126,246)
Administrative expense	-	(6,985)	-	(6,985)	(13,399)	(6,666)	(5,935)	-	-
Other changes and adjustments	-	99,318	-	-	-	-	(96,078)	1,994	-
Net Change in Plan Fiduciary Net Position	(40,473)	35,959	(171,154)	(450,318)	220,818	(51,036)	(120,718)	(10,341)	33,867
Total Plan Fiduciary Net Position - Beginning	1,189,364	1,153,405	1,324,559	1,774,877	1,554,059	1,605,095	1,725,813	1,736,154	1,702,287
Total Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,148,891</u>	<u>\$ 1,189,364</u>	<u>\$ 1,153,405</u>	<u>\$ 1,324,559</u>	<u>\$ 1,774,877</u>	<u>\$ 1,554,059</u>	<u>\$ 1,605,095</u>	<u>\$ 1,725,813</u>	<u>\$ 1,736,154</u>
District's Net OPEB Liability (Asset) - Ending (a) - (b)	<u>\$ 272,055</u>	<u>\$ 334,151</u>	<u>\$ 505,822</u>	<u>\$ 305,469</u>	<u>\$ 3,119</u>	<u>\$ (79,084)</u>	<u>\$ (119,411)</u>	<u>\$ (38,759)</u>	<u>\$ (5,702)</u>
Plan fiduciary net postion as a percentage of the total OPEB liability	80.85 %	78.07 %	69.51 %	81.26 %	99.82 %	105.36 %	108.04 %	102.30 %	100.33 %
Covered - Employee Payroll	\$ 13,057,290	\$ 11,988,026	\$ 11,638,860	\$ 11,200,007	\$ 10,837,793	\$ 10,410,301	\$ 10,107,088	\$ 9,045,233	\$ 8,781,780
District's total OPEB liability as a percentage of covered employee payroll	2.08 %	2.79 %	4.35 %	2.73 %	0.03 %	(0.76) %	(1.18) %	(0.43) %	(0.06) %

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

Independent School District No. 345
New London, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

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

Changes in assumptions:

2025

The health care trend rates were updated and the discount rate was changed from 4.10% to 4.70%.

2024

The discount rate was changed from 2.10% to 3.90% based on updated 20-year municipal bond rates. The inflation rate was changed from 2.00% to 2.50%. Healthcare 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-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

2023

No changed noted.

2022

The discount rate was changed from 3.10% to 2.10% based on updated 20-year municipal bond rates. The inflation rate was changed from 2.50% to 2.00%. Healthcare trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale. Withdrawal rates were updated to reflect the latest experience study. The salary increase rates for non-teachers were updated to reflect the latest experience study.

2021

The discount rate was changed from 3.40% to 3.10% based on updated 20-year municipal bond rates. Healthcare trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale. 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.

Changes in Plan Provisions:

None

Changes in benefits:

None

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 345

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

	Special Revenue		Debt Service	
	Food Service	Community Service	OPEB	Total
Assets				
Cash and temporary investments	\$ 620,293	\$ (118,683)	\$ 43,189	\$ 544,799
Receivables				
Taxes	-	79,305	109	79,414
Accounts	725	-	-	725
Due from other school districts	5,140	3,785	-	8,925
Due from Department of Education	79,552	14,079	-	93,631
Due from other governments	43,461	-	-	43,461
Prepaid items	-	1,040	-	1,040
Total Assets	\$ 749,171	\$ (20,474)	\$ 43,298	\$ 771,995
Liabilities				
Salaries and wages payable	\$ 2,476	\$ 95,742	\$ -	\$ 98,218
Accounts and other payables	33,226	84,962	141	118,329
Due to other governments	-	598	-	598
Unearned revenue	2,016	30,129	-	32,145
Total Liabilities	37,718	211,431	141	249,290
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	-	692	109	801
Property taxes levied for subsequent year	-	166,398	-	166,398
Total Deferred Inflows of Resources	-	167,090	109	167,199
Fund Balances				
Nonspendable	-	1,040	-	1,040
Restricted	711,453	-	43,048	754,501
Unassigned	-	(400,035)	-	(400,035)
Total Fund Balances	711,453	(398,995)	43,048	355,506
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 749,171	\$ (20,474)	\$ 43,298	\$ 771,995

