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**Independent School District No. 318
Grand Rapids, Minnesota**

Basic Financial Statements

June 30, 2025

Independent School District No. 318
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**Independent School District No. 318
Board of Education and Administration
June 30, 2025**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Mark Schroeder	Chairperson	January 2027
David Marty	Clerk	January 2027
David Cowan	Treasurer	January 2029
Malissa Bahr	Director	January 2027
Ashley Goodman	Director	January 2029
Tom Gustafson	Director	January 2029
 <u>Administration</u>		
Matt Grose	Superintendent	
Kara Lundin	Business Manager	

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Independent Auditor's Report

To the School Board
Independent School District No. 318
Grand Rapids, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 318, Grand Rapids, Minnesota, as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 318, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 318 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 318 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
September 30, 2025

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Independent School District No. 318 Management's Discussion and Analysis

This section of Independent School District No. 318, Grand Rapids, annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model required by GASB Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999. GASB Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

Comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A.

FINANCIAL HIGHLIGHTS

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

- The General Fund had an operating surplus for the third time since the FY2015-2016 school year.
- Both the Food Service and Community Service Funds had operating surpluses.
- The District implemented a new health insurance high-deductible plan in October 2023 that decreased premiums for both employees and the School. The net position has increased over the past four years going from \$743,655 at the end of fiscal year 2021 to \$4,579,106 as of June 30, 2025. The District's net position goal is 35% of expenses or \$4.9 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

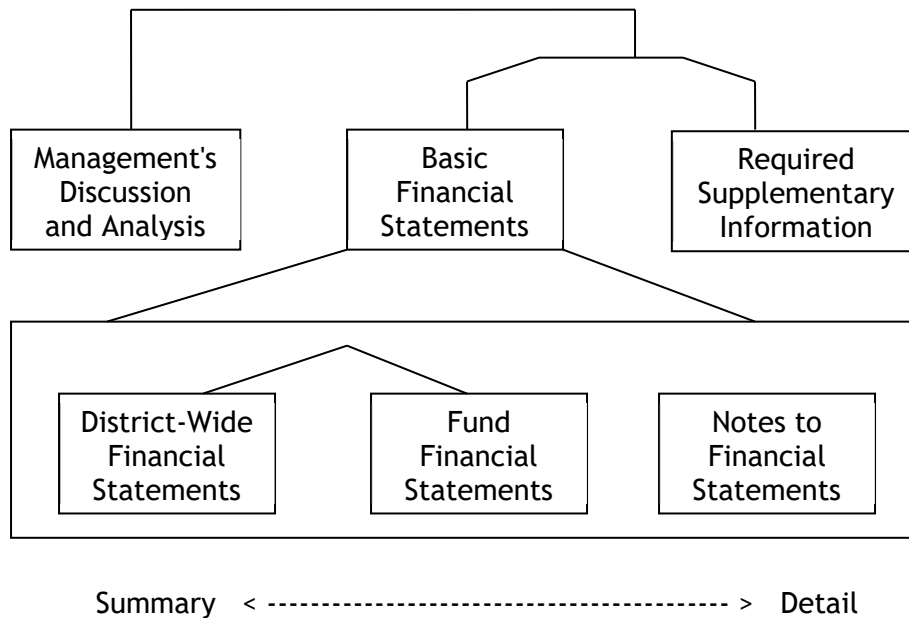
The financial section of the annual report consists of four parts - Independent Auditor's Report; required supplementary information, which includes the MD&A (this section); the basic financial statements and the supplementary information. The basic financial statements include two kinds of statements 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. There are three types of these.
- The first type are governmental funds statements that 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 second type is fiduciary funds statements which provide information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others to whom the resources belong.
- The third type is proprietary funds statements which provide information about activities the District operates like a business. The District currently has two internal service funds that account for the District's self-insured risks and other post-employment benefits.

**Independent School District No. 318
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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



**Independent School District No. 318
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The major features of the District's financial statements, including the portion of the District's activities they cover, and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

Fund Financial Statements				
	District-Wide Statements	Governmental Funds	Fiduciary Fund	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as general education, special education and building maintenance.	Instances in which the District administers resources on behalf of someone else - scholarships.	The activities the District operates like a business, such as retiree and District employee's self-funded health insurances benefits.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Position • Statement of Changes in Fiduciary Net Position 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses, and Changes in Fund Net Position • Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Assets/ Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of Inflow/ Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

Independent School District No. 318 Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases, or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base, the condition of school buildings and other facilities and the long-term retirement commitments that have been made to certain employees.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

**Independent School District No. 318
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

The District has three kinds of funds: (Continued)

- **Proprietary Funds:** The District uses Internal Service Funds to account for operations of the District's self-insured Health Insurance plans and to account for its retiree health insurance costs and the payments of these from its revocable trust fund. The activities of these funds are reported in a separate Statement of Net Position, Statement of Revenues, Expenses, and changes in Fund Net Position, and Statement of Cash Flows. This activity is also included in the Government-Wide Statement of Net Position and Statement of Activities.
- **Fiduciary Fund:** The District is the trustee, or fiduciary, for assets that belong to others to provide scholarships to students. 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 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. 318
Management's Discussion and Analysis**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)

Net Position

The District's combined net position at June 30, 2025 was (\$79,903,800), an increase of over \$6.5 million from fiscal year ended June 30, 2024. While the deficit net position is significant, the largest reason for this is the retiree health insurance and pension liabilities. Without those future obligations, the District would have a positive net position.

Condensed Statement of Net Position

	2024	2025	Change	
Capital assets	\$ 148,900,970	\$ 148,843,633	\$ (57,337)	0%
Current and other assets	55,174,998	51,548,289	(3,626,709)	-7%
Total assets	204,075,968	200,391,922	(3,684,046)	-2%
Deferred Outflows of Resources	40,002,470	32,173,371	(7,829,099)	-20%
Long-term liabilities	253,858,524	237,995,761	(15,862,763)	-6%
Other liabilities	22,558,384	19,955,050	(2,603,334)	-12%
Total liabilities	276,416,908	257,950,811	(18,466,097)	-7%
Deferred Inflows of Resources	54,139,635	54,518,282	378,647	1%
Net position				
Net investment in capital assets	58,526,531	56,413,112	(2,113,419)	-4%
Restricted	9,549,730	11,492,163	1,942,433	20%
Unrestricted (deficit)	(154,554,366)	(147,809,075)	6,745,291	4%
Total net position (deficit)	\$ (86,478,105)	\$ (79,903,800)	\$ 6,574,305	8%

**Independent School District No. 318
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)
(CONTINUED)**

Change in Net Position

The District's revenues exceeded its expenses for the year ended June 30, 2025. A summary of the revenues and expenses is presented in Table A-2 below.

Table A-2

Revenues changed less than 1% from the prior year in FY25. Expense changes are a result of retiree OPEB payments made and long-term facility maintenance repairs needed during FY25.

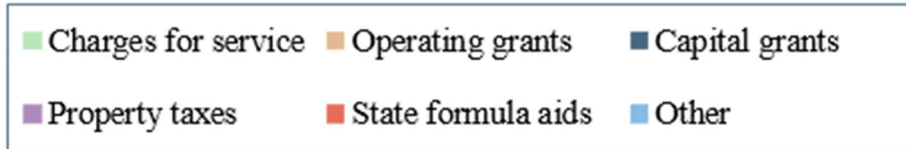
	2024	2025	Change	
Revenues				
Program revenues				
Charges for service	\$ 2,809,955	\$ 3,280,572	\$ 470,617	17%
Operating grants and contributions	30,435,518	28,664,397	(1,771,121)	-6%
Capital grants and contributions	1,155,698	1,217,894	62,196	5%
General revenues				
Property taxes	16,804,673	17,515,213	710,540	4%
State formula aids	28,187,430	28,095,148	(92,282)	0%
Other	2,983,715	3,143,752	160,037	-5%
Total revenues	<u>82,376,989</u>	<u>81,916,976</u>	<u>(460,013)</u>	<u>-1%</u>
Expenses				
District and school administration	2,915,686	2,454,166	(461,520)	-16%
District support services	1,749,717	1,689,595	(60,122)	-3%
Regular instruction	25,165,724	27,812,061	2,646,337	11%
Vocational instruction	1,041,398	940,964	(100,434)	-10%
Special education instruction	13,163,172	14,301,092	1,137,920	9%
Instructional support services	2,560,261	3,245,458	685,197	27%
Pupil support services	5,399,465	5,639,776	240,311	4%
Sites, buildings and equipment	4,942,200	5,696,546	754,346	15%
Food service	2,874,836	2,736,978	(137,858)	-5%
Community service	1,077,664	1,132,343	54,679	5%
Interest & fiscal charges on lt debt	3,433,910	3,297,403	(136,507)	-4%
Fiscal and other fixed cost programs	315,589	333,195	17,606	6%
Unallocated depreciation expense	4,172,006	4,531,386	359,380	9%
Total expenses	<u>68,811,628</u>	<u>73,810,963</u>	<u>4,999,335</u>	<u>7%</u>
Change in net position	13,565,361	8,106,013	(5,459,348)	-40%
Beginning of year net position, restated	<u>(100,043,466)</u>	<u>(88,009,813)</u>	<u>12,033,653</u>	<u>12%</u>
End of year net position (deficit)	<u>\$ (86,478,105)</u>	<u>\$ (79,903,800)</u>	<u>\$ 6,574,305</u>	<u>8%</u>

Independent School District No. 318
Management's Discussion and Analysis

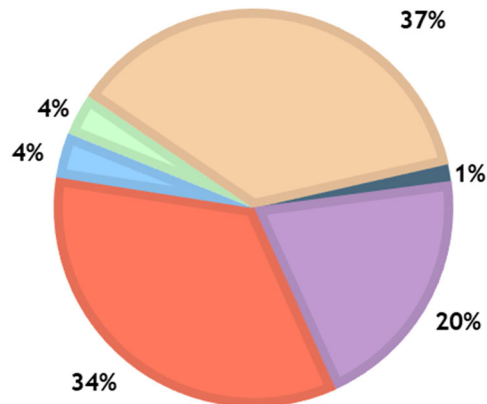
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)
(CONTINUED)

The District's total revenue of almost \$82,000,000 consists of the categories below. Overall, revenues were consistent with the prior year. While the District received less COVID funding, it did receive State grants for a solar and parking lot project as well as funding to implement the Read Act.

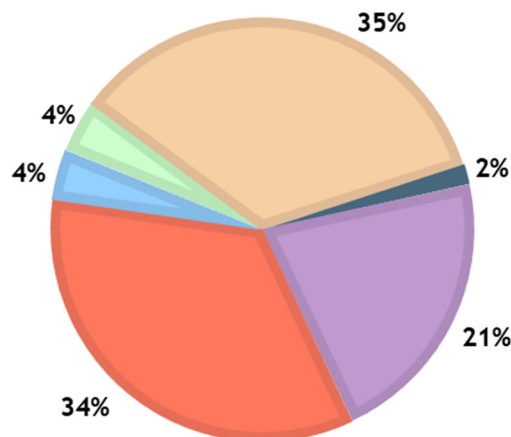
Revenues Table A-3



FY2023-24



FY2024-25



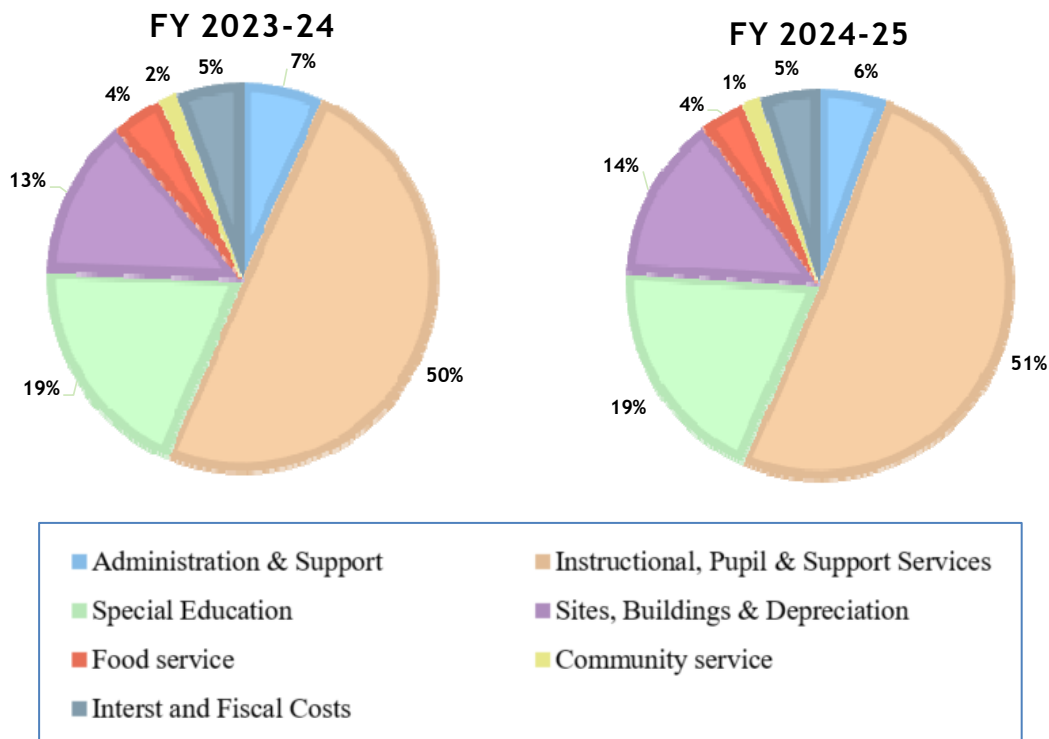
**Independent School District No. 318
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)
(CONTINUED)**

The District's total expenses of \$73,810,963 are an increase of approximately \$5,000,000, or 7% from the prior year. The Statement of Activities includes additional expenses that aren't recognized in the fund statements. Additional expenses that are recognized in the government-wide expenses include depreciation expense of \$6 million and \$3.5 million in pension and OPEB expense. Operationally, the District recognized an additional \$1 million in retiree OPEB expenses in FY25 over FY24 and had significant long-term facility maintenance repairs needed in FY25 that increased the overall expenses. Contracts were increased by 2% for wages and health insurance premiums were increased by 5%.

Capital outlay and long-term liability payments are removed from government wide activities and increase capital assets or decrease liabilities.

Expenses - Graphs A-4



The net cost of governmental activities is the total cost of the program less the related revenues applicable to each category. Table A-5 presents these costs. All categories of expenses show a negative net cost of services, with the exception of food service, because property taxes and state aid formula grants support a large part of each program. In addition, depreciation expenses and changes in pension and OPEB costs are recognized in each program.

**Independent School District No. 318
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)
(CONTINUED)**

Table A-5

	Total Cost of Services			Net Cost of Services		
	2023-24	2024-25	Percent Change	2023-24	2024-25	Percent Change
District and school administration	\$ 2,915,686	\$ 2,454,166	-16%	\$ (2,426,761)	\$ (2,377,486)	-2%
District support services	1,749,717	1,689,595	-3%	(1,441,076)	(1,349,942)	-6%
Regular instruction	25,165,724	27,812,061	11%	(13,156,086)	(17,752,945)	35%
Vocational instruction	1,041,398	940,964	-10%	(998,772)	(928,631)	-7%
Special education instruction	13,163,172	14,301,092	9%	(1,500,766)	(2,425,312)	62%
Instructional support services	2,560,261	3,245,458	27%	(1,303,830)	(1,514,864)	16%
Pupil support services	5,399,465	5,639,776	4%	(2,207,138)	(1,636,279)	-26%
Sites, buildings and equipment	4,942,200	5,696,546	15%	(3,251,144)	(4,260,461)	31%
Food service	2,874,836	2,736,978	-5%	90,169	122,844	36%
Community service	1,077,664	1,132,343	5%	(293,548)	(363,040)	24%
Interest & fiscal charges on lt debt	3,433,910	3,297,403	-4%	(3,433,910)	(3,297,403)	-4%
Fiscal and other fixed cost programs	315,589	333,195	6%	(315,589)	(333,195)	6%
Unallocated depreciation expense	4,172,006	4,531,386	9%	(4,172,006)	(4,531,386)	9%
Total expenses	\$ 68,811,628	\$ 73,810,963	7%	\$ (34,410,457)	\$ (40,648,100)	18%

Financial Analysis of the Districts Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$21,563,208. This is down \$342,296 from the prior year's governmental fund balance of \$21,905,504. Operating funds had positive operations while the Capital Projects Fund, which is meant to recognize bond proceeds and the related project expenditures, spent over \$3,500,000 on District improvements.

General Fund

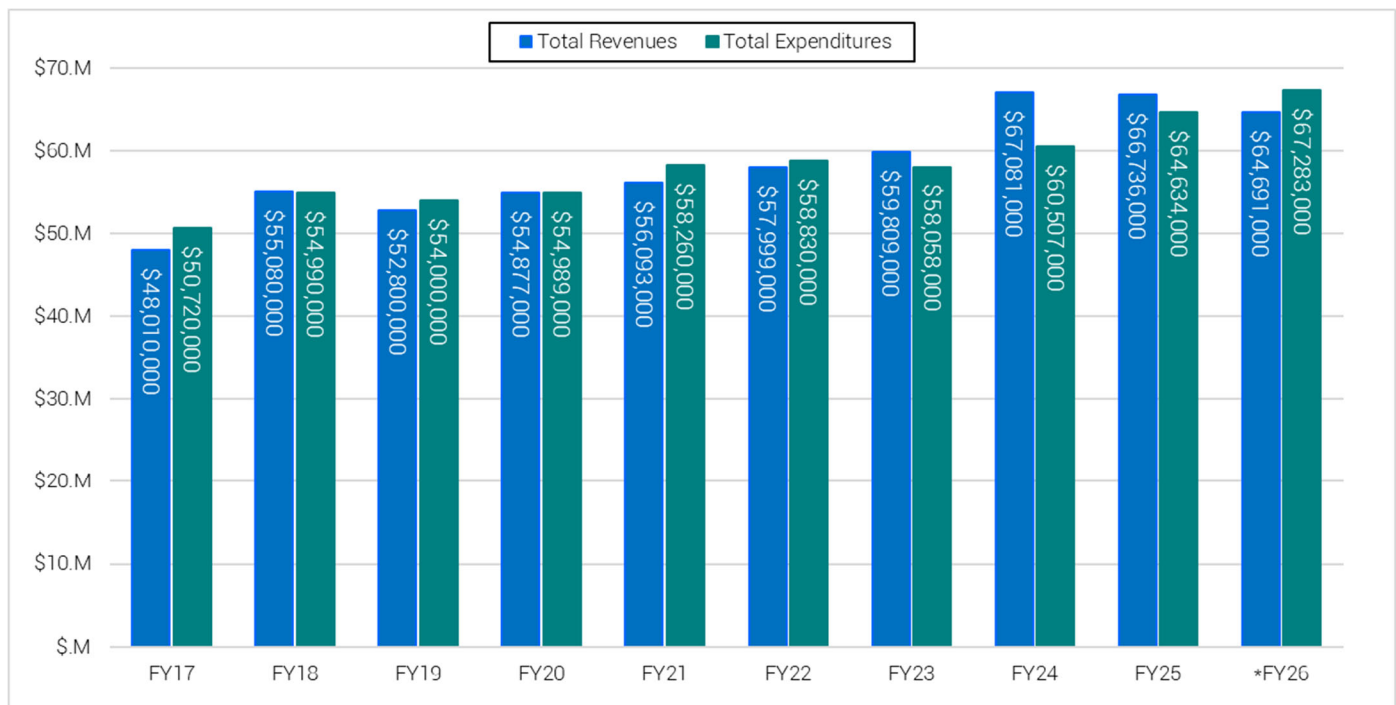
	Budget		Actual	Variance	
	Original	Final		Over/(Under)	
Total revenues and other sources	\$ 64,871,000	\$ 63,796,000	\$ 66,735,807	\$ 2,939,807	4.6%
Total expenditures	63,971,000	63,786,000	64,634,137	848,137	1.3%
Net change in fund balance	900,000	10,000	2,101,670	2,091,670	
Fund balance, beginning	13,189,103	13,189,103	13,189,103		
Fund balance, ending	<u>\$ 14,089,103</u>	<u>\$ 13,199,103</u>	<u>\$ 15,290,773</u>		

**Independent School District No. 318
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)
(CONTINUED)**

General Fund (Continued)

For the third time in the past 9 years, the General Fund's revenues exceeded expenditures. The District's original budget projected a \$900,000 increase in fund balance, while its final budget projected a \$10,000 increase in fund balance. Changes in budget were due to the timing of COVID expenditures which resulted in \$2 million in revenues being recognized in FY24 versus FY25 and small changes in expenditures across many categories. In the end, revenues exceeded budget by 4% and expenditures exceeded budget by 1%. Several revenue categories exceeded budget and prior year collections including Medicaid, which increased by \$400,000 from the prior year, interest revenue, \$209,000, payments from other Districts, fees and rent, an increase of \$363,000 for staff, services and space that were billed and other state aid because of the grants awarded to the District for multiple projects. Benefits were over budget because an additional \$1.5 million in retiree OPEB costs were paid out of the General Fund. Capital outlay exceeded budget due to the timing of the solar and parking lot projects which had more work done in FY25 than anticipated. To offset these, staff purchased supplies conservatively which resulted in those being \$613,000 under budget.



* Budget

Debt Service Fund

The Debt service funds are used to collect taxes levied and pay the subsequent principal and interest payments on the related bonds. Both funds are highly regulated through the amount of property taxes that are allowed to be levied for the related payments. The District is allowed to levy up to 105% of the subsequent year's payment. Because taxes are collected at a healthy rate, the District's levy is often reduced since the fund balance is sufficient to make the next year's payments. The OPEB bonds were paid off in FY25.

**Independent School District No. 318
Management's Discussion and Analysis**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)
(CONTINUED)**

Nonmajor Funds

Funds deemed to be nonmajor are reported in the aggregate. The funds below, while very important to the operations of the District, did not meet the financial definition of 'Major' and are therefore, reported together. Below are the details:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Net Other Financing Uses</u>	<u>Fund Balance Change</u>
Food Service Fund	\$ 2,892,080	\$ 2,761,451	\$ -	\$ 130,629
Community Service Fund	1,157,130	1,121,847	-	35,283
Building Construction Fund	384,297	3,505,266	-	(3,120,969)
Post Employment Benefit Debt Service	4,781,173	4,713,381	(1,474,022)	(1,406,230)
	<u>\$ 9,214,680</u>	<u>\$ 12,101,945</u>	<u>\$ (1,474,022)</u>	<u>\$ (4,361,287)</u>
Total	<u>\$ 9,214,680</u>	<u>\$ 12,101,945</u>	<u>\$ (1,474,022)</u>	<u>\$ (4,361,287)</u>

The food and community service funds both experienced surpluses even with capital investments made into the programs. The building construction fund is used to account for bond proceeds received and the related capital expenditures. Most expenditures in this fund related to final payments for the Southwest renovations, Bigfork renovations, and the Grand Rapids High School Air Quality project. The OPEB Debt Service fund collects taxes levied and pays the subsequent principal and interest payments on the related bonds. These bonds were paid off in FY25 and the fund was closed to the Debt Service Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Activity in FY25 includes improvements at the old Southwest Elementary, Bigfork and the GRHS indoor air quality improvements. Other items were purchased that meet the District's capitalization threshold. See Note 3 for additional capital asset details.

**Independent School District No. 318
Management's Discussion and Analysis**

CAPITAL ASSET AND DEBT ADMINISTRATION

	Beginning Balance 6/30/2024	Additions	Deletions	Ending Balance 6/30/2025
Capital assets not being depreciated				
Land	\$ 2,637,920	\$ -	\$ 117,249	\$ 2,520,671
CIP	9,398,106	4,341,426	914,900	12,824,632
Total Assets not being depreciated	12,036,026	4,341,426	1,032,149	15,345,303
Capital assets being depreciated/ amortized				
Land Improvements	5,836,150	-	-	5,836,150
Buildings	177,857,197	1,374,902	1,945,610	177,286,489
Equipments	19,186,442	1,425,332	1,613,957	18,997,817
Leased Buildings	1,310,207	403,036	19,194	1,694,049
Subscription Assets	449,430	42,418	-	491,848
Total assets being depreciated	204,639,426	3,245,688	3,578,761	204,306,353
Accumulated depreciation	67,774,482	5,985,765	2,952,224	70,808,023
Total Capital Assets, Net	\$ 148,900,970	\$ 1,601,349	\$ 1,658,686	\$ 148,843,633

Long-Term Liabilities

At year-end the District had over \$249 million in long-term liabilities. Over half of the liability is attributed to the State of Minnesota's unfunded pension plan (\$27m) and the District's retiree health insurance liability (\$126m). Other liabilities include compensated absences and debt the District secured for facilities. See Notes 4, 6, and 7 for additional long-term liabilities details.

	Restated Beginning Balance 6/30/2024	Additions	Deletions	Ending Balance 6/30/2025
Long-Term Liabilities				
G.O. Bonds	\$ 92,305,000	\$ -	\$ 5,270,000	\$ 87,035,000
Certificates of participation	1,470,000	-	75,000	1,395,000
Unamortized bond premium	4,447,985	-	357,662	4,090,323
Lease Liability	752,643	368,394	326,874	794,163
Compensated absences payable	2,300,081	148,149	-	2,448,230
Net pension liability	37,840,834	-	10,607,964	27,232,870
Net OPEB obligation	127,686,601	5,894,991	7,435,525	126,146,067
Total Long-Term Liabilities	\$ 265,271,436	\$ 6,411,534	\$ 24,073,025	\$ 249,141,653

**Independent School District No. 318
Management's Discussion and Analysis**

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- The District approved a General Fund budget with an operating loss due to the OPEB trust being depleted. Retiree benefits will need to be paid from the General Fund and then reimbursed with levy in the 2nd following year from the expenditures.
- Significant mandates were approved by the legislature in both May of 2023 and 2024. Many of these require significant financial and personal efforts to implement. It is unknown what future implication will result from these mandates. Currently it is unknown if the District will need to cover future costs from its operating budget such as: new summer unemployment benefits, mascot change expenses, and Read Act ongoing costs, to name a few.
- All employment contracts expire at June 30, 2025 so it is unclear what level of obligations the District will have related to salary and benefits.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kara Lundin at 218.327.5775 or klundin@isd318.org.

BASIC FINANCIAL STATEMENTS

Independent School District No. 318
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and investments	\$ 34,618,432
Current property taxes receivable	6,549,144
Delinquent property taxes receivable	573,374
Accounts receivable	364,726
Due from other Minnesota school districts	614,694
Due from Department of Education	5,102,322
Due from Federal Government through Department of Education	1,256,824
Due from Federal Government directly	58,711
Due from other governmental units	1,858,449
Prepaid items	432,595
Inventory	119,018
Capital assets not being depreciated	
Land	2,520,671
Construction in progress	12,824,632
Other capital assets, net	
Land improvements	2,110,283
Buildings	123,520,132
Equipment	6,780,855
Leased assets	765,870
Subscription assets	321,190
Total assets	<u>200,391,922</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	7,106,691
Deferred outflows related to OPEB	25,066,680
Total deferred outflows of resources	<u>32,173,371</u>
 Total assets and deferred outflows of resources	 <u><u>\$ 232,565,293</u></u>
Liabilities	
Accounts and contracts payable	\$ 1,914,330
Salaries and benefits payable	4,644,607
Interest payable	1,413,596
Due to other Minnesota school districts	752,635
Due to other governmental units	83,990
Bond principal payable, net	
Payable within one year	4,615,000
Payable after one year	86,480,750
Certificates of participation payable, net	
Payable within one year	80,000
Payable after one year	1,344,573
Lease liability	
Payable within one year	343,308
Payable after one year	450,855
Compensated absences payable	
Payable within one year	200,187
Payable after one year	2,248,043
Total OPEB liability	
Payable within one year	5,907,397
Payable after one year	120,238,670
Net pension liability	27,232,870
Total liabilities	<u>257,950,811</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	14,268,300
Deferred inflows related to pensions	11,991,530
Deferred inflows related to OPEB	28,258,452
Total deferred inflows of resources	<u>54,518,282</u>
Net Position	
Net investment in capital assets	56,413,112
Restricted	11,492,163
Unrestricted	(147,809,075)
Total net position	<u>(79,903,800)</u>
 Total liabilities, deferred inflows of resources, and net position	 <u><u>\$ 232,565,293</u></u>

See notes to basic financial statements.

Independent School District No. 318
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental activities					Governmental Activities
Administration	\$ 2,454,166	\$ -	\$ 76,680	\$ -	\$ (2,377,486)
District support services	1,689,595	255,000	84,653	-	(1,349,942)
Elementary and secondary regular instruction	27,812,061	1,312,666	8,746,450	-	(17,752,945)
Vocational education instruction	940,964	-	12,333	-	(928,631)
Special education instruction	14,301,092	1,012,971	10,862,809	-	(2,425,312)
Instructional support services	3,245,458	62,238	1,668,356	-	(1,514,864)
Pupil support services	5,639,776	780	4,002,717	-	(1,636,279)
Sites and buildings	5,696,546	119,961	98,230	1,217,894	(4,260,461)
Fiscal and other fixed cost programs	333,195	-	-	-	(333,195)
Food service	2,736,978	286,509	2,573,313	-	122,844
Community education and services	1,132,343	230,447	538,856	-	(363,040)
Unallocated depreciation	4,531,386	-	-	-	(4,531,386)
Interest and fiscal charges on long-term debt	3,297,403	-	-	-	(3,297,403)
Total governmental activities	<u>\$ 73,810,963</u>	<u>\$ 3,280,572</u>	<u>\$ 28,664,397</u>	<u>\$ 1,217,894</u>	(40,648,100)
General revenues					
Taxes					
Property taxes, levied for general purposes					8,673,334
Property taxes, levied for community service					357,083
Property taxes, levied for debt service					8,484,796
State aid-formula grants					28,095,148
Other general revenues					1,492,289
Investment income					1,651,463
Total general revenues					<u>48,754,113</u>
Change in net position					8,106,013
Net position - beginning					(86,478,105)
Change in accounting principle (Note 11)					(1,531,708)
Net position - beginning, as restated					<u>(88,009,813)</u>
Net position - ending					<u>\$ (79,903,800)</u>

See notes to basic financial statements.

Independent School District No. 318
Balance Sheet - Governmental Funds
June 30, 2025

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 14,710,650	\$ 7,717,062	\$ 3,145,206	\$ 25,572,918
Current property taxes receivable	2,726,778	3,822,366	-	6,549,144
Delinquent property taxes receivable	268,962	304,412	-	573,374
Accounts receivable	332,031	-	32,695	364,726
Due from other Minnesota school districts	614,694	-	-	614,694
Due from Department of Education	4,985,009	68,181	49,132	5,102,322
Due from Federal Government through Department of Education	1,230,004	-	26,820	1,256,824
Due from Federal Government directly	58,711	-	-	58,711
Due from other governmental units	1,858,449	-	-	1,858,449
Due from other funds	474,047	-	-	474,047
Prepaid items	423,062	-	9,533	432,595
Inventory	-	-	119,018	119,018
Total assets	\$ 27,682,397	\$ 11,912,021	\$ 3,382,404	\$ 42,976,822
Liabilities				
Accounts and contracts payable	\$ 987,158	\$ -	\$ 103,550	\$ 1,090,708
Salaries and benefits payable	4,615,905	-	28,702	4,644,607
Due to other Minnesota school districts	479,945	-	272,690	752,635
Due to other governmental units	83,990	-	-	83,990
Total liabilities	6,166,998	-	404,942	6,571,940
Deferred Inflows of Resources				
Property taxes levied for subsequent year's expenditures	5,955,664	8,312,636	-	14,268,300
Unavailable revenue - delinquent property taxes	268,962	304,412	-	573,374
Total deferred inflows of resources	6,224,626	8,617,048	-	14,841,674
Fund Balances				
Nonspendable	423,062	-	128,551	551,613
Restricted	7,212,877	3,294,973	2,848,911	13,356,761
Assigned	1,720,410	-	-	1,720,410
Unassigned	5,934,424	-	-	5,934,424
Total fund balances	15,290,773	3,294,973	2,977,462	21,563,208
Total liabilities, deferred inflows of resources, and fund balances	\$ 27,682,397	\$ 11,912,021	\$ 3,382,404	\$ 42,976,822

Independent School District No. 318
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2025

Total fund balances - governmental funds	\$ 21,563,208
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	219,651,656
Less accumulated depreciation and amortization	(70,808,023)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable, net	(91,095,750)
Certificates of participation, net	(1,424,573)
Lease liability	(794,163)
Compensated absences payable	(2,448,230)
Net pension liability	(27,232,870)
Total OPEB liability	(126,146,067)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	7,106,691
Deferred inflows of resources related to pensions	(11,991,530)
Deferred outflows of resources related to OPEB	25,066,680
Deferred inflows of resources related to OPEB	(28,258,452)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	573,374
Internal service funds are used by management to charge the costs of the self-insured health insurance plan and postemployment benefits. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position and interfund activity is removed.	7,747,845
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(1,413,596)
Total net position - governmental activities	<u>\$ (79,903,800)</u>

Independent School District No. 318
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2025

	General Fund	Building Construction Capital Project Fund	Debt Service Fund
Revenues			
Local property taxes	\$ 8,647,628	\$ -	\$ 3,999,047
Other local and county revenues	3,926,685	-	104,407
State sources	51,072,423	-	488,836
Federal sources	2,698,769	-	-
Sales and other conversion of assets	44,967	-	-
Total revenues	<u>66,390,472</u>	<u>-</u>	<u>4,592,290</u>
Expenditures			
Current			
Administration	2,468,771	-	-
District support services	1,717,718	-	-
Elementary and secondary regular instruction	27,812,111	-	-
Vocational education instruction	948,140	-	-
Special education instruction	14,535,994	-	-
Instructional support services	3,127,913	-	-
Pupil support services	5,231,445	-	-
Sites and buildings	5,779,050	-	-
Fiscal and other fixed cost programs	333,195	-	-
Food service	55,637	-	-
Community service	-	-	-
Capital outlay			
Elementary and secondary regular instruction	8,335	-	-
Pupil support services	546,985	-	-
Sites and buildings	1,507,826	-	-
Food service	-	-	-
Debt service			
Principal	446,036	-	685,000
Interest and fiscal charges	114,981	-	3,463,991
Total expenditures	<u>64,634,137</u>	<u>-</u>	<u>4,148,991</u>
Excess of revenues over (under) expenditures	1,756,335	-	443,299
Other Financing Sources			
Proceeds from lease issuance	227,647	-	-
Proceeds from sale of capital assets	112,776	-	-
Insurance recovery	4,912	-	-
Transfers in	-	-	1,474,022
Transfers out	-	-	-
Total other financing sources	<u>345,335</u>	<u>-</u>	<u>1,474,022</u>
Net change in fund balances	2,101,670	-	1,917,321
Fund Balances			
Beginning of year	13,189,103	4,004,934	1,377,652
Change within financial reporting entity	-	(4,004,934)	-
Beginning of year, as restated	<u>13,189,103</u>	<u>-</u>	<u>1,377,652</u>
End of year	<u>\$ 15,290,773</u>	<u>\$ -</u>	<u>\$ 3,294,973</u>

See notes to basic financial statements.

Postemployment Benefits Debt Service Fund	Nonmajor Funds	Total Governmental Funds
\$ -	\$ 4,822,298	\$ 17,468,973
-	819,324	4,850,416
-	1,822,634	53,383,893
-	1,463,915	4,162,684
-	286,509	331,476
-	9,214,680	80,197,442
-	-	2,468,771
-	-	1,717,718
-	-	27,812,111
-	-	948,140
-	-	14,535,994
-	-	3,127,913
-	131	5,231,576
-	4,268	5,783,318
-	-	333,195
-	2,661,047	2,716,684
-	1,121,716	1,121,716
-	-	8,335
-	-	546,985
-	3,500,998	5,008,824
-	100,404	100,404
-	4,585,000	5,716,036
-	128,381	3,707,353
-	12,101,945	80,885,073
-	(2,887,265)	(687,631)
-	-	227,647
-	-	112,776
-	-	4,912
-	-	1,474,022
-	(1,474,022)	(1,474,022)
-	(1,474,022)	345,335
-	(4,361,287)	(342,296)
1,406,230	1,927,585	21,905,504
(1,406,230)	5,411,164	-
-	7,338,749	21,905,504
\$ -	\$ 2,977,462	\$ 21,563,208

Independent School District No. 318
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2025

Net change in fund balances - total governmental funds \$ (342,296)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation and amortization expense.

Capital outlays	6,502,412
Depreciation and amortization expense	(5,985,765)
Disposal of capital assets and lease remeasurement	(714,731)

Compensated absences and severance payable are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(148,149)
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Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to OPEB on a full accrual perspective.	1,455,323
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Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	2,056,146
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Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on net position in the Statement of Activities.	5,671,874
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the Governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	96,450
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Governmental funds report bond premiums and discounts as other financing sources and uses at the time of issuance. Net premiums and discounts are reported as a liability and deferred charges on refundings are presented as a deferred inflow of resources in the government-wide financial statements and are amortized over the life of the bond.	357,662
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The issuance of long-term debt provides current financial resources to governmental funds and has no effect on net position. These amounts are reported in the governmental funds as a source of financing. These amounts are not shown as revenues in the Statement of Activities, but rather constitute long-term liabilities in the statement of net position.	
Leases	(227,647)

Internal service funds are used by management to charge the costs of the self-insured health insurance plan and postemployment benefits. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position and interfund activity is removed.	(661,506)
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Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	46,240
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Change in net position - governmental activities	\$ 8,106,013
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Independent School District No. 318
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
Revenues				
Local property taxes	\$ 8,084,000	\$ 8,043,000	\$ 8,647,628	\$ 604,628
Other local and county revenues	2,984,000	3,191,000	3,926,685	735,685
State sources	49,210,000	49,507,000	51,072,423	1,565,423
Federal sources	4,460,000	2,885,000	2,698,769	(186,231)
Sales and other conversion of assets	125,000	150,000	44,967	(105,033)
Total revenues	<u>64,863,000</u>	<u>63,776,000</u>	<u>66,390,472</u>	<u>2,614,472</u>
Expenditures				
Current				
Administration	2,486,000	2,447,000	2,468,771	21,771
District support services	1,626,000	1,759,000	1,717,718	(41,282)
Elementary and secondary regular instruction	26,412,000	27,002,000	27,812,111	810,111
Vocational education instruction	892,000	918,000	948,140	30,140
Special education instruction	14,450,000	14,828,000	14,535,994	(292,006)
Instructional support services	3,587,000	3,204,000	3,127,913	(76,087)
Pupil support services	5,251,800	5,302,000	5,231,445	(70,555)
Sites and buildings	5,970,000	6,009,000	5,779,050	(229,950)
Fiscal and other fixed cost programs	1,030,000	339,000	333,195	(5,805)
Food service	-	-	55,637	55,637
Capital outlay				
Elementary and secondary regular instruction	6,200	5,000	8,335	3,335
Pupil support services	500,000	550,000	546,985	(3,015)
Sites and buildings	1,300,000	861,000	1,507,826	646,826
Debt service				
Principal	310,000	447,000	446,036	(964)
Interest and fiscal charges	150,000	115,000	114,981	(19)
Total expenditures	<u>63,971,000</u>	<u>63,786,000</u>	<u>64,634,137</u>	<u>848,137</u>
Excess of revenues over (under) expenditures	892,000	(10,000)	1,756,335	1,766,335
Other Financing Sources				
Proceeds from lease issuance	-	-	227,647	227,647
Proceeds from sale of capital assets	-	-	112,776	112,776
Insurance recovery	8,000	20,000	4,912	(15,088)
Total other financing sources	<u>8,000</u>	<u>20,000</u>	<u>345,335</u>	<u>325,335</u>
Net change in fund balance	<u>\$ 900,000</u>	<u>\$ 10,000</u>	<u>2,101,670</u>	<u>\$ 2,091,670</u>
Fund Balance				
Beginning of year			<u>13,189,103</u>	
End of year			<u>\$ 15,290,773</u>	

See notes to basic financial statements.

Independent School District No. 318
Statement of Net Position - Proprietary Funds
June 30, 2025

	Total Internal Service Funds
Assets	
Cash and cash equivalents	\$ 969,760
Investments	<u>8,075,754</u>
Total assets	<u><u>\$ 9,045,514</u></u>
Liabilities	
Accounts and claims payable	\$ 823,622
Due to other funds	<u>474,047</u>
Total liabilities	<u>1,297,669</u>
Net Position	
Unrestricted	<u>7,747,845</u>
Total liabilities and net position	<u><u>\$ 9,045,514</u></u>

Independent School District No. 318
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2025

	Total Internal Service Funds
Operating Revenue	
Contributions from the District and employees	\$ 15,489,739
Contributions from employees and retirees	<u>482,811</u>
Total operating revenues	<u>15,972,550</u>
Operating Expenses	
Healthcare benefits and claims	16,476,440
Administrative costs	<u>1,071,738</u>
Total operating expenses	<u>17,548,178</u>
Operating loss	(1,575,628)
Nonoperating Revenue	
Investment income	<u>914,122</u>
Change in net position	(661,506)
Net Position	
Beginning of year	<u>8,409,351</u>
End of year	<u><u>\$ 7,747,845</u></u>

Independent School District No. 318
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2025

	Total Internal Service Funds
Cash Flows - Operating Activities	
Contributions from the District and employees	\$ 15,954,628
Receipts from retirees and employees	482,811
Payments for healthcare premiums	(17,062,268)
Payments for administrative costs	(1,071,738)
Net cash flows - operating activities	<u>(1,696,567)</u>
Cash Flows - Noncapital Financing Activities	
Amounts repaid to other funds	(4,573,797)
Amounts borrowed from other funds	474,047
Net cash flows - noncapital financing activities	<u>(4,099,750)</u>
Cash Flows - Investing Activities	
Proceeds from sales and maturities of investments	6,086,506
Purchase of investments	(234,551)
Interest received	914,122
Net cash flows - investing activities	<u>6,766,077</u>
Net change in cash and cash equivalents	969,760
Cash and Cash Equivalents	
Beginning of year	<u>-</u>
End of year	<u>\$ 969,760</u>
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities	
Operating loss	\$ (1,575,628)
Adjustments to reconcile operating loss to net cash flows - operating activities	
Change in accounts and claims payable	(585,828)
Change in accounts receivable	464,889
Total adjustments	<u>(120,939)</u>
Net cash flows - operating activities	<u>\$ (1,696,567)</u>

Independent School District No. 318
Statement of Fiduciary Net Position
June 30, 2025

	<u>Custodial Fund</u>
Assets	
Cash and investments (including cash equivalents)	<u>\$ 79,925</u>
Liabilities	
Accounts payable	<u>33,900</u>
Net Position	
Held for student activities	1,641
Held for scholarships	<u>44,384</u>
Total Net Position	<u><u>\$ 46,025</u></u>

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

	<u>Custodial Fund</u>
Additions	
Contributions and donations	\$ 48,900
Interest revenue	116
Total additions	<u>49,016</u>
Deductions	
Scholarships	<u>36,400</u>
Change in net position	12,616
Net Position	
Beginning of year	<u>33,409</u>
End of year	<u><u>\$ 46,025</u></u>

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Independent School District No. 318
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

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

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

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

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

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

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

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

2. Recording of Expenditures

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

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds:

Major Funds:

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

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

Nonmajor Funds:

Food Service Special Revenue Fund - This fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this Fund to specifically support the food service program.

Community Service Special Revenue Fund - This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, aquatic center, or other similar services. The District receipts property tax and local and state revenues in this fund that were received for these specific purposes.

Building Construction Capital Project Fund - This fund is used to account for financial resources used the acquisition and construction of major capital facilities.

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

Proprietary Funds:

Postemployment Benefit Revocable Trust Fund - This internal service fund is used for reporting resources set aside and held in a revocable trust arrangement for post-employment benefits other than pensions. District contributions to this fund must be expensed to an operating fund.

Health Insurance Fund - This internal service fund is used to account for health benefits for employees who are covered by the self-insured plan of the District.

Fiduciary Fund:

Custodial Fund - This fund is used to account for fiduciary activities that are not required to be reported as another fiduciary fund type. The District reports funds held for scholarships and student activities in the Custodial Fund.

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments

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

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

Pooled cash and investments at June 30, 2025, were comprised of deposits, and shares in the Minnesota School District Liquid Asset Fund (MSDLAF) including MSDLAF Max. Non-pooled investments were comprised of various investments as detailed in Note 2.

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

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

In accordance with GASB Statement No. 79, the various MSDLAF securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2024, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2025. The remaining portion of the levy will be recognized when measurable and available.

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Prepaid Items

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

H. Inventories

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

I. Property Taxes

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

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

J. Capital Assets

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

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at acquisition value at the date of donation. Group asset purchases of more than \$50,000 are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available.

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

Capital assets are depreciated using the straight-line method over their estimated useful lives. A half year of depreciation expense is deducted the year depreciable assets are placed into service. 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 purpose. Useful lives vary from 5 to 50 years.

Capital assets not being depreciated include land and construction in progress. The District's infrastructure capital assets, such as sidewalks and parking lots are considered to be part of the cost of buildings or land improvements.

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Subscription assets are measured at an amount equal to the historical cost.

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

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

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

L. Deferred Outflows/Inflows of Resources

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

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

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

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

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

N. Accrued Employee Benefits

1. Compensated Absences Payable

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

The District has employee and union contracts with several different employee groups. Employee benefits under the contracts are different but generally include provisions for sick leave and vacation leave. In the fund financial statements, a liability is recorded for unpaid vacation when the employee terminates from the District. Upon retirement, certain District employees are entitled to a severance amount based on accumulated unused sick leave, age, years of service and wage rate at the date of retirement, as established by contracts with bargaining units or other employment contracts and reduced by the District's retirement matching contribution. These contracts establish the terms and amounts each retiree is eligible to receive and establish when this severance benefit vests, all of which may differ between each bargaining unit and employee group. In the fund financial statements, a liability is recorded for severance pay when the employee retires.

2. Other Post Employment Benefits

Under the provisions of various employee and union contracts, the District provides post employment health care benefits if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. The liability amount was actuarially determined, in accordance with GASB Statement No. 75.

O. Pensions

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

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Pensions (Continued)

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

P. Net Position

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

Q. Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in these funds can be spent.

- **Nonspendable Fund Balances** - These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include inventory and prepaid items.
- **Restricted Fund Balances** - These are subject to externally enforceable legal restrictions.
- **Committed Fund Balances** - These are amounts comprised of unrestricted funds used for a specific purpose. pursuant to constraints imposed by formal action (majority vote) of the School Board that remain binding unless removed by the School Board by subsequent formal action.
- **Assigned Fund Balances** - These amounts are comprised of unrestricted funds constrained by the School Board's intent that they be used for a specific purpose, but do not meet the criteria to be restricted or committed. The School Board delegates the Business Manager the power to assign balances for specific purposes.
- **Unassigned Fund Balances** - These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted and committed fund balances exceed the total net resources of that fund.
- **Minimum Fund Balance Policy** - The District's annual budget will be developed to maintain a minimum unassigned General Fund balance of 10-15% of the annual expenditures budget.

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Use of Estimates

The preparation of basic 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 basic financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

S. Budgetary Information

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy which requires deposits in excess of federal deposit coverage to be collateralized as required by *Minnesota Statutes* § 118A.03.

As of June 30, 2025, the District's bank balances at Grand Rapids State Bank were not exposed to custodial credit risk as they were insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name. The District's bank balances at U.S. Bank were collateralized as part of group of balances held by numerous districts. The amount of collateral specific to the District's bank balances was not determinable.

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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

Checking accounts - pooled	\$ 2,807,182
Checking accounts - non-pooled	62,320
Certificate of deposit	<u>2,266</u>
Total	<u><u>\$ 2,871,768</u></u>

B. Investments

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

Investments	Amount	Maturity		Rating
		Less than 1 Year	1 to 5 Years	
Pooled				
MSDLAF	\$ 1,888,309	\$ 1,888,309	\$ -	AAAm
MSDMAX	<u>17,987,425</u>	<u>17,987,425</u>	<u>-</u>	AAAm
Total pooled	<u><u>\$ 19,875,734</u></u>	<u><u>\$ 19,875,734</u></u>	<u><u>\$ -</u></u>	
Nonpooled				
Self Health Insurance				
Brokered Money Market	\$ 100,608	\$ 100,608	\$ -	N/A
Brokered Certificates of Deposit	<u>4,332,360</u>	<u>1,925,090</u>	<u>2,407,270</u>	N/A
Total self health insurance	<u><u>\$ 4,432,968</u></u>	<u><u>\$ 2,025,698</u></u>	<u><u>\$ 2,407,270</u></u>	
Bond proceeds				
MSDLAF	\$ 364,606	\$ 364,606	\$ -	AAAm
MSDLAF Max	<u>3,507,495</u>	<u>3,507,495</u>	<u>-</u>	AAAm
Total bond proceeds	<u><u>\$ 3,872,101</u></u>	<u><u>\$ 3,872,101</u></u>	<u><u>\$ -</u></u>	
OPEB Trust Investments				
Money Market Mutual Fund	\$ 6,864	\$ 6,864	\$ -	N/A
Mutual Funds - Fixed Income	1,824,217	1,824,217	-	N/A
Mutual Funds - Equity	<u>1,811,705</u>	<u>1,811,705</u>	<u>-</u>	N/A
Total OPEB trust investments	<u><u>\$ 3,642,786</u></u>	<u><u>\$ 3,642,786</u></u>	<u><u>\$ -</u></u>	
Total nonpooled	<u><u>\$ 11,947,855</u></u>	<u><u>\$ 9,540,585</u></u>	<u><u>\$ 2,407,270</u></u>	

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The investments shall be managed in a manner to obtain a market rate of return through various economic and budgetary cycles while preserving and protecting capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* §§ 118A.04 and 118A.05 outlines allowable investments. The District's investment policy limits investments to those specified in the above statutes. As of June 30, 2025, the District's investments were rated by Standard & Poor's (S & P) or Moody's as noted in the previous table.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District places no limit on the amount that may be invested with any one issuer or depository. The District's policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. The following investments exceeded 5% of the District's non-pooled self health insurance investment portfolio.

Concentrations

Wells Fargo Bank CD	5.42%
Farmers Merchants Bank CD	5.42%
State Bank of India CD	5.42%
Charles Schwab Bank CD	5.41%
Morgan Stanley Private Bank CD	5.43%
BMO Bank CD	5.43%
Bank of Utah CD	5.44%
Sandy Spring Bank CD	5.46%
Transportation Alliance Bank CD	5.41%
Bank Hapoalim CD	5.41%
Trustar Bank CD	5.46%
Morgan Stanley Bank of Salt Lake CD	5.50%
UBS Bank CD	5.41%
BNY Mellon CD	5.41%
Merrick Bank CD	5.43%
Texas Exchange Bank CD	5.41%
Celtic Bank CD	5.40%
First Bank of the Lake Osage CD	5.47%

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

Type of Investments	Total	Level 1	Level 2
Mutual Funds	\$ 3,743,394	\$ 3,743,394	\$ -
Brokered Certificates of Deposit	4,332,360	-	4,332,360
	<u>\$ 8,075,754</u>	<u>\$ 3,743,394</u>	<u>\$ 4,332,360</u>
Investments at amortized cost	<u>\$ 23,747,835</u>		
Total investments	<u>\$ 31,823,589</u>		

C. Summary of Deposits and Investments

Following is a summary of deposits and investments as of June 30, 2025:

Deposits (Note 2.A.)	\$ 2,871,768
Petty cash	3,000
Investments - pooled (Note 2.B.)	19,875,734
Investments - non-pooled (Note 2.B.)	11,947,855
Total deposits and investments	<u>\$ 34,698,357</u>

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

Statement of Net Position	
Cash and investments	\$ 34,618,432
Statement of Fiduciary Net Position	
Cash and investments	<u>79,925</u>
Total cash and investments	<u>\$ 34,698,357</u>

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,637,920	\$ -	\$ 117,249	\$ 2,520,671
Construction in progress	9,398,106	4,341,426	914,900	12,824,632
Total capital assets not being depreciated	<u>12,036,026</u>	<u>4,341,426</u>	<u>1,032,149</u>	<u>15,345,303</u>
Other capital assets				
Land improvements	5,836,150	-	-	5,836,150
Buildings	177,857,197	1,374,902	1,945,610	177,286,489
Equipment	19,186,442	1,425,332	1,613,957	18,997,817
Leased assets	1,310,207	403,036	19,194	1,694,049
Subscription assets	449,430	42,418	-	491,848
Total other capital assets at historical cost	<u>204,639,426</u>	<u>3,245,688</u>	<u>3,578,761</u>	<u>204,306,353</u>
Less accumulated depreciation for				
Land improvements	3,546,320	179,547	-	3,725,867
Buildings	51,263,074	3,822,356	1,319,073	53,766,357
Equipment	12,285,277	1,545,642	1,613,957	12,216,962
Less accumulated amortization for				
Leased assets	598,537	348,836	19,194	928,179
Subscription assets	81,274	89,384	-	170,658
Total accumulated depreciation/ amortization	<u>67,774,482</u>	<u>5,985,765</u>	<u>2,952,224</u>	<u>70,808,023</u>
Total other capital assets, net	<u>136,864,944</u>	<u>(2,740,077)</u>	<u>626,537</u>	<u>133,498,330</u>
Governmental activities, capital assets, net	<u><u>\$ 148,900,970</u></u>	<u><u>\$ 1,601,349</u></u>	<u><u>\$ 1,658,686</u></u>	<u><u>\$ 148,843,633</u></u>

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 3 - CAPