

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

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STAPLES, MINNESOTA  
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**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
ROSTER OF SCHOOL OFFICIALS  
June 30, 2025**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mary Feeman	Chairman	December 31, 2028
Chandler Trout	Vice-Chairman	December 31, 2026
Sherry Frisk	Clerk	December 31, 2028
Jeremy Reeck	Treasurer	December 31, 2028
Ryan Wright	Director	December 31, 2026
Kyle Reese	Director	December 31, 2026
Shane Tappe	Superintendent	
Ellie Hill	Business Manager	

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Independent School District No. 2170  
Staples, Minnesota

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of the Independent School District No. 2170, 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 Independent School District No. 2170, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter***

##### ***Change in Accounting Principle***

As described in Note 3 to the financial statements, the District has adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design,

implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 judgement 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 judgement 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, budgetary comparison information, schedules, and notes as listed in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained

during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements, schedule of changes in fund balances and net position and compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, schedule of changes in fund balances and net position, compliance 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 included in the annual report. The other information comprises the roster of school officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 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.



**BRADY MARTZ**  
**GRAND FORKS, NORTH DAKOTA**

December 17, 2025

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2025**

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This section of Independent School District No. 2170's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**Financial Highlights**

For the year ending June 30, 2025, the District's unassigned general fund balance increased from \$3,794,628 to \$4,012,487 or an increase of \$217,859.

**Overview of the Financial Statements**

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
  - The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year, and supplementary information that is presented for additional analysis.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

- *Governmental activities*: All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2025**

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Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has two kinds of funds:

**Governmental funds:** The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, building construction fund, and debt service fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.

**Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities (consisting of an OPEB Trust Fund) are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2025**

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**Financial Analysis of the District as a Whole**

Net Position

The District's combined net position was \$28,054,235 on June 30, 2025 (see details in Table A-1). This was an increase of 25.5 percent from the prior year.

**Table A-1**  
**Statement of Net Position**

	<u>2025</u>	<u>2024</u>	<u>Total Percentage Change</u>
Current and Other Assets	\$ 17,456,321	\$ 22,185,840	(21.3) %
Capital Assets	<u>44,045,969</u>	<u>40,190,685</u>	9.6
Total Assets	<u>61,502,290</u>	<u>62,376,525</u>	(1.4)
Deferred Outflows of Resources	<u>1,906,674</u>	<u>2,062,308</u>	(7.5)
Long-term Liabilities	19,688,502	25,622,822	(23.2)
Other Liabilities	<u>6,506,872</u>	<u>8,216,850</u>	(20.8)
Total Liabilities	<u>26,195,374</u>	<u>33,839,672</u>	(22.6)
Deferred Inflows of Resources	<u>9,159,355</u>	<u>8,237,031</u>	11.2
Net Position			
Net Investment in Capital Assets	28,414,510	23,977,853	18.5
Restricted	4,344,056	3,789,208	14.6
Unrestricted	<u>(4,704,331)</u>	<u>(5,404,931)</u>	13.0
Total Net Position	<u>\$ 28,054,235</u>	<u>\$ 22,362,130</u>	25.5 %

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2025**

Change in Net Position

Table A-2 presents the change in net position of the District.

**Table A-2  
Change in Net Position**

	<u>2025</u>	<u>2024</u>	<u>Total Percentage Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 569,277	\$ 625,482	(9.0) %
Operating Grants and Contributions	3,117,942	5,791,212	(46.2)
Capital Grants and Contributions	65,873	1,091,048	(94.0)
General Revenues			
Property Taxes	5,322,657	5,053,825	5.3
Unrestricted State Aid	11,165,328	7,939,167	40.6
Other Sources	3,278,756	3,466,161	(5.4)
Total Revenues	<u>23,519,833</u>	<u>23,966,895</u>	(1.9)
Expenses			
Administration	743,807	687,084	8.3
District Support Services	702,533	627,612	11.9
Elementary & Secondary Regular Instruction	4,757,621	3,628,661	31.1
Vocational Education Instruction	291,629	265,183	10.0
Special Education Instruction	3,044,251	2,983,123	2.0
Community Education and Services	503,689	482,484	4.4
Instructional Support Services	761,432	676,092	12.6
Pupil Support Services	2,170,128	2,052,953	5.7
Sites and Buildings	3,483,058	1,714,844	103.1
Fixed Costs	129,121	96,155	34.3
Interest on Long-Term Debt	303,502	467,890	(35.1)
Total Expenses	<u>16,890,771</u>	<u>13,682,081</u>	23.5
Change in Net Position	6,629,062	10,284,814	
Net Position - Beginning	22,362,130	12,077,316	85.2
GASB 101 Adjustment - See Note 3	(936,957)		
Net Position - Beginning, Restated	<u>21,425,173</u>	<u>12,077,316</u>	
Net Position - Ending	<u>\$ 28,054,235</u>	<u>\$ 22,362,130</u>	25.5 %

The District's total revenues were \$23,519,833 for the year ended June 30, 2025. Property taxes and state aid payments accounted for 79.2 percent of total revenue for the year.

The total cost of all programs and services was \$16,890,771. The District's expenses are predominantly related to educating and caring for students. Total revenues surpassed expenses, increasing net position \$6,629,062 over last year. For the year ended June 30, 2025, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by \$627,768. For the year

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2025**

ended June 30, 1899, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by \$1,483,541.

The net cost of governmental activities is their costs less program revenues applicable to each category.

Table A-3 presents these net costs.

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

	Total Cost of Services		Total	Net Cost of Services		Total
	2025	2024	Percentage Change	2025	2024	Percentage Change
<b>Expenses</b>						
Administration	\$ 743,807	\$ 687,084	8.3 %	\$ 735,297	\$ 681,431	7.9 %
District Support Services	702,533	627,612	11.9	702,533	600,079	17.1
Elementary & Secondary						
Regular Instruction	4,757,621	3,628,661	31.1	3,449,158	1,882,985	83.2
Vocational Education Instruction	291,629	265,183	10.0	277,357	265,163	4.6
Special Education Instruction	3,044,251	2,983,123	2.0	2,894,409	1,267,429	128.4
Community Education and Services	503,689	482,484	4.4	148,741	97,327	52.8
Instructional Support Services	761,432	676,092	12.6	420,203	(135,058)	(411.1)
Pupil Support Services	2,170,128	2,052,953	5.7	705,854	348,857	102.3
Sites and Buildings	3,483,058	1,714,844	103.1	3,371,504	602,081	460.0
Fixed Costs	129,121	96,155	34.3	129,121	96,155	34.3
Interest on Long-Term Debt	303,502	467,890	(35.1)	303,502	467,890	(35.1)
	<u>\$ 16,890,771</u>	<u>\$ 13,682,081</u>	23.5 %	<u>\$ 13,137,679</u>	<u>\$ 6,174,339</u>	112.8 %

**Financial Analysis of the District's Funds**

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

**Table A-4  
Major Funds**

	Fund Balance		Increase	Percentage
	2025	2024	(Decrease)	Increase (Decrease)
<b>Governmental Funds</b>				
General	\$ 6,704,726	\$ 6,092,193	\$ 612,533	10.1 %
Building Construction	1,110,908	4,499,700	(3,388,792)	(75.3)
Debt Service Fund	1,199,346	921,076	278,270	30.2

The majority of the financial aid received by the District is determined based on the number of students enrolled during the year. Therefore, fluctuations in enrollment have a significant impact on the financial health of the District. The following table shows the trend in student enrollment counts over the past five years:

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2025**

	Student Enrollment (Average Daily Membership)				
	2021	2022	2023	2024	2025
Pre K - 3	281	245	237	235	249
4 - 6	201	217	214	195	185
7 - 8	178	162	150	147	166
9 - 12	349	341	344	334	331
Total Student (ADM)	<u>1,009</u>	<u>965</u>	<u>945</u>	<u>911</u>	<u>931</u>
Percentage Change		-4.36%	-2.07%	-3.60%	2.20%

General Fund

The general fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12, including pupil transportation activities and capital outlay projects.

Table A-5 presents a summary of general fund revenue.

**Table A-5**  
**General Fund Revenue**

	2025	2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 1,919,631	\$ 1,728,874	\$ 190,757	11.0 %
Interest Earnings	258,785	300,251	(41,466)	(13.8)
Other	512,817	595,099	(82,282)	(13.8)
State Sources	12,119,703	11,270,637	849,066	7.5
Federal Sources	542,007	1,699,606	(1,157,599)	(68.1)
Other	9,997	54,511	(44,514)	(81.7)
Total General Fund Revenue	<u>\$ 15,362,940</u>	<u>\$ 15,648,978</u>	<u>\$ (286,038)</u>	<u>(1.8) %</u>

Total general fund revenue decreased by \$286,038 or 1.8 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 For the Year Ended June 30, 2025**

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Table A-6 presents a summary of general fund expenditures.

**Table A-6  
 General Fund Expenditures**

	<u>2025</u>	<u>2024</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Salaries	\$ 8,283,426	\$ 7,879,281	\$ 404,145	5.1 %
Employee Benefits	2,555,753	2,449,945	105,808	4.3
Purchased Services	2,075,496	2,144,857	(69,361)	(3.2)
Supplies and Materials	725,918	679,997	45,921	6.8
Capital Expenditures	958,382	2,421,255	(1,462,873)	(60.4)
Debt Service	129,845	224,660	(94,815)	(42.2)
Other Expenditures	62,796	79,721	(16,925)	(21.2)
Total General Fund Expenditures	<u>\$ 14,791,616</u>	<u>\$ 15,879,716</u>	<u>\$ (1,088,100)</u>	(6.9) %

Total general fund expenditures decreased by \$(1,088,100) or (6.9) percent from the previous year.

General Fund Budgetary Highlights

During the year, the District revised the annual budget to reflect additional revenues from state, local and county sources as well as increases in related expenditures.

The District's budget for the general fund anticipated that revenues and other financing sources would exceed expenditures and other financing uses by \$174,286. The actual results for the year show a surplus of \$615,632.

**Reclassifications**

Certain reclassifications have been made to the 2024 financial statements in order to conform with 2025 presentation.

**Capital Assets and Debt Administration**

Capital Assets

Note 5 to the financial statements presents an analysis of capital asset and lease transactions occurring during the year ended June 30, 2025. Additions totaling \$5,597,919 consisted primarily of remodeling of the elementary and high school and various equipment and vehicles. Disposals totaling \$126,239 consisted of various vehicles.

Long-Term Debt

At year-end, the District had \$17,643,414 of long-term debt. This consisted of bonded indebtedness net of premiums of \$16,704,816, compensated absences payable of \$901,046, leases payable of \$26,392, and SBITAs payable of \$11,160. Note 10 to the financial statements presents details and payment provisions of these items.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2025**

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**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The District receives 57% of its revenue from state sources. The District is significantly impacted by the results of the financial health of the State of Minnesota. School Districts have been fortunate for the past several years to receive additional increases in the general education funding formula from the State. These increases, however, have not increased at the same rate as inflation. In addition, the State of Minnesota is currently projecting significant budget deficits.
- Declining student enrollment.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Offices, Independent School District No. 2170, 905 4<sup>th</sup> Street NE, Staples, MN 56479.

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**June 30, 2025**

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GOVERNMENTAL ACTIVITIES

ASSETS

Cash and Investments	\$ 12,465,702
Property Taxes Receivable	3,256,517
Accounts Receivable	17,641
Interest Receivable	4,002
Due From MN School Districts	8,576
Due From Department of Education	1,397,708
Due From Federal Govt. - DOE	263,561
Prepaid Items	26,800
Inventory	15,814

Capital Assets

Land, Construction in Process	881,939
Other Capital Assets, Net of Depreciation/Amortization	43,164,030

TOTAL ASSETS

61,502,290

DEFERRED OUTFLOWS OF RESOURCES

Cost Sharing Defined Benefit Pension Plan	1,853,027
Other Postemployment Benefit Plan	52,053
Supplemental Pension	1,594

TOTAL DEFERRED OUTFLOWS OF RESOURCES

1,906,674

LIABILITIES

Accounts Payable	182,495
Due To Other MN School Districts	157,587
Due To Other Governments	41,268
Payroll Deductions	1,077,579
Unearned Revenue	4,623
Interest Payable	292,504
Long-Term Liabilities Due Within One Year	4,750,816

Long-Term Liabilities

Bonds, Net Unamortized Premiums (Discounts)	16,704,816
Compensated Absences Payable	901,046
Net Pension Liability	6,159,286
Net Other Postemployment Benefit Liability	552,423
Supplemental Pension Liability	84,195
Lease Payable	26,392
SBITA Payable	11,160
Less Amounts Due Within One Year	(4,750,816)
Total Long-Term Liabilities	<u>19,688,502</u>

TOTAL LIABILITIES

26,195,374

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**STATEMENT OF NET POSITION - CONTINUED**  
**June 30, 2025**

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DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied - Subs. Years	5,707,394
Cost Sharing Defined Benefit Pension Plan	3,124,911
Other Postemployment Benefit Plan	283,998
Supplemental Pension	43,052
	<hr/>
TOTAL DEFERRED INFLOWS OF RESOURCES	9,159,355
NET POSITION	
Net Investment in Capital Assets	28,414,510
Restricted for:	
Student Activity	76,405
Staff Development	172,185
Literacy Incentive Aid	17,226
American Indian Ed Aid	35,783
Area Learning Center	29,342
Gifted and Talented	67,341
English Learner	48,696
Basic Skills Programs	964
School Library Aid	11,641
Literacy Aid	35,467
Teacher Comp for Read Act	23,000
LTFM	1,397,226
Student Support Personnel Aid	40,000
Medical Assistance	333,196
Food Service	589,962
Community Education	251,409
ECFE	19,258
School Readiness	42,589
Adult Basic Education	5,786
Community Service	239,738
Debt Service	906,842
Unrestricted	(4,704,331)
	<hr/>
TOTAL NET POSITION	\$ 28,054,235
	<hr/>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>					
Administration	\$ 743,807	\$ 5,000	\$ 3,510		\$ (735,297)
District Support Services	702,533				(702,533)
Elementary & Secondary					
Regular Instruction	4,757,621	76,994	1,231,469		(3,449,158)
Vocational Education Instruction	291,629		14,272		(277,357)
Special Education Instruction	3,044,251		149,842		(2,894,409)
Community Education and Services	503,689	192,607	162,341		(148,741)
Instructional Support Services	761,432	15,297	325,932		(420,203)
Pupil Support Services	2,170,128	273,624	1,190,650		(705,854)
Sites and Buildings	3,483,058	5,755	39,926	65,873	(3,371,504)
Fixed Costs	129,121				(129,121)
Interest on Long-Term Debt	303,502				(303,502)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 16,890,771</b>	<b>\$ 569,277</b>	<b>\$ 3,117,942</b>	<b>\$ 65,873</b>	<b>(13,137,679)</b>
<b>GENERAL REVENUES</b>					
Taxes					
Property Taxes, Levied for General Purposes					1,932,632
Property Taxes, Levied for Community Education and Services					88,544
Property Taxes, Levied for Debt Services					3,301,481
Unrestricted State Aid					11,165,328
Unrestricted Investment Earnings					547,527
Other General Revenue					2,731,229
<b>TOTAL GENERAL REVENUES</b>					<b>19,766,741</b>
Change in Net Position					6,629,062
Net Position - Beginning					22,362,130
GASB 101 Adjustment - See Note 3					(936,957)
Net Position - Beginning, Restated					21,425,173
Net Position - Ending					<b>\$ 28,054,235</b>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 June 30, 2025**

	General Fund	Building Construction Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 7,177,440	\$ 1,229,144	\$ 2,899,065	\$ 1,160,053	\$ 12,465,702
Current Property Taxes Receivable	848,803		2,243,898	42,163	3,134,864
Delinquent Property Taxes Receivable	53,894		65,228	2,531	121,653
Accounts Receivable	15,641			2,000	17,641
Interest Receivable		4,002			4,002
Due From MN School Districts	7,775			801	8,576
Due From Department of Education	1,317,945		67,944	11,819	1,397,708
Due From Federal Govt. - DOE	231,140			32,421	263,561
Prepaid Items	24,012			2,788	26,800
Inventory				15,814	15,814
<b>TOTAL ASSETS</b>	<b>\$ 9,676,650</b>	<b>\$ 1,233,146</b>	<b>\$ 5,276,135</b>	<b>\$ 1,270,390</b>	<b>\$ 17,456,321</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 57,739	\$ 122,238		\$ 2,518	\$ 182,495
Due To Other MN School Districts	157,587				157,587
Due To Other Governments	41,268				41,268
Payroll Deductions	1,053,938			23,641	1,077,579
Unearned Revenue				4,623	4,623
<b>TOTAL LIABILITIES</b>	<b>1,310,532</b>	<b>122,238</b>		<b>30,782</b>	<b>1,463,552</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Delinquent Taxes	53,894		65,228	2,531	121,653
Property Taxes Levied - Subs. Years	1,607,498		4,011,561	88,335	5,707,394
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,661,392</b>		<b>4,076,789</b>	<b>90,866</b>	<b>5,829,047</b>
<b>FUND BALANCES</b>					
Fund Balance:					
Nonspendable	24,012			18,602	42,614
Restricted	2,288,472	1,110,908	1,199,346	1,130,140	5,728,866
Committed	8,829				8,829
Assigned	370,926				370,926
Unassigned	4,012,487				4,012,487
<b>TOTAL FUND BALANCES</b>	<b>6,704,726</b>	<b>1,110,908</b>	<b>1,199,346</b>	<b>1,148,742</b>	<b>10,163,722</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 9,676,650</b>	<b>\$ 1,233,146</b>	<b>\$ 5,276,135</b>	<b>\$ 1,270,390</b>	<b>\$ 17,456,321</b>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 2170**

**STAPLES, MINNESOTA**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT  
OF NET POSITION**

**June 30, 2025**

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Total fund balances - governmental funds \$ 10,163,722

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

Capital assets and leases used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Cost of capital assets and leases	64,298,569
Less accumulated depreciation/amortization	(20,252,600)

Deferred outflows of resources relating to the cost sharing defined benefit plans, other postemployment benefits, and supplemental pension in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 1,906,674

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Bonds	(15,635,000)
Unamortized premiums	(1,069,816)
Lease payable	(26,392)
SBITA payable	(11,160)
Compensated absences payable	(901,046)
Net pension liability	(6,159,286)
Net other postemployment benefit liability	(552,423)
Supplemental pension liability	(84,195)

Deferred inflows of resources relating to the cost sharing defined benefit plans, other postemployment benefits, and supplemental pension in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds. (3,451,961)

Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds. 121,653

Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund. (292,504)

Net position - governmental activities \$ 28,054,235

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 2170**

**STAPLES, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2025**

	General Fund	Building Construction Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local Property Tax Levies	\$ 1,919,631		\$ 3,292,680	\$ 88,594	\$ 5,300,905
Other Local & County Revenues	771,602	2,633,571	98,254	253,159	3,756,586
Revenue From State Sources	12,119,703		679,841	494,597	13,294,141
Revenue From Federal Sources	542,007			510,136	1,052,143
Sale/Other Conversion of Asset	9,997			56,304	66,301
<b>TOTAL REVENUES</b>	<b>15,362,940</b>	<b>2,633,571</b>	<b>4,070,775</b>	<b>1,402,790</b>	<b>23,470,076</b>
<b>EXPENDITURES</b>					
Current					
Administration	743,807				743,807
District Support Services	657,607				657,607
Elementary & Secondary					
Regular Instruction	5,717,934				5,717,934
Vocational Education Instruction	291,629				291,629
Special Education Instruction	3,044,251				3,044,251
Community Education and Services				500,689	500,689
Instructional Support Services	711,028				711,028
Pupil Support Services	1,256,879			733,465	1,990,344
Sites and Buildings	1,262,558				1,262,558
Fixed Costs	122,696				122,696
Debt Service					
Principal	128,713		3,310,000		3,438,713
Interest and Other Fees	1,132		818,505		819,637
Capital Outlay	853,382	5,686,363		83,676	6,623,421
<b>TOTAL EXPENDITURES</b>	<b>14,791,616</b>	<b>5,686,363</b>	<b>4,128,505</b>	<b>1,317,830</b>	<b>25,924,314</b>
Revenues Over (Under) Expenditures	571,324	(3,052,792)	(57,730)	84,960	(2,454,238)
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance Proceeds	44,308				44,308
Transfer In			336,000		336,000
Transfer Out		(336,000)			(336,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>44,308</b>	<b>(336,000)</b>	<b>336,000</b>		<b>44,308</b>
Net Change in Fund Balances	615,632	(3,388,792)	278,270	84,960	(2,409,930)
Fund Balances - Beginning	6,092,193	4,499,700	921,076	1,060,683	12,573,652
Error Correction - See Note 2	(3,099)			3,099	
Fund Balances - Beginning, Restated	6,089,094	4,499,700	921,076	1,063,782	12,573,652
Fund Balances - Ending	<b>\$ 6,704,726</b>	<b>\$ 1,110,908</b>	<b>\$ 1,199,346</b>	<b>\$ 1,148,742</b>	<b>\$ 10,163,722</b>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2025**

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Total net change in fund balances - governmental funds \$ (2,409,930)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.

Capital outlays	5,597,919
Depreciation/Amortization expense	(1,742,635)

Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. 3,438,713

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. Also, governmental funds report the effect of premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 600,610

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 21,750

Change in pension, OPEB and related deferred outflows and inflows:

Net pension liability (PERA and TRA)	1,835,049
Deferred outflows and inflows of resources related to net pension liability (PERA and TRA)	(1,208,824)
Net other postemployment benefit liability	105,347
Deferred outflows and inflows of resources related to other postemployment benefit liability	160,487
Supplemental Pension Liability	75,050
Deferred outflows and inflows of resources related to supplemental pension liability	14,958

Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA.

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)

Compensated absences payable	<u>140,568</u>
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Change in net position - governmental activities \$ 6,629,062

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2025**

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	<u>OPEB Trust Fund</u>
ASSETS	
Cash and Investments	\$ <u>357,935</u>
TOTAL ASSETS	<u>357,935</u>
NET POSITION	
Held in Trust for OPEB	\$ <u><u>357,935</u></u>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2025**

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	<u>OPEB Trust Fund</u>
ADDITIONS	
Investment Earnings:	
Interest	\$ <u>22,122</u>
TOTAL ADDITIONS	<u>22,122</u>
DEDUCTIONS	
Administrative Fees	1,042
Postemployment Benefits Expense	
TOTAL DEDUCTIONS	<u>1,042</u>
Change in Net Position	21,080
Net Position Held in Trust for OPEB - Beginning	<u>336,855</u>
Net Position Held in Trust for OPEB - Ending	<u><u>\$ 357,935</u></u>

See Notes to the Financial Statements

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Independent School District No. 2170 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

Independent School District No. 2170 (the District) is an educational entity established by the State of Minnesota. The government of the District is directed by an elected six-member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the District. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separated entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

**C. Basic Financial Statement Presentation**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

#### **D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for advance amounts recognized in accordance with a statutory "tax shift". Grants and similar items are recognized when 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. Under this basis of accounting, transactions are recorded in the following manner:

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

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

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

#### **Description of Funds**

The existence of the various District funds has been established by the State of Minnesota, Department of Education. Each fund is accounted for as an independent entity. A description of the major funds included in this report are as follows:

#### **Major Governmental Funds**

General Fund – Accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Building Construction Fund – Accounts for the resources accumulated and payments made for building construction projects that were funded with bond proceeds.

Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS - Continued  
June 30, 2025**

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**Nonmajor Governmental Funds**

Special Revenue Funds:

Food Service Fund – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

Community Service Fund – Accounts for all resources designated for programs other than those for elementary and secondary students.

**Fiduciary Fund**

OPEB Trust Fund – Accounts used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

**E. Specific Account Information**

Cash and Investments – Primary Government – Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Investments are carried at fair value. The District considers certificates of deposit to be cash.

When fair value measurements are required, various data is used in determining those values. Assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observed market based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable market inputs that are not corroborated by market data

Taxes Receivable – Taxes receivable represents taxes levied in 1899 which are not payable until 2025, net of the amount received prior to June 30.

Property Taxes – Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as the taxes are collected.

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as unavailable revenue (property taxes levied for subsequent years).

The majority of the revenue in the general fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the legislature

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS - Continued**  
**June 30, 2025**

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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.”

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. For government-wide financial statements, no allowance for uncollectible taxes is considered necessary.

Accounts Receivable – Accounts receivable is carried at invoice amount less an estimate made for uncollectible accounts. The allowance for uncollectible accounts receivable was zero based on historical performance. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Inventory – Inventory is recorded using the consumption method of accounting and consists of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standardized costs, as determined by the Department of Agriculture.

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

Capital Assets – Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing single capital and \$25,000 or more for grouped capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 15 to 70 years for land improvements and buildings, and 5 to 30 years for equipment. Capital assets not being depreciated include land and construction in progress, if any.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Leases – The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS - Continued**  
**June 30, 2025**

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Treasury T-bill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonable certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The District's lease agreements do not include any material residual value guarantees or restrictive covenants.

Subscription-Based Information Technology Arrangements (SBITA) – Subscription-Based Information Technology Arrangements (SBITA) are contracts that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The determination of whether a SBITA asset and liability are to be recorded in the financial statements is made at inception by evaluating the maximum possible term of the SBITA.

A SBITA contract with an initial term of more than 12 months, or that contain an option to extend the contract more than 12 months that is reasonably expected to be exercised by the District, are recognized based on the present value of subscription payments over the contract term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the SBITA contract commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the SBITA contract commencement.

The District continues to recognize short-term SBITA subscription payments as outflows of resources (expenditure) based on the payment provision of the SBITA contract. Short-term SBITA contracts have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

The amortizable life of SBITA assets are limited to the shorter of the expected agreement term or the useful life of the underlying asset.

Compensated Absences Payable – The District permits employees to accumulate varying amounts of vacation pay as determined by their contracts and are entitled to sick leave at various rates.

The District accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary related employer payments are included in the calculation of the compensated absence liability.

The liability for such compensated absences is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Supplemental Pension (Severance) Plan – The District maintains various severance plans for its employee groups. The portion of these benefits based on years of service and/or minimum age requirements is considered

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to be a supplemental pension plan. Therefore, the present value of the District's future projected liabilities under this supplemental plan are calculated via an actuarial valuation, and this amount is accrued in the government-wide financial statements.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs will be expensed in the period incurred.

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

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 Retiree Benefits 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 the purchase of one year or less, which are reported at cost. Postemployment healthcare expenditures have been funded through contributions to an irrevocable trust and on a pay as you go basis in the future.

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association 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.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/ expenditure) until then. The District has three items that qualify for reporting in this category named *Cost Sharing Defined Benefit Pension Plan*, *Supplemental Pension Plan*, and *Other Postemployment Benefits* which represents actuarial differences within pension plans and other postemployment benefit plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of financial position 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 position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue* –

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*delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, *property taxes levied – subs. years*, is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the

Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The third items, *Cost Sharing Defined Benefit Pension Plan* and *Supplemental Pension Plan* represent actuarial differences within pension plans. The last item, *Other Postemployment Benefits* represents changes in OPEB.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District’s financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption – Sometimes the government will fund outlays for particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – Consists of amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the Minnesota Department of Education.

Committed – Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned – Consists of amounts a government intends to use for a specific purpose. These constraints are established by the Board of Education and/or management. The Board of Education delegates the power to assign fund balances to the Superintendent, Business Manager, and Finance Coordinator.

Unassigned – Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the District’s policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the District’s policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

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The District has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance equal to approximately 10% of operating expenditures.

**F. Use of Estimates**

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

**NOTE 2 CORRECTION OF AN ERROR**

The District implemented GASB Statement No. 100, Accounting Change and Error Correction – An Amendment to GASB Statement No. 62, during the year ended June 30, 2025. GASB Statement No. 100 enhances the accounting and financial reporting requirement for accounting changes and error corrections.

During fiscal year 2025, the District determined the General and Food Service fund balances were misstated. A correction was made to fix the error reducing General Fund unassigned fund balance and increasing the Food Service restricted fund balance by \$3,099.

**NOTE 3 CHANGE IN ACCOUNTING PRINCIPLES**

The adoption of GASB 101 resulted in the recognition of an additional compensated absence liability of \$936,957 as of July 1, 2024.

**NOTE 4 DEPOSITS AND INVESTMENTS**

The District maintains a cash account at its depository bank. Investments are carried at fair value.

The pooled cash and investment account is comprised of the following:

	Governmental Activities	Fiduciary Fund	Total
Cash	\$ 788,467	\$	\$ 788,467
Investments	11,677,235	357,935	12,035,170
Total	<u>\$ 12,465,702</u>	<u>\$ 357,935</u>	<u>\$ 12,823,637</u>

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

Investments	Fair Value Level 1	Fair Value Level 2	Total
US Treasury	\$	\$ 908,076	\$ 908,076
Minnesota School District Liquid Asset Fund	10,551,917		10,551,917
MN State Board of Investments	357,933		357,933
CDs	112,488		112,488
Money Market	104,756		104,756
Total Investments by Fair Value Level	\$ 11,127,094	\$ 908,076	\$ 12,035,170

Investments	Fair Value	Investment Maturities (in Years)	
		<1	1 - 5
US Treasury	\$ 908,076	\$ 908,076	\$
Minnesota School District Liquid Asset Fund	10,551,917	10,551,917	
MN State Board of Investments	357,933	357,933	
CDs	112,488	112,488	
Money Market	104,756	104,756	
Total Investments by Fair Value Level	\$ 12,035,170	\$ 12,035,170	\$

The Minnesota School District Liquid Asset Fund is a common law trust organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of School District monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective.

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under 2a7. The fair value of the position is the same as the value of the pool shares.

The assets of the OPEB Irrevocable Trust invested in the Minnesota State Board of Investments are also not subject to the fair value hierarchy or credit risk classification noted in GASB Statement No. 72. Instead, such investments are measured at amortized cost.

During 2025, the District had \$547,527 in interest income. This was mainly due to the increase in fair market value over their investment accounts.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The District may invest idle funds as authorized in Minnesota Statutes, as follows:

- (a) Direct obligations or obligations guaranteed or insured issues by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.

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- (b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated "A" or better.
- (c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
- (d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
- (e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (f) Repurchase or reverse repurchase agreements with banks that are qualified as a "depository" of public funds of the government entity, any other financial institution which is a member 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.
  
- (g) Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.
- (h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

The Minnesota School District Liquid Asset Fund is rated AAAM by Standard & Poor's.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Deposits – The District does not have a formal custodial credit risk policy. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's board, 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 market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of June 30, 2025, the District was not exposed to custodial credit risk.

Custodial Credit Risk - Investments - 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 40.

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**NOTE 5 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 881,939	\$	\$	\$ 881,939
Construction in Progress	<u>18,013,480</u>	<u>5,277,680</u>	<u>23,291,160</u>	
Total Capital Assets, Not Being Depreciated	<u>18,895,419</u>	<u>5,277,680</u>	<u>23,291,160</u>	<u>881,939</u>
Capital Assets, Being Depreciated:				
Land Improvements	1,067,896	11,573		1,079,469
Buildings	34,132,667	23,291,160		57,423,827
Equipment	4,583,297	308,666	126,239	4,765,724
Right to Use - Lease Equipment	63,393			63,393
Right to Use - SBITA Software	<u>84,216</u>			<u>84,216</u>
Total Capital Assets, Being Depreciated	<u>39,931,469</u>	<u>23,611,399</u>	<u>126,239</u>	<u>63,416,629</u>
Less Accumulated Depreciation For:				
Land Improvements	722,857	48,787		771,644
Buildings	14,306,627	700,756		15,007,383
Equipment	3,546,006	962,735	126,239	4,382,502
Right to Use - Lease Equipment	25,358	12,679		38,037
Right to Use - SBITA Software	<u>35,355</u>	<u>17,678</u>		<u>53,033</u>
Total Accumulated Depreciation	<u>18,636,203</u>	<u>1,742,635</u>	<u>126,239</u>	<u>20,252,599</u>
Total Capital Assets, Being Depreciated, Net	<u>21,295,266</u>	<u>21,868,764</u>		<u>43,164,030</u>
Governmental Activities Capital Assets, Net	<u>\$ 40,190,685</u>	<u>\$ 27,146,444</u>	<u>\$ 23,291,160</u>	<u>\$ 44,045,969</u>

In the statement of activities, depreciation/amortization expense was charged to the following governmental functions:

Elementary & Secondary Regular Instruction	\$ 53,402
Pupil Support Services	180,784
Sites and Buildings	<u>1,508,449</u>
Total Depreciation / Amortization Expense	<u>\$ 1,742,635</u>

**NOTE 6 DEFINED BENEFIT PENSION PLANS- STATEWIDE**

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

**A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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.

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

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 .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.

C. Contributions – *Minnesota Statutes* Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

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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 General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$220,433. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs – At June 30, 2025, the District reported a liability of \$1,228,333 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 \$31,776.

District's proportionate share of net pension liability	\$ 1,228,333
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>31,776</u>
Total	<u>\$ 1,260,109</u>

The net pension liability was measured as of June 30, 1899, 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, 1899, through June 30, 1899, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0332% at the end of the measurement period and 0.0340% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$200,486 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$852 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$5,456 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.

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At June 30, 2025, the District reported its proportionate share of General Employees Plan's 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	\$ 116,548	\$
Difference between projected and actual earnings on pension plan investments		402,143
Changes in actuarial assumptions	6,317	472,717
Changes in proportion		137,409
Employer contributions subsequent to the measurement date	220,433	
Total	<u>\$ 343,298</u>	<u>\$ 1,012,269</u>

\$220,433 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2026	\$ (545,191)
2027	(86,224)
2028	(163,918)
2029	(94,071)

Long-Term Expected Return on Investments – 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:

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

Actuarial Methods and Assumptions – The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used 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%. Benefit increases after retirement are assumed to be 1.25%.

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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 are reviewed every four years. The most recent four-year experience study was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 1899:

**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.

Discount Rate – The discount rate used to measure the total pension liability in 1899 was 7.00%. 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 Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 Proportionate Share of NPL		
1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
\$ 2,682,878	\$ 1,228,333	\$ 31,838

Pension Plan Fiduciary Net Position – Detailed information about each defined benefit 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](http://www.mnpera.org).

**D. TEACHERS RETIREMENT ASSOCIATION**

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

Educators employed in Minnesota’s public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those 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.

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

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

Tier I Benefits:

<u>Tier I</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	1 <sup>st</sup> ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1 <sup>st</sup> ten years if service years are up to July 1, 2006	1.2 percent per year
	1 <sup>st</sup> 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 up 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:

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

or

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated members and 2.7 percent per year for Basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent 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.

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Tier II Benefits:

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

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

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

Contribution Rate - Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$489,870. The District's contributions were equal to the required contributions for each year as set by state statute.

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Experience 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	1.00% for January 2019 through January 2023, then increasing by 0.10% each year up to 1.50% 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
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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 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Geometric Mean)</u>
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
Cash	5.00%	2.92%

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is 6 years. The “Difference Between Expected and Actual Experience” and “Changes of Assumptions” and “Changes in Proportion” use the amortization period of 6 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2023 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.

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 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

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rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability - On June 30, 2025, the District reported a liability of \$4,930,953 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 1899, 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 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 0.0776% at the end of the measurement period and 0.0738% for the beginning of the year.

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

District's proportionate share of net pension liability	\$	4,930,953
State's proportionate share of the net pension liability associated with the District	\$	322,601

For the year ended June 30, 2025, the District recognized pension expense of \$209,135. It also recognized \$17,734 as a decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$29,431 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.

On June 30, 2025, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 238,756	\$ 63,110
Net difference between projected and actual earnings on plan inv.		730,354
Changes in actuarial assumptions	541,554	588,030
Changes in proportion	239,549	731,148
District contributions subsequent to the measurement date	489,870	
Total	\$ <u>1,509,729</u>	\$ <u>2,112,642</u>

\$489,870 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

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Year Ending June 30	Pension Expense Amount
2026	\$ (533,316)
2027	280,910
2028	(480,373)
2029	(328,822)
2030	(31,182)

Pension Liability Sensitivity - The following presents the net pension liability calculated using the discount rate of 7.0 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage higher (8.0 percent) than the current rate.

District Proportionate Share of NPL		
1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
\$ 8,683,697	\$ 4,930,953	\$ 1,842,356

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 [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org), by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling (651)-296-2409 or (800)-657-3669.

The District recognized total pension expense of \$229,744 for all of the pension plans in which it participates.

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS**

Plan Description – The District’s Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District’s collective bargaining agreements with employee groups.

Benefits Provided – The District offers continuing group health and life insurance coverage after retirement for qualifying District employees. Teachers and certain other District personnel who retire from active employment after 55 years of age and 3 to 5 years of service to the District may continue their single or family coverage through the District plan at their expense. Additionally, teachers become eligible for partial subsidization of these benefits after 11 years of employment at the District and 30 years of overall service as an educator, while other qualifying employees become eligible for varying subsidies after 13 years of service at the District. These options are allowed as long as the District continues to sponsor a group health plan. Benefits and eligibility provisions have been established through negotiations between the District and the union representing the District’s personnel and are renegotiated every two-year bargaining period.

The District is legally required to include any retirees for who it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, regardless of whether the premiums are paid by the District or the retiree. Consequently, participating retirees considered to receive a secondary benefit known as an “implicit rate subsidy.” This benefit arises from the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on

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their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

Contributions – The District did not have any contractually required or actuarially determined contributions to the Plan during the year ended June 30, 2025. The District has established an irrevocable trust to fund all future benefits paid under the plan, and it is assumed that the District will be required to make no further contributions to the trust. However, the District occasionally elects to fund benefit payments through its General Fund, which mirrors a direct contribution to the Plan. The District did not make any contributions for the measurement period. Employees are not required to contribute to the OPEB plan.

Employees Covered by Benefit Term – At June 30, 2025, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	16
Active plan members	169
	<u>185</u>

Net OPEB Liability – The District's net OPEB liability of \$552,423 was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2024.

Actuarial Assumptions – 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:

Inflation	2.5 percent
Salary increases	service graded table
Investment rate	4.6 percent (net of investment expenses)
Healthcare cost trend rates	6.25 percent decreasing to 5 percent and then 4 percent

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

The long-term expected rate of return on OPEB 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 OPEB 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
NR Bond Fund	92%	4.70%
NR Cash Pool	8%	3.30%
Total	<u>100%</u>	<u>4.60%</u>

Discount Rate – The discount rate used to measure the total OPEB liability was 4.9 percent. The discount rate is based on the estimated yield of 20-year municipal bonds.

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In the July 1, 2024 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2024	\$ 994,181	\$ 336,411	\$ 657,770
Changes for the year:			
Service Cost	53,097		53,097
Interest Cost	39,206		39,206
Assumption Changes	(17,013)		(17,013)
Plan Changes			
Employer Contributions		183,898	(183,898)
Projected Investment Return		15,475	(15,475)
Differences between Expected and Actual Experience	24,783	7,089	17,694
Benefit Payments	(183,898)	(183,898)	
Administrative Expenses		(1,042)	1,042
Net changes	(83,825)	21,522	(105,347)
Balances at 6/30/2025	\$ 910,356	\$ 357,933	\$ 552,423

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.9 percent) or one percentage point higher (5.9 percent) than the current rate:

District Total OPEB Liability		
1% Decrease (3.9%)	Current (4.9%)	1% Increase (5.9%)
\$ 585,949	\$ 552,423	\$ 519,741

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.25 percent decreasing to 4.0 percent then 3.0 percent) or one percentage point higher (7.25 percent decreasing to 6.0 percent then to 5.0 percent) than the current healthcare cost trend rates:

District Healthcare Cost Trend Rates		
(5.25% decreasing to 4.00% then 3.00%)	(6.25% decreasing to 5.00% then 4.00%)	(7.25% decreasing to 6.00% then 5.00%)
\$ 493,539	\$ 552,423	\$ 619,568

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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 \$93,481. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 19,826	\$ 39,095
Investment Losses/Gains	24,110	
Changes in Assumptions	8,117	244,903
Total	<u>\$ 52,053</u>	<u>\$ 283,998</u>

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

Year Ending June 30	OPEB Expense Amount
2026	\$ (87,193)
2027	(114,560)
2028	(18,422)
2029	(11,770)

**NOTE 8 SUPPLEMENTAL PENSION PLAN**

Plan Description – The District provides a single-employer, defined benefit supplemental pension benefit to certain eligible employees. All of the pension benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. The pension is administered by the District’s Board of Education and a separate report is not issued. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District’s collective bargaining agreements with employee groups.

Teachers and certain other District personnel who retire from active employment after 55 years of age and sufficient years of service become eligible for benefits. The pension benefit ranges from 5 days per year of services times the daily rate to 60 days per year of service times the daily rate. Payments are made in three equal annual installments paid to a 403(b) plan. Some contracts also reduce the pension benefits by the total matching contribution made by the District to the employee’s qualified retirement account over the course of that individual’s employment with the District.

Funding Policy – Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The General fund is used for funding all pension/retirement benefits. The employer makes all contributions.

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Employees Covered by Benefit Term – At June 30, 2025, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	5
Active plan members	14
	19
	19

Total Supplemental Pension Liability – The District’s total supplemental pension liability of \$84,195 was measured as of June 30, 2025, and the total supplemental pension liability used to calculate the total supplemental pension liability was determined by an actuarial valuation as of July 1, 2024.

Actuarial Assumptions – The total supplemental pension 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:

Inflation	2.5 percent
Salary increases	service graded table

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

Discount Rate – The discount rate used to measure the total supplemental pension liability was 4.9 percent. The discount rate is based on the estimate yield of 20-year AA-rated municipal bonds.

In the July 1, 2024 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

Changes in the Supplemental Pension Liability:

	Total
	Supplemental
	Pension Liability
Balances at 6/30/2024	\$ 159,245
Changes for the year:	
Service Cost	4,127
Interest Cost	5,412
Assumption Changes	(4,518)
Plan Changes	
Differences between Expected and Actual Experience	(16,703)
Benefit Payments	(63,368)
Net changes	(75,050)
Balances at 6/30/2025	\$ 84,195

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total supplemental pension liability of the District, as well as what the District’s total supplemental pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.9 percent) or one percentage point higher (5.9 percent) than the current rate:

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District Total Supplemental Pension Liability		
1% Decrease (3.9%)	Current (4.9%)	1% Increase (5.9%)
\$ 89,853	\$ 84,195	\$ 78,663

Supplemental Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Supplemental Pension Liability – For the year ended June 30, 2025, the District recognized supplemental pension expense of \$4,234. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to total supplemental pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$	\$ 34,326
Changes in Assumptions		8,726
Total	\$	\$ 43,052

Amounts reported as deferred outflows of resources and deferred inflows of resources related to supplemental pension liability will be recognized in supplemental pension expense as follows:

Year Ending June 30	Pension Expense Amount
2026	\$ (32,121)
2027	(5,628)
2028	(5,303)

**NOTE 9 DEFINED CONTRIBUTION PLAN**

The District provides eligible employees future retirement benefits through the District’s 403(b) Plan (the Plan). The District has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The District’s Board of Education acts as the plan administrator, but the District is not involved with the investment decisions for plan assets. Contributions are invested in tax deferred annuities selected and owned by Plan participants. Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. The District’s contributions to the Plan total \$77,630 for the year ended June 30, 2025, in addition to the \$63,368 contributed to the Plan through the District’s supplemental pension arrangements previously described.

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**NOTE 10 LONG-TERM LIABILITIES**

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

**Summary of Long-Term Debt**

	Beginning Balance (restated)	Additions	Retired	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
General Obligation Bonds	\$ 16,995,000	\$	\$ 3,310,000	\$ 13,685,000	\$ 3,290,000
Certificate of Participation	2,055,000		105,000	1,950,000	110,000
Unamortized Premium	1,601,267		531,451	1,069,816	500,748
Total Bonds	20,651,267		3,946,451	16,704,816	3,900,748
Lease Payable	39,030		12,638	26,392	13,007
SBITA Payable	22,235		11,075	11,160	11,160
Compensated Absences	1,041,614		140,568	901,046	825,901
Total Long-Term Liabilities	<u>\$ 21,754,146</u>	<u>\$</u>	<u>\$ 4,110,732</u>	<u>\$ 17,643,414</u>	<u>\$ 4,750,816</u>

The District's interest expense for the year ended June 30, 2025, was \$303,328.

Compensated absences, Lease, and SBITA payables are generally liquidated by the general fund. Compensated absences are presented net of additions and retirements

**A. General Obligation Bonds**

Description	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 6/30/2025
GO Facilities Maintenance	2019	5.00%	2026	\$ 1,305,000	\$ 330,000	\$ 100,000
GO Facilities Maintenance & Tax Abatement	2021	5.00%	2026	10,700,000	2,780,000	2,915,000
GO Facilities Maintenance	2022	3-4%	2037	3,680,000	200,000	3,170,000
GO Facilities Maintenance	2023	5.00%	2029	7,500,000		7,500,000
Certificate of Participation	2023	4-5%	2038	2,160,000	105,000	1,950,000
						<u>\$ 15,635,000</u>

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2026	\$ 3,400,000	\$ 736,230
2027	3,565,000	570,430
2028	3,755,000	392,180
2029	1,180,000	204,430
2030	385,000	145,430
2031-2035	2,170,000	481,320
2036-2040	1,180,000	82,600
	<u>\$ 15,635,000</u>	<u>\$ 2,612,620</u>

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 June 30, 2025**

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**B. Lease Payable**

The District leases copy machines at its school locations in Staples, Minnesota. The term of the lease is for a period of 60 months, terminating on June 30, 2027, with a monthly payment of \$1,133.

The following is a schedule by years of future minimum payments required under the leases:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2026	\$ 13,007	\$ 589
2027	13,385	210
	<u>\$ 26,392</u>	<u>\$ 799</u>

**C. SBITA Payable**

The District entered into a subscription-based information technology arrangement (SBITA) with Securly for the usage of web filtering. The SBITA contract commenced on July 1, 2022 and terminates on August 31, 2026, with an annual payment of \$11,249.

The following is a schedule by years of future minimum payments required under the SBITA:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2026	\$ 11,160	\$ 87
	<u>\$ 11,160</u>	<u>\$ 87</u>

**NOTE 11 COMPENSATED ABSENCES**

The District has compensated absences consisting of severance plans, vacation plans, and sick leave. The District accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability. At June 30, 2025, the estimated liability under this plan was \$901,046 .

**NOTE 12 INTERFUND TRANSFERS**

The composition of the interfund transfers as of June 30, 2025 is as follows:

<u>Transfer Out Fund</u>	<u>Transfer in Fund</u>	<u>Amount</u>
Building Construction	Debt Service	\$ 336,000

The purpose of the transfer was to transfer capitalized interest related to bonds.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 NOTES TO BASIC FINANCIAL STATEMENTS - Continued  
 June 30, 2025**

**NOTE 13 FUND BALANCE CLASSIFICATIONS**

At June 30, 2025, governmental fund equity includes the following:

	General	Building Construction	Debt Service	Nonmajor Governmental	Total
<b>Nonspendable</b>					
Prepays	\$ 24,012	\$	\$	\$	\$ 24,012
Inventory				18,602	18,602
Total Nonspendable	<u>24,012</u>			<u>18,602</u>	<u>42,614</u>
<b>Restricted</b>					
Student Activity	76,405				76,405
Staff Development	172,185				172,185
Literacy Incentive Aid	17,226				17,226
American Indian Ed Aid	35,783				35,783
Area Learning Center	29,342				29,342
Gifted and Talented	67,341				67,341
English Learner	48,696				48,696
Basic Skills Programs	964				964
School Library Aid	11,641				11,641
Literacy Aid	35,467				35,467
Teacher Comp for Read Act	23,000				23,000
LTFM	1,397,226				1,397,226
Student Support Personnel Aid	40,000				40,000
Medical Assistance	333,196				333,196
Building Construction		1,110,908			1,110,908
Debt Service			1,199,346		1,199,346
Food Service				571,360	571,360
ECFE				19,258	19,258
Community Education				251,409	251,409
School Readiness				42,589	42,589
Adult Education				5,786	5,786
Community Service				239,738	239,738
Total Restricted	<u>2,288,472</u>	<u>1,110,908</u>	<u>1,199,346</u>	<u>1,130,140</u>	<u>5,728,866</u>
<b>Committed</b>					
Deferred Maintenance	8,829				8,829
Total Committed	<u>8,829</u>				<u>8,829</u>
<b>Assigned</b>					
Concessions	18,383				18,383
Elem/MS/HS Assigned Donations	3,871				3,871
Facility & Equipment	250,000				250,000
Referendum - Textbooks	98,672				98,672
Total Assigned	<u>370,926</u>				<u>370,926</u>
<b>Unassigned</b>					
	<u>4,012,487</u>				<u>4,012,487</u>
	<u>\$ 6,704,726</u>	<u>\$ 1,110,908</u>	<u>\$ 1,199,346</u>	<u>\$ 1,148,742</u>	<u>\$ 10,163,722</u>

**NOTE 14 CONTINGENCIES**

The District receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2025.

**NOTE 15 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; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 16 COMMITMENTS**

The District entered into a tenant agreement with Lakewood Health System in April 2023 for portions of the newly constructed NEST addition. The agreement began December 2024 when construction was completed and continues for 25 years. Lakewood made a donation in advance for construction of the NEST.

**NOTE 17 NEW PRONOUNCEMENTS**

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the District's financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**For the Year Ended June 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>REVENUES</b>				
Local Property Tax Levies	\$ 1,972,759	\$ 1,946,062	\$ 1,919,631	\$ (26,431)
Other Local & County Revenues	328,358	621,918	771,602	149,684
Revenue From State Sources	11,310,860	12,097,747	12,119,703	21,956
Revenue From Federal Sources	570,094	602,535	542,007	(60,528)
Sale/Other Conversion of Asset		17,075	9,997	(7,078)
<b>TOTAL REVENUES</b>	<u>14,182,071</u>	<u>15,285,337</u>	<u>15,362,940</u>	<u>77,603</u>
<b>EXPENDITURES</b>				
Current				
Administration	708,501	765,027	743,807	(21,220)
District Support Services	582,239	651,638	657,607	5,969
Elementary & Secondary				
Regular Instruction	5,543,468	5,686,290	5,717,934	31,644
Vocational Education Instruction	288,543	366,579	291,629	(74,950)
Special Education Instruction	3,231,354	3,041,443	3,044,251	2,808
Instructional Support Services	554,014	879,160	711,028	(168,132)
Pupil Support Services	1,296,976	1,312,440	1,256,879	(55,561)
Sites and Buildings	1,218,902	1,278,694	1,262,558	(16,136)
Fixed Costs	110,000	123,000	122,696	(304)
Debt Service				
Principal	105,000	105,000	128,713	23,713
Interest			1,132	1,132
Capital Outlay	664,976	901,780	853,382	(48,398)
<b>TOTAL EXPENDITURES</b>	<u>14,303,973</u>	<u>15,111,051</u>	<u>14,791,616</u>	<u>(319,435)</u>
Revenues Over (Under) Expenditures	(121,902)	174,286	571,324	397,038
<b>OTHER FINANCING SOURCES</b>				
Sale of Property & Insurance Proceeds			44,308	44,308
<b>TOTAL OTHER FINANCING SOURCES</b>			<u>44,308</u>	<u>44,308</u>
Net Change in Fund Balances	(121,902)	174,286	615,632	441,346
Fund Balances - Beginning	6,092,193	6,092,193	6,092,193	
Error Correction - See Note 2		(3,099)	(3,099)	
Fund Balances - Beginning, Restated	<u>6,092,193</u>	<u>6,089,094</u>	<u>6,089,094</u>	
Fund Balances - Ending	<u>\$ 5,970,291</u>	<u>\$ 6,263,380</u>	<u>\$ 6,704,726</u>	<u>\$ 441,346</u>

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS  
LAST 10 YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Adjustment	\$	\$ (22,625)	\$	\$	\$	\$	\$	\$
Service Cost	53,097	47,867	48,467	89,808	108,568	108,248	93,444	134,027
Interest	39,206	41,834	63,033	43,073	53,816	73,359	101,501	99,974
Assumption Changes	(17,013)	(6,265)	(396,414)	(95,256)	(34,190)	56,843	31,697	(29,396)
Plan Changes	-		91,417					
Differences Between Expected and Actual Experience	24,783		(104,548)		(11,886)		(504,890)	
Benefit Payments	(183,898)	(225,945)	(303,058)	(288,928)	(295,461)	(322,059)	(343,581)	(404,292)
Net Change in Total OPEB Liability	(83,825)	(165,134)	(601,103)	(251,303)	(179,153)	(83,609)	(621,829)	(199,687)
Total OPEB Liability - Beginning	994,181	1,159,315	1,760,418	2,011,721	2,190,874	2,274,483	2,896,312	3,095,999
Total OPEB Liability Ending (a)	\$ 910,356	\$ 994,181	\$ 1,159,315	\$ 1,760,418	\$ 2,011,721	\$ 2,190,874	\$ 2,274,483	\$ 2,896,312
Plan Fiduciary Net Position								
Adjustment	\$	\$ 13,792	\$	\$	\$	\$	\$	\$
Contributions - Employer	183,898	175,945	223,058	206,237	185,461	228,243	233,581	294,292
Projected Investment Return	15,475	16,363	17,658	24,182	25,109	27,825	33,875	34,225
Differences Between Expected and Actual Experience	7,089	(1,790)		(96,277)	26,646	38,278	33,442	
Benefit Payments	(183,898)	(225,945)	(303,058)	(288,928)	(295,461)	(322,059)	(343,581)	(404,292)
Administrative Expenses	(1,042)	(37)	-	(540)	(426)	(366)	(548)	(544)
Net Change in Plan Fiduciary Net Position	21,522	(21,672)	(62,342)	(155,326)	(58,671)	(28,079)	(43,231)	(76,319)
Plan Fiduciary Net Position - Beginning	336,411	358,083	420,425	575,751	634,422	662,501	705,732	782,051
Plan Fiduciary Net Position - Ending (b)	\$ 357,933	\$ 336,411	\$ 358,083	\$ 420,425	\$ 575,751	\$ 634,422	\$ 662,501	\$ 705,732
District's Net OPEB Liability - Ending (a) - (b)	\$ 552,423	\$ 657,770	\$ 801,232	\$ 1,339,993	\$ 1,435,970	\$ 1,556,452	\$ 1,611,982	\$ 2,190,580
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	39.32%	33.84%	30.89%	23.88%	28.62%	28.96%	29.13%	24.37%
Covered Payroll	\$ 8,049,494	\$ 7,167,507	\$ 6,958,745	\$ 7,787,780	\$ 7,560,952	\$ 7,530,830	\$ 7,311,486	\$ 7,734,338
District's Net OPEB Liability as a Percentage of Covered Payroll	6.86%	9.18%	11.51%	17.21%	18.99%	20.67%	22.05%	28.32%

The District implemented GASB No. 75 for the fiscal year ended June 30, 2017. Information from prior years is not available.

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 2170**

**STAPLES, MINNESOTA**

**SCHEDULE OF CHANGES IN THE DISTRICT'S SUPPLEMENTAL PENSION LIABILITY AND RELATED RATIOS  
LAST 10 YEARS**

	2025	2024	2023	2022	2021	2020	2019	2018
Total Supplemental Pension Liability								
Adjustment	\$	\$	\$	\$	\$	\$	\$	\$
Service Cost	4,127	6,669	6,786	13,615	16,850	18,981	16,584	23,618
Interest	5,412	7,232	12,825	8,365	10,620	14,026	19,669	17,787
Assumption Changes	(4,518)	(1,297)	(17,966)	(16,221)	(2,049)	9,360	5,928	(8,110)
Plan Changes	-	-	(6,211)					
Differences Between Expected and Actual Experience	(16,703)	-	(87,314)		6,377		(111,469)	
Benefit Payments	(63,368)	(63,620)	(52,004)	(67,668)	(77,645)	(23,042)	(61,898)	(93,243)
Net Change in Total Supplemental Pension Liability	(75,050)	(53,338)	(143,884)	(61,909)	(45,847)	19,325	(131,186)	(59,948)
Total Supplemental Pension Liability - Beginning	159,245	212,583	356,467	418,376	464,223	444,898	576,084	636,032
Total Supplemental Pension Liability - Ending	<u>\$ 84,195</u>	<u>\$ 159,245</u>	<u>\$ 212,583</u>	<u>\$ 356,467</u>	<u>\$ 418,376</u>	<u>\$ 464,223</u>	<u>\$ 444,898</u>	<u>\$ 576,084</u>
Covered Payroll	\$ 913,821	\$ 1,089,607	\$ 1,057,871	\$ 1,763,755	\$ 1,712,383	\$ 2,294,386	\$ 2,227,559	\$ 3,180,240
District's Supplemental Pension Liability as a Percentage of Covered Payroll	9.21%	14.61%	20.10%	20.21%	24.43%	20.23%	19.97%	18.11%

The District implemented GASB No. 73 for the fiscal year ended June 30, 2017. Information from prior years is not available

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
LAST 10 YEARS**

<u>Fiscal Year Ended June 30</u>	<u>Statutorily Required Contribution</u>	<u>Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
<b>PERA</b>					
2016	\$ 197,810	\$ 197,810		\$ 2,637,467	7.50
2017	200,259	200,259		2,670,120	7.50
2018	210,347	210,347		2,804,627	7.50
2019	215,606	215,606		2,874,747	7.50
2020	213,004	213,004		2,840,053	7.50
2021	203,953	203,953		2,719,373	7.50
2022	195,613	195,613		2,664,154	7.34
2023	205,373	205,373		2,764,731	7.43
2024	211,482	211,482		2,824,126	7.49
2025	220,433	220,433		2,940,257	7.50
<b>TRA</b>					
2016	\$ 339,223	\$ 339,223	\$	\$ 4,526,973	7.49
2017	397,020	397,020		5,293,600	7.50
2018	387,605	387,605		5,168,067	7.50
2019	379,609	379,609		4,923,593	7.71
2020	409,511	409,511		5,170,593	7.92
2021	417,356	417,356		5,133,530	8.13
2022	408,504	408,504		4,933,772	8.28
2023	400,555	400,555		4,678,945	8.56
2024	456,907	456,907		5,074,001	9.00
2025	489,870	489,870		5,598,514	8.75

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY  
LAST 10 YEARS**

<u>Fiscal Year Ended June 30</u>	<u>District's Proportion of the Net Pension Liability</u>	<u>District's Proportionate Share of the Net Pension Liability</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)</u>	<u>Total</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
<b>PERA</b>							
2015	0.0472 % \$	2,446,149 \$	\$	2,446,149 \$	2,772,995	88.21 %	78.19 %
2016	0.0424	3,442,670	44,963	3,487,633	2,637,467	130.53	68.90
2017	0.0412	2,630,181	33,072	2,663,253	2,670,120	98.50	75.90
2018	0.0383	2,124,727	69,694	2,194,421	2,804,627	75.76	79.53
2019	0.0403	2,228,097	69,252	2,297,349	2,874,747	77.51	80.23
2020	0.0398	2,386,192	73,533	2,459,725	2,840,053	84.02	79.06
2021	0.0400	1,708,179	52,137	1,760,316	2,719,373	62.82	87.00
2022	0.0350	2,772,012	81,208	2,853,220	2,664,154	104.05	76.67
2023	0.0340	1,901,242	52,505	1,953,747	2,764,731	68.77	83.10
2024	0.0332	1,228,333	31,776	1,260,109	2,824,126	43.49	89.08
<b>TRA</b>							
2015	0.1053 % \$	6,513,846 \$	798,877 \$	7,312,723 \$	5,344,533	121.88 %	76.80 %
2016	0.1031	24,591,810	2,467,320	27,059,130	4,526,973	543.23	44.80
2017	0.0986	19,682,349	1,902,628	21,584,977	5,293,600	371.81	51.57
2018	0.0892	5,605,042	526,486	6,131,528	5,168,067	108.46	78.07
2019	0.0884	5,634,635	498,528	6,133,163	4,923,593	114.44	78.21
2020	0.0890	6,575,439	551,278	7,126,717	5,170,593	127.17	75.48
2021	0.0845	3,697,973	311,792	4,009,765	5,133,530	72.04	86.63
2022	0.0794	6,357,932	471,009	6,828,941	4,933,772	128.87	76.17
2023	0.0738	6,093,093	426,977	6,520,070	4,678,945	130.22	76.42
2024	0.0776	4,930,953	322,601	5,253,554	5,074,001	97.18	82.07

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2025**

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**NOTE 1 BUDGETARY DATA**

Budgets are prepared for District funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the District.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level. The annual appropriated budget is not legally binding on the District unless the District has a deficit fund balance which exceeds 2.5% of expenditures.

**NOTE 2 DEFINED BENEFIT PLANS**

**PERA**

*2024 Changes*

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

**TRA**

Changes in 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.

**NOTE 3 OTHER POSTEMPLOYMENT BENEFITS**

Plan Changes:

- None

Assumption Changes:

- The health care trend rates were updated
- The long-term expected investment return was changed from 4.40% to 4.60%.
- The discount rate was changed from 4.10% to 4.90%

Method Changes:

- None

**NOTE 4 SUPPLEMENTAL PENSION PLAN**

Plan Changes:

- None

Assumption Changes:

- The discount rate was changed from 4.10% to 4.90%

Method Changes:

- None

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2025**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
<b>ASSETS</b>			
Cash and Investments	\$ 545,329	\$ 614,724	\$ 1,160,053
Current Property Taxes Receivable		42,163	42,163
Delinquent Property Taxes Receivable		2,531	2,531
Accounts Receivable		2,000	2,000
Due From MN School Districts	801		801
Due From Department of Education		11,819	11,819
Due From Federal Govt. - DOE	32,421		32,421
Prepaid Expense	2,788		2,788
Inventory	15,814		15,814
<b>TOTAL ASSETS</b>	<b>\$ 597,153</b>	<b>\$ 673,237</b>	<b>\$ 1,270,390</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 421	\$ 2,097	\$ 2,518
Payroll Deductions	2,147	21,494	23,641
Unearned Revenue	4,623		4,623
<b>TOTAL LIABILITIES</b>	<b>7,191</b>	<b>23,591</b>	<b>30,782</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Delinquent Taxes		2,531	2,531
Property Taxes Levied - Subs. Years		88,335	88,335
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b>90,866</b>	<b>90,866</b>
<b>FUND BALANCES</b>			
Fund Balance:			
Nonspendable	18,602		18,602
Restricted	571,360	558,780	1,130,140
<b>TOTAL FUND BALANCES</b>	<b>589,962</b>	<b>558,780</b>	<b>1,148,742</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 597,153</b>	<b>\$ 673,237</b>	<b>\$ 1,270,390</b>

**INDEPENDENT SCHOOL DISTRICT NO. 2170**

**STAPLES, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
NONMAJOR GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2025**

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
<b>REVENUES</b>			
Local Property Tax Levies	\$	\$ 88,594	\$ 88,594
Other Local & County Revenues	25,800	227,359	253,159
Revenue From State Sources	330,426	164,171	494,597
Revenue From Federal Sources	510,136		510,136
Sale/Other Conversion of Asset	56,304		56,304
<b>TOTAL REVENUES</b>	<u>922,666</u>	<u>480,124</u>	<u>1,402,790</u>
<b>EXPENDITURES</b>			
Current			
Community Education and Services		500,689	500,689
Pupil Support Services	733,465		733,465
Capital Outlay	80,676	3,000	83,676
<b>TOTAL EXPENDITURES</b>	<u>814,141</u>	<u>503,689</u>	<u>1,317,830</u>
Net Change in Fund Balances	108,525	(23,565)	84,960
Fund Balances - Beginning	478,338	582,345	1,060,683
Error Correction - See Note 2	3,099		3,099
Fund Balances - Beginning, Restated	<u>481,437</u>	<u>582,345</u>	<u>1,063,782</u>
Fund Balances - Ending	<u>\$ 589,962</u>	<u>\$ 558,780</u>	<u>\$ 1,148,742</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION**  
**For the Year Ended June 30, 2025**

<b>Governmental Funds</b>	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	Insurance Proceeds	Prior Period Adjustment	UFARS Balance End of Year	Reclassify	Financial Statement Balance End of Year
<b>General Fund</b>									
Nonspendable for Prepaid	\$ 18,128	\$	\$	5,884	\$		\$ 24,012	\$	\$ 24,012
Restricted for:									
Student Activity	90,787	58,759	73,141				76,405		76,405
Staff Development	164,671	75,125	67,611				172,185		172,185
Literacy Incentive Aid		30,841	13,615				17,226		17,226
American Indian Ed Aid	37,127	1,857	3,201				35,783		35,783
Operating Capital	108,513	65,046	173,559						
Area Learning Center	32,732	43,341	46,731				29,342		29,342
Q Comp	7,529	229,647	237,176						
Gifted and Talented	62,764	13,413	8,836				67,341		67,341
English Learner	24,560	24,577	441				48,696		48,696
Basic Skills Programs	514	928,678	928,228				964		964
School Library Aid	12,198	40,000	40,557				11,641		11,641
Safe School		34,401	34,401						
Literacy Aid		35,467					35,467		35,467
Teacher Comp for Read Act		32,021	9,021				23,000		23,000
LTFM	1,323,219	215,951	141,944				1,397,226		1,397,226
School Support Personnel	40,000						40,000		40,000
Medical Assistance	272,027	199,289	138,120				333,196		333,196
Committed: Deferred Maintenance	8,829						8,829		8,829
Assigned for:									
Concessions	34,992			(16,609)			18,383		18,383
Middle School Activities	2,887			(2,887)					
Elem/MS/HS Assigned Donations				3,871			3,871		3,871
Facility & Equipment				250,000			250,000		250,000
Referendum - Textbooks	56,088			42,584			98,672		98,672
Unassigned	3,794,628	13,334,527	12,875,034	(282,843)	44,308	(3,099)	4,012,487		4,012,487
<b>Food Service Fund</b>									
Nonspendable for Inventory	30,130			(11,528)			18,602		18,602
Restricted: Food Service	448,208	922,666	814,141	11,528		3,099	571,360		571,360
<b>Community Service Fund</b>									
Nonspendable for Prepaid	196			(196)					
Restricted for:									
Community Education	248,278	234,351	231,416	196			251,409		251,409
ECFE	10,674	74,119	65,535				19,258		19,258
School Readiness	87,496	97,637	142,544				42,589		42,589
Adult Basic Education	5,786						5,786		5,786
Community Service	229,915	74,017	64,194				239,738		239,738

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION (CONTINUED)**  
**For the Year Ended June 30, 2025**

	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	Insurance Proceeds	Prior Period Adjustment	UFARS Balance End of Year	Reclassify	Financial Statement Balance End of Year
Building Fund									
Restricted for:									
LTFM	\$ 3,500,047	\$ 208,663	\$ 3,521,210	\$ (187,500)	\$	\$	\$	\$	\$
Capital Projects Levy									
Fund by COP	7,090		7,090						
Building Construction	992,563	2,424,908	2,158,063	(148,500)			1,110,908		1,110,908
Debt Service Fund									
Restricted for:									
Debt Service	921,076	4,070,775	4,128,505	336,000			1,199,346		1,199,346
<b>Fiduciary Fund</b>									
OPEB Trust Fund									
Held in Trust for OPEB	336,855	22,122	1,042				357,935		357,935

## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education  
Independent School District No. 2170  
Staples, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2170 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 17, 2025.

### Legal Compliance

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

### Purpose of the Report

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



**BRADY MARTZ**  
**GRAND FORKS, NORTH DAKOTA**

December 17, 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*

To the Board of Education  
Independent School District No. 2170  
Staples, 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. 2170, 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 17, 2025.

### Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be significant deficiencies.

## Report on Compliance and Other Matters

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

## The District's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



**BRADY MARTZ**  
**GRAND FORKS, NORTH DAKOTA**

December 17, 2025

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

To the Board of Education  
Independent School District No. 2170  
Staples, Minnesota

### Report on Compliance for Each Major Federal Program

#### *Opinion on Each Major Federal Program*

We have audited Independent School District No. 2170's compliance with the types of compliance requirements identified as subject to audit 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 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 Independent School District No. 2170 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 the 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.



**BRADY MARTZ**  
**GRAND FORKS, NORTH DAKOTA**

December 17, 2025

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
 STAPLES, MINNESOTA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2025**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Amount
<u>U.S. Department of Education</u>		
Passed-Through Minnesota Department of Education:		
Title II, Part A	84.367	\$ 39,601
Title I	84.010	377,827
Title IV	84.424	5,817
COVID-19 Education Stabilization Fund	84.425U	54,682
Passed-Through Freshwater Education District:		
Career and Technical Education - Basic Grants to States	84.048	14,272
<i>Special Education Cluster:</i>		
Special Education Preschool Grants	84.173	49,808
<i>Total Special Education Cluster</i>		<u>49,808</u>
Total U.S. Department of Education		<u>542,007</u>
<u>U.S. Department of Agriculture</u>		
Passed-Through Minnesota Department of Education:		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	130,147
National School Lunch Program	10.555	325,294
COVID-19 Summer Food Program for Children	10.559	20,495
<i>Total Child Nutrition Cluster</i>		<u>475,936</u>
Farm to School Grant Program	10.575	9,200
Child Nutrition Discretionary Grants Limited Availability	10.579	25,000
Total U.S. Department of Agriculture		<u>510,136</u>
TOTAL FEDERAL AWARDS		<u>\$ 1,052,143</u>

See Notes to the Schedule of Expenditures of Federal Awards

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2025**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the accompanying schedule of expenditures of federal awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 2 INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 BASIS OF PRESENTATION**

The Schedule includes the federal award activity of Independent School District No. 2170 under programs of the federal government for the year ended June 30, 2025. 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). Because the Schedule presents only a selected portion of the operations of Independent School District No. 2170, it is not intended to be and does not present the financial position or changes in net position of Independent School District No. 2170.

**NOTE 4 COMMODITY DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE 5 PASS-THROUGH ENTITIES**

All pass-through entities listed above use the same AL numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

**NOTE 6 SUBRECIPIENTS**

During 2025, the District did not pass any federal money to subrecipients.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2025**

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**Section I-Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified  
Internal control over financial reporting:  
Material weakness(es) identified?  yes  no  
Significant deficiency(s) identified?  yes  none reported  
Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal Control over major programs:  
Material weakness(es) identified?  yes  no  
Significant deficiency(s) identified?  yes  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 2 CFR 200.516(a)?  yes  no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  yes  no

INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
June 30, 2025

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**Section II-Financial Statement Findings**

**2025-001 FINDING**

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping, and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings, and reconciliation.

Cause

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Repeat Finding

Yes. Prior audit finding 2024-001

Recommendation

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The Board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports provided by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review on an annual basis.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
June 30, 2025**

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**2025-002 FINDING**

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Education. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Repeat Finding

Yes. Prior audit finding 2024-002

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review the financial statement preparation on an annual basis.

**Section III- Federal Award Findings and Questioned Costs**

None

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2025**

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**2024-001 Finding**

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping, and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings, and reconciliation.

Cause

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The Board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports provided by individuals with knowledge of current operations and accounting principles.

Corrective Action Taken

No action taken. See current year finding 2025-001 and Corrective Action Plan.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
June 30, 2025**

---

**2024-002 Finding**

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Education. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Corrective Action Taken

No action taken. See current year finding 2025-002 and Corrective Action Plan.

**INDEPENDENT SCHOOL DISTRICT NO. 2170  
STAPLES, MINNESOTA  
SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
June 30, 2025**

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**2024-003 FINDING**

Federal Program

COVID-19 Education Stabilization Funds (AL 84.425D, 84.425U)  
Special Tests – Wage Rate Requirements

Criteria

A system of internal controls requires the review of certified payrolls to ensure contractors are paying their employees at the required federal rates.

Condition

Inquired of the District regarding reviews of the submitted certified payrolls to ensure the rates are paid according to federal pay rates. We noted the District did not review the certified payrolls received.

Questioned Costs

None

Context

The District is not reviewing the submitted certified payrolls to ensure contractors are paying their employees at the correct federal wage rates on construction projects that are funded with federal dollars.

Cause

Oversight by management.

Effect

The District has an increased risk of not being in compliance with federal wage rate requirements.

Recommendation

The District should implement policies and procedures to ensure all certified payrolls are reviewed to ensure wages are paid according to federal wage rates.

Corrective Action Taken

Corrective action taken. The District worked with the construction manager to ensure forms are provided and the District would test based off a report from the MN Department of Labor.



**Staples-Motley School District**  
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Staples, MN 56479  
(218) 894-5400  
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**CORRECTIVE ACTION PLAN  
JUNE 30, 2025**

**2025-001 FINDING**

Contact Person – Shane Tappe, Superintendent

Corrective Action Plan – The District will continue to monitor its internal controls over accounting functions and implement cost-effective processes and procedures.

Completion Date – Ongoing

**2025-002 FINDING**

Contact Person – Shane Tappe, Superintendent

Corrective Action Plan – The District will explore the option of creating an internal control policy to document the annual review of the financial statements and the review of the financial statement disclosure checklist.

Completion Date – Ongoing

**INDEPENDENT SCHOOL DISTRICT NO. 2170**  
**STAPLES, MINNESOTA**  
**UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE**  
**June 30, 2025**

District Name:	INDEPENDENT SCHOOL DISTRICT NO. 2170			District Number:	2170		
	Audit	UFARS	Variance		Audit	UFARS	Variance
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	15,362,940	15,362,941	(1)	Total Revenue	2,633,571	2,633,571	
Total Expenditures	14,791,616	14,791,615	1	Total Expenditures	5,686,363	5,686,363	
<i>Non Spendable</i>				<i>Non Spendable</i>			
460 Non Spendable Fund Balance	24,012	24,012		460 Non Spendable Fund Balance			
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities	76,405	76,406	(1)	407 Capital Projects Levy			
402 Scholarships				413 Projects Funded By COP			
403 Staff Development	172,185	172,186	(1)	467 LTFM			
407 Capital Projects Levy				<i>Restricted</i>			
408 Cooperative Revenue				464 Restricted Fund Balance	1,110,908	1,110,909	(1)
412 Literacy Incentive Aid	17,226	17,226		<i>Unassigned:</i>			
414 Operating Debt				463 Unassigned Fund Balance			
416 Levy Reduction				Reconciliation of Building Construction	<u>9,430,842</u>	<u>9,430,843</u>	(1)
417 Taconite Building Maintenance							
420 American Indian ED Aid	35,783	35,783		<b>07 DEBT SERVICE</b>			
424 Operating Capital				Total Revenue	4,070,775	4,070,775	
426 \$25 Taconite				Total Expenditures	4,128,505	4,128,505	
427 Disabled Accessibility				<i>Non Spendable</i>			
428 Learning & Development				460 Non Spendable Fund Balance			
434 Area Learning Center	29,342	29,342		<i>Restricted/Reserved:</i>			
435 Contracted Alt Programs				425 Bond Refundings			
436 State Approved Alt Program				451 QZAB Payments			
438 Gifted & Talented	67,341	67,342	(1)	<i>Restricted</i>			
439 English Learner	48,696	48,696		464 Restricted Fund Balance	1,199,346	1,199,346	
440 Teacher Development and Eval.				<i>Unassigned:</i>			
441 Basic Skills Programs	964	964		463 Unassigned Fund Balance			
443 School Library Aid	11,641	11,641		Reconciliation of Debt Service	<u>9,398,626</u>	<u>9,398,626</u>	
448 Achievement & Integration							
449 Safe Schools Levy				<b>08 TRUST</b>			
451 QZAB Payments				Total Revenue			
452 OPEB Liab Not In Trust							
453 Unfunded Sev & Retirement Levy				Total Expenditures			
456 Literacy Aid	35,467	35,467		<i>Unassigned:</i>			
457 Teacher Comp Read Act	23,000	23,000		402 Scholarships			
467 Long Term Facilities Maintenance	1,397,226	1,397,225	1	422 Unassigned Fund Balance			
471 Student Support Personnel	40,000	40,000		Reconciliation of Trust			
472 Medical Assistance	333,196	333,195	1				
<i>Restricted</i>				<b>20 INTERNAL SERVICE</b>			
464 Restricted Fund Balance				Total Revenue			
<i>Committed</i>				Total Expenditures			
418 Committed for Separation				<i>Unassigned:</i>			
461 Committed	8,829	8,829		422 Unassigned Fund Balance			
<i>Assigned</i>				Reconciliation of Internal Service			
462 Assigned Fund Balance	370,926	370,926					
<i>Unassigned:</i>				<b>25 OPEB REVOCABLE TRUST FUND</b>			
422 Unassigned Fund Balance	4,012,487	4,012,487		Total Revenue			
Reconciliation of General	<u>36,859,282</u>	<u>36,859,283</u>	(1)	Total Expenditures			
				<i>Unassigned:</i>			
<b>02 FOOD SERVICE</b>				422 Unassigned Fund Balance			
Total Revenue	922,666	922,666		Reconciliation of OPEB Revocable Trust			
Total Expenditures	814,141	814,141					
<i>Non Spendable</i>				<b>45 OPEB IRREVOCABLE TRUST FUND</b>			
460 Non Spendable Fund Balance	18,602	18,602		Total Revenue	22,122	22,122	
<i>Restricted/Reserved:</i>				Total Expenditures	1,042	1,042	
452 OPEB Liab Not In Trust				<i>Unassigned:</i>			
<i>Restricted</i>				422 Unassigned Fund Balance	357,935	357,933	2
464 Restricted Fund Balance	571,360	571,358	2	Reconciliation of OPEB Irrevocable Trust	<u>381,099</u>	<u>381,097</u>	2
<i>Unassigned</i>							
463 Unassigned Fund Balance				<b>47 OPEB DEBT SERVICE FUND</b>			
Reconciliation of Food Service	<u>2,326,769</u>	<u>2,326,767</u>	2	Total Revenue			
				Total Expenditures			
<b>04 COMMUNITY SERVICE</b>				<i>Non Spendable</i>			
Total Revenue	480,124	480,124		460 Non Spendable Fund Balance			
Total Expenditures	503,689	503,689		<i>Restricted/Reserved:</i>			
<i>Non Spendable</i>				426 \$25 Taconite			
460 Non Spendable Fund Balance				431 Community Education	251,409	251,409	
<i>Restricted/Reserved:</i>				432 E. C. F. E.	19,258	19,257	1
426 \$25 Taconite				440 Teacher Development and Eval.			
431 Community Education	251,409	251,409		444 School Readiness	42,589	42,589	
432 E. C. F. E.	19,258	19,257	1	447 Adult Basic Education	5,786	5,786	
440 Teacher Development and Eval.				452 OPEB Liab Not In Trust			
444 School Readiness	42,589	42,589		<i>Restricted</i>			
447 Adult Basic Education	5,786	5,786		464 Restricted Fund Balance	239,738	239,738	
452 OPEB Liab Not In Trust				<i>Unassigned</i>			
<i>Restricted</i>				463 Unassigned Fund Balance			
464 Restricted Fund Balance	239,738	239,738		Reconciliation of Community Service	<u>1,542,593</u>	<u>1,542,592</u>	1
<i>Unassigned</i>							
463 Unassigned Fund Balance							
Reconciliation of Community Service	<u>1,542,593</u>	<u>1,542,592</u>	1				