Independent School District No. 345
New London, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 2025

	Special Revenue		Debt Service	
	Food Service	Community Service	OPEB	Total
Revenues				
Local property tax levies	\$ -	\$ 149,334	\$ 126	\$ 149,460
Other local revenue				
Other	-	1,300,809	-	1,300,809
Revenue from state sources	782,185	115,017	-	897,202
Revenue from federal sources	490,934	-	-	490,934
Sales of food and other assets	211,339	-	-	211,339
Total Revenues	<u>1,484,458</u>	<u>1,565,160</u>	<u>126</u>	<u>3,049,744</u>
Expenditures				
Current				
Community education and services	-	1,648,395	-	1,648,395
Pupil support services	<u>1,271,535</u>	<u>-</u>	<u>-</u>	<u>1,271,535</u>
Total current	<u>1,271,535</u>	<u>1,648,395</u>	<u>-</u>	<u>2,919,930</u>
Capital outlay				
Community education and services	-	365	-	365
Pupil support services	<u>223,734</u>	<u>-</u>	<u>-</u>	<u>223,734</u>
Total capital outlay	<u>223,734</u>	<u>365</u>	<u>-</u>	<u>224,099</u>
Debt service				
Principal	-	10,431	-	10,431
Interest and other charges	-	3,084	774	3,858
Total debt service	<u>-</u>	<u>13,515</u>	<u>774</u>	<u>14,289</u>
Total Expenditures	<u>1,495,269</u>	<u>1,662,275</u>	<u>774</u>	<u>3,158,318</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,811)	(97,115)	(648)	(108,574)
Other Financing Sources (Uses)				
Transfers in	<u>29,522</u>	<u>-</u>	<u>-</u>	<u>29,522</u>
Net Change in Fund Balances	18,711	(97,115)	(648)	(79,052)
Fund Balances, July 1	<u>692,742</u>	<u>(301,880)</u>	<u>43,696</u>	<u>434,558</u>
Fund Balances, June 30	<u>\$ 711,453</u>	<u>\$ (398,995)</u>	<u>\$ 43,048</u>	<u>\$ 355,506</u>

Independent School District No. 345

New London, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Pages)

For the Year Ended June 30, 2025

(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 4,077,238	\$ 4,078,420	\$ 4,048,383	\$ (30,037)	\$ 4,082,842
Other local revenue					
Interest income on investments	70,000	108,000	186,353	78,353	124,596
Other	1,060,600	1,289,683	1,465,510	175,827	1,113,859
Revenue from state sources	18,990,027	19,117,169	19,990,582	873,413	18,932,779
Revenue from federal sources	174,679	255,211	275,571	20,360	541,356
Total Revenues	24,372,544	24,848,483	25,966,399	1,117,916	24,795,432
Expenditures					
Current					
Administration					
Salaries	852,939	835,313	840,974	(5,661)	835,533
Fringe benefits	464,579	412,316	321,784	90,532	301,630
Purchased services	19,700	14,300	19,545	(5,245)	17,648
Supplies and materials	3,300	2,800	1,552	1,248	5,138
Other	21,400	22,700	17,492	5,208	19,843
Total administration	1,361,918	1,287,429	1,201,347	86,082	1,179,792
District support services					
Salaries	523,600	548,324	540,898	7,426	506,461
Fringe benefits	395,779	382,471	434,713	(52,242)	339,700
Purchased services	159,540	194,310	173,073	21,237	178,170
Supplies and materials	43,600	51,300	53,671	(2,371)	83,724
Other	26,150	24,000	32,906	(8,906)	25,243
Total district support services	1,148,669	1,200,405	1,235,261	(34,856)	1,133,298
Elementary and secondary regular instruction					
Salaries	6,946,259	6,814,067	6,919,021	(104,954)	6,598,753
Fringe benefits	1,920,860	1,925,449	2,241,723	(316,274)	2,001,839
Purchased services	778,341	785,808	816,218	(30,410)	750,121
Supplies and materials	574,066	577,400	618,218	(40,818)	566,535
Other	372,075	387,500	415,999	(28,499)	374,270
Total elementary and secondary regular instruction	10,591,601	10,490,224	11,011,179	(520,955)	10,291,518
Vocational education instruction					
Salaries	390,833	314,469	389,635	(75,166)	334,963
Fringe benefits	113,106	107,734	134,138	(26,404)	100,126
Purchased services	2,940	2,700	4,746	(2,046)	2,942
Supplies and materials	34,800	36,700	36,372	328	35,577
Other	-	-	1,000	(1,000)	2,400
Total vocational education instruction	541,679	461,603	565,891	(104,288)	476,008

Independent School District No. 345

New London, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)

For the Year Ended June 30, 2025

(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Special education instruction					
Salaries	\$ 3,080,347	\$ 3,287,843	\$ 3,190,675	\$ 97,168	\$ 2,959,645
Fringe benefits	980,505	934,911	1,075,908	(140,997)	997,455
Purchased services	245,246	307,350	369,579	(62,229)	447,541
Supplies and materials	14,750	11,121	16,821	(5,700)	21,322
Other	35,349	43,500	58,894	(15,394)	46,718
Total special education instruction	4,356,197	4,584,725	4,711,877	(127,152)	4,472,681
Instructional support services					
Salaries	421,688	589,224	600,125	(10,901)	506,740
Fringe benefits	67,415	111,755	144,511	(32,756)	99,365
Purchased services	30,247	23,600	20,716	2,884	22,331
Supplies and materials	72,650	43,150	39,822	3,328	38,104
Total instructional support services	592,000	767,729	805,174	(37,445)	666,540
Pupil support services					
Salaries	356,673	402,707	523,579	(120,872)	376,742
Fringe benefits	85,667	93,522	132,096	(38,574)	103,356
Purchased services	2,278,191	2,129,453	2,423,837	(294,384)	2,263,960
Supplies and materials	6,600	2,400	3,434	(1,034)	16,559
Total pupil support services	2,727,131	2,628,082	3,082,946	(454,864)	2,760,617
Sites and buildings					
Salaries	584,180	717,511	693,310	24,201	661,358
Fringe benefits	178,342	240,826	200,329	40,497	195,214
Purchased services	941,686	1,040,601	1,010,640	29,961	856,581
Supplies and materials	285,500	207,800	262,459	(54,659)	201,092
Other	3,000	-	45,052	(45,052)	125
Total sites and buildings	1,992,708	2,206,738	2,211,790	(5,052)	1,914,370
Total current	23,311,903	23,626,935	24,825,465	(1,198,530)	22,894,824
Expenditures (Continued)					
Capital outlay					
Elementary and secondary					
Regular instruction	36,527	179,624	119,977	59,647	138,082
Vocational education instruction	4,300	6,140	7,024	(884)	31,611
Instructional support services	30,000	32,000	30,354	1,646	935,386
Pupil support services	-	138,722	138,722	-	-
Sites and buildings	110,137	373,515	413,852	(40,337)	418,609
Total capital outlay	180,964	730,001	709,929	20,072	1,523,688
Debt service					
Principal	518,186	471,782	458,421	13,361	605,481
Interest and other charges	11,961	7,115	20,061	(12,946)	34,138
Total debt service	530,147	478,897	478,482	415	639,619
Total Expenditures	24,023,014	24,835,833	26,013,876	(1,178,043)	25,058,131
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	\$ 349,530	\$ 12,650	\$ (47,477)	\$ (60,127)	\$ (262,699)
Other Financing Sources (Uses)					
Lease issued	-	-	-	-	773,363
Transfer out	-	-	(29,522)	(29,522)	-
Total Other Financing Sources (Uses)	-	-	(29,522)	(29,522)	773,363
Net Change in Fund Balances	349,530	12,650	(76,999)	(89,649)	510,664
Fund Balances, July 1	1,081,172	1,081,172	1,081,172	-	570,508
Fund Balances, June 30	\$ 1,430,702	\$ 1,093,822	\$ 1,004,173	\$ (89,649)	\$ 1,081,172

Independent School District No. 345
New London, Minnesota
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025			2024
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Revenues				
Other local revenue				
Interest earned on investments	\$ 100	\$ 100	\$ -	\$ (100)
Revenue from state sources	634,800	647,600	782,185	134,585
Revenue from federal sources	405,000	425,700	490,934	65,234
Sales of food and other assets	160,100	172,000	211,339	39,339
Total Revenues	<u>1,200,000</u>	<u>1,245,400</u>	<u>1,484,458</u>	<u>239,058</u>
Expenditures				
Current				
Pupil support services				
Salaries	108,000	83,000	77,215	5,785
Employee benefits	49,120	36,900	28,859	8,041
Purchased services	983,500	983,600	1,049,452	(65,852)
Supplies and materials	98,200	100,200	114,479	(14,279)
Other	1,800	1,800	1,530	270
Total current	<u>1,240,620</u>	<u>1,205,500</u>	<u>1,271,535</u>	<u>(66,035)</u>
Capital outlay				
Pupil support services	<u>129,244</u>	<u>195,000</u>	<u>223,734</u>	<u>(28,734)</u>
Total Expenditures	<u>1,369,864</u>	<u>1,400,500</u>	<u>1,495,269</u>	<u>(94,769)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(169,864)	(155,100)	(10,811)	144,289
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>29,522</u>	<u>29,522</u>
Net Change in Fund Balances	(169,864)	(155,100)	18,711	173,811
Fund Balances, July 1	<u>692,742</u>	<u>692,742</u>	<u>692,742</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 522,878</u>	<u>\$ 537,642</u>	<u>\$ 711,453</u>	<u>\$ 173,811</u>
				<u>\$ 692,742</u>

Independent School District No. 345
New London, Minnesota
Community Service Special Revenue Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 141,279	\$ 151,896	\$ 149,334	\$ (2,562)	\$ 140,757
Other local revenue					
Interest earned on investments	100	100	-	(100)	77
Other	1,050,841	1,313,360	1,300,809	(12,551)	1,229,665
Revenue from state sources	107,780	98,750	115,017	16,267	111,573
Total Revenues	<u>1,300,000</u>	<u>1,564,106</u>	<u>1,565,160</u>	<u>1,054</u>	<u>1,482,072</u>
Expenditures					
Current					
Community education and services					
Salaries	881,317	1,018,625	1,067,973	(49,348)	986,695
Employee benefits	204,715	254,915	272,977	(18,062)	242,937
Purchased services	155,351	218,200	228,365	(10,165)	220,263
Supplies and materials	41,602	66,650	78,035	(11,385)	70,451
Other	1,000	1,000	1,045	(45)	1,037
Total current	<u>1,283,985</u>	<u>1,559,390</u>	<u>1,648,395</u>	<u>(89,005)</u>	<u>1,521,383</u>
Capital outlay					
Community education and services	<u>2,500</u>	<u>2,550</u>	<u>365</u>	<u>2,185</u>	<u>2,691</u>
Debt service					
Principal	13,515	13,515	10,431	3,084	9,568
Interest and other charges	-	-	3,084	(3,084)	3,947
Total debt service	<u>13,515</u>	<u>13,515</u>	<u>13,515</u>	<u>-</u>	<u>13,515</u>
Total Expenditures	<u>1,300,000</u>	<u>1,575,455</u>	<u>1,662,275</u>	<u>(86,820)</u>	<u>1,537,589</u>
Net Change in Fund Balances	-	(11,349)	(97,115)	(85,766)	(55,517)
Fund Balances, July 1	<u>(301,880)</u>	<u>(301,880)</u>	<u>(301,880)</u>	<u>-</u>	<u>(246,363)</u>
Fund Balances, June 30	<u>\$ (301,880)</u>	<u>\$ (313,229)</u>	<u>\$ (398,995)</u>	<u>\$ (85,766)</u>	<u>\$ (301,880)</u>

Independent School District No. 345
New London, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 3,629,273	\$ 3,527,273	\$ 3,659,535	\$ 132,262	\$ 1,707,127
Revenue from state sources	157,692	157,692	157,693	1	13,881
Total Revenues	<u>3,786,965</u>	<u>3,684,965</u>	<u>3,817,228</u>	<u>132,263</u>	<u>1,721,008</u>
Expenditures					
Debt service					
Principal	2,330,000	2,330,000	2,330,000	-	1,110,000
Interest and other charges	1,307,476	1,314,476	1,312,222	2,254	640,150
Total Expenditures	<u>3,637,476</u>	<u>3,644,476</u>	<u>3,642,222</u>	<u>2,254</u>	<u>1,750,150</u>
Net Change in Fund Balances	149,489	40,489	175,006	134,517	(29,142)
Fund Balances, July 1	<u>352,524</u>	<u>352,524</u>	<u>352,524</u>	<u>-</u>	<u>381,666</u>
Fund Balances, June 30	<u>\$ 502,013</u>	<u>\$ 393,013</u>	<u>\$ 527,530</u>	<u>\$ 134,517</u>	<u>\$ 352,524</u>

Independent School District No. 345
New London, Minnesota
Private-Purpose Trusts - Scholarships Fund
Schedule of Changes in Fiduciary Net Position - Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Additions					
Contributions and donations	\$ 50,000	\$ 50,000	\$ 48,814	\$ (1,186)	\$ 56,102
Investment income					
Interest and dividends	5,000	5,000	9,757	4,757	7,280
Total Additions	55,000	55,000	58,571	3,571	63,382
Deductions					
Scholarship awards	65,000	57,400	72,572	(15,172)	52,348
Change in Net Position	(10,000)	(2,400)	(14,001)	(11,601)	11,034
Net Position, July 1	160,275	160,275	160,275	-	149,241
Net Position, June 30	<u>\$ 150,275</u>	<u>\$ 157,875</u>	<u>\$ 146,274</u>	<u>\$ (11,601)</u>	<u>\$ 160,275</u>

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Independent School District No. 345
New London, Minnesota
OPEB Trust Fund
Schedule of Changes in Fiduciary Net Position - Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025			2024
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
Additions				
Investment income				
Net increase (decrease in fair value of investments)	\$ -	\$ -	\$ 51,387	\$ 53,985
Interest and dividends	125,000	125,000	91,114	100,645
Total Additions	125,000	125,000	142,501	154,630
Deductions				
OPEB health insurance benefits	251,000	150,000	175,201	153,331
Purchased services	7,000	-	-	-
Administrative expense	-	7,000	7,773	6,985
Total Deductions	258,000	157,000	182,974	160,316
Change in Net Position	(133,000)	(32,000)	(40,473)	(5,686)
Net Position, July 1	1,189,364	1,189,364	1,189,364	1,195,050
Net Position, June 30	<u>\$ 1,056,364</u>	<u>\$ 1,157,364</u>	<u>\$ 1,148,891</u>	<u>\$ 1,189,364</u>

Fiscal Compliance Report - 6/30/2025

District: NEW LONDON-SPICER (345-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	\$25,966,399	<u>\$25,966,389</u>	<u>\$10</u>
Total Expenditures	\$26,013,876	<u>\$26,013,866</u>	<u>\$10</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$462,094	<u>\$462,094</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$212,185	<u>\$212,185</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.12 Literacy Incentive Aid	\$44,452	<u>\$44,452</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>
4.20 American Indian Education Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.24 Operating Capital	\$15,822	<u>\$15,822</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>
4.39 English Learner	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>
4.43 School Library Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.49 Safe Schools Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$61,867	<u>\$61,867</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$47,790	<u>\$47,789</u>	<u>\$1</u>
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	(\$12,665)	<u>(\$12,665)</u>	<u>\$0</u>
4.71 Student Support Personnel Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>			
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>			
4.62 Assigned Fund Balance	\$33,213	<u>\$33,212</u>	<u>\$1</u>
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	\$139,415	<u>\$139,417</u>	<u>(\$2)</u>
02 FOOD SERVICES			
Total Revenue	\$1,484,458	<u>\$1,484,459</u>	<u>(\$1)</u>
Total Expenditures	\$1,495,269	<u>\$1,495,270</u>	<u>(\$1)</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$711,453	<u>\$711,454</u>	<u>(\$1)</u>

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	\$474,094	<u>\$474,093</u>	<u>\$1</u>
Total Expenditures	\$10,382,944	<u>\$10,382,944</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$2,482,585	<u>\$2,482,583</u>	<u>\$2</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$11,115,511	<u>\$11,115,512</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
07 DEBT SERVICE			
Total Revenue	\$3,817,228	<u>\$3,817,227</u>	<u>\$1</u>
Total Expenditures	\$3,642,222	<u>\$3,642,221</u>	<u>\$1</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$527,530	<u>\$527,530</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
08 TRUST			
Total Revenue	\$58,571	<u>\$58,572</u>	<u>(\$1)</u>
Total Expenditures	\$72,572	<u>\$72,573</u>	<u>(\$1)</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$146,274	<u>\$146,273</u>	<u>\$1</u>
18 CUSTODIAL			
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
20 INTERNAL SERVICE			
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
25 OPEB REVOCABLE TRUST			
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
45 OPEB IRREVOCABLE TRUST			
Total Revenue	\$142,501	<u>\$142,501</u>	<u>\$0</u>
Total Expenditures	\$182,974	<u>\$182,974</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$1,148,891	<u>\$1,148,890</u>	<u>\$1</u>

Unassigned:

4.63 Unassigned Fund Balancee	\$0	<u>\$0</u>	<u>\$0</u>
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04 COMMUNITY SERVICE

Total Revenue	\$1,565,157	<u>\$1,565,157</u>	<u>\$0</u>
Total Expenditures	\$1,662,275	<u>\$1,662,272</u>	<u>\$3</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$1,040	<u>\$1,040</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	(\$147,813)	<u>(\$147,813)</u>	<u>\$0</u>
4.32 E.C.F.E	(\$131,310)	<u>(\$131,309)</u>	<u>(\$1)</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	(\$120,912)	<u>(\$120,912)</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$126	<u>\$125</u>	<u>\$1</u>
Total Expenditures	\$774	<u>\$774</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$43,048	<u>\$43,048</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education
Independent School District No. 345
New London, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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. 345 (the District), New London, Minnesota as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. 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.

This report is intended solely for the information and use of those charged with governance and management of the District and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



Abdo
Minneapolis, Minnesota
December 23, 2025

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

Members of the Board of Education
Independent School District No. 345
New London, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 345 (the District), Minnesota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 23, 2025.

Internal Control Over Financial Reporting

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

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

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

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 have not been 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 certain deficiencies in internal control, described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2025-001 and 2025-002 we consider to be significant deficiencies.

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 which are required to be reported under *Government Auditing Standards*.

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Abdo
Minneapolis, Minnesota
December 23, 2025



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FEDERAL FINANCIAL AWARD PROGRAM
INDEPENDENT SCHOOL DISTRICT NO. 345
NEW LONDON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Education
Independent School District No. 345
New London, Minnesota

Opinion on Each Major Federal Program

We have audited the Independent School District No. 345's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose



Abdo
Minneapolis, Minnesota
December 23, 2025



Independent School District No. 345
New London, Minnesota
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Funding Source	Administering Department	Grant Name	Federal Domestic Assistance Number	Federal Program Clusters	Federal Program Detail	Total Federal Expenditures
U.S. Department of Agriculture	MN Department of Education	School Breakfast Program	10.553	\$ 104,756		
U.S. Department of Agriculture	MN Department of Education	National School Lunch Program	10.555	301,366		
U.S. Department of Agriculture	MN Department of Education	Commodity Distribution - Non-Cash	10.555	81,133		
		Total Child Nutrition Cluster				\$ 487,255
U.S. Department of Education	MN Department of Education	Special Education Grants to States	84.027	67,881		
U.S. Department of Education	MN Department of Education	Special Education - Preschool Grants (IDEA Preschool)	84.173	3,095		
		Total Special Education Cluster				70,976
U.S. Department of Education	MN Department of Education	Title I Grants to Local Educational Agencies	84.010			62,193
U.S. Department of Education	MN Department of Education	Improving Teacher Quality State Grants	84.367			17,003
U.S. Department of Education	MN Department of Education	Student Support and Academic Enrichment Program	84.424			10,000
U.S. Department of Education	MN Department of Education	COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425UC		936	
U.S. Department of Education	MN Department of Education	COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425U		108,931	
		Total	84.425			109,867
U.S. Department of Education	MN Department of Education	Career and Technical Education Basic Grants	84.048			5,532
U.S. Department of Agriculture	MN Department of Education	State Administrative Expenses for Child Nutrition	10.560			3,678
						<u>\$ 766,504</u>

Independent School District No. 345
New London, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Independent School District No. 345, New London, Minnesota (the District). The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). All federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Sub recipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2025, the District did not elect to use the 10 percent de Minimis indirect cost rate.

Independent School District No. 345
New London, Minnesota
Schedule of Findings, Responses and Questioned Costs
For the Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of Major Programs/Projects

	<u>CFDA No.</u>
Department of Agriculture - Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

Significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Findings 2025-001 and 2025-002 are reported as significant deficiencies.

There is no noncompliance with the provisions of laws, regulations, contracts or grant agreements which are material to financial statements that have been identified or reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Section IV - Schedule of Prior Year Audit Findings

There were prior year audit findings that are attached and noted as findings 2024-001 and 2024-002.

Independent School District No. 345
New London, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-001	Preparation of Financial Statements
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board of Education as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we draft the financial statements, as well as audit the financial statements. This is not unusual for us to do with an organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend that a disclosure checklist be utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	
	For now, the District's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

Independent School District No. 345
New London, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-002	Limited Segregation of Duties
<i>Condition:</i>	During our audit, we reviewed procedures within each of the District's major transaction cycles and found the District to have limited segregation of duties in those transaction cycles.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities
<i>Cause:</i>	The District has a limited number of staff to properly segregate duties in each of the major transaction cycles.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
<i>Recommendation:</i>	We recommend the District continue to review and analyze its internal controls, at a minimum annually, and implement any changes and compensating controls considered necessary.
<i>Management Response:</i>	
	There is no disagreement with the audit finding. The District reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas with the limits of the staff available. However, the District does not consider it cost beneficial at this time to increase the size of its staff in order to further segregate accounting functions.

New London-Spicer Community Schools District #0345

Following is our response to findings in the audit as of June 30, 2025:

FINDING 2025-001:

We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Board of Education as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

The District will implement the appropriate internal controls to allow them to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

3. Official Responsible for Ensuring CAP:

Jamie Boelter would be responsible for establishing procedures.

4. Planned Completion Date for CAP:

On-going

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring on an on-going basis.

Sincerely,



Jamie Boelter
Superintendent
Independent School District No. 345
New London, Minnesota

New London-Spicer

Community Schools

District #0345

Following is our response to findings in the audit as of June 30, 2025:

FINDING 2025-002:

During our audit, we reviewed procedures within each of the District's major transaction cycles and found the District to have limited segregation of duties in those transaction cycles.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding:

The District understands the importance of segregating duties; however, due to cost-benefit limitations, the District's only remedy to this condition is to continue to monitor staff responsibilities.

3. Official Responsible for Ensuring CAP:

Jamie Boelter would be responsible for establishing procedures.

4. Planned Completion Date for CAP:

On-going

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring on an on-going basis.

Sincerely,



Jamie Boelter
Superintendent
Independent School District No. 345
New London, Minnesota

Independent School District No. 345
New London, Minnesota
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2024-001	Preparation of Financial Statements
<i>Current Year Status:</i>	Finding applicable to 2025.
2024-002	Limited Segregation of Duties
<i>Current Year Status:</i>	Finding applicable to 2025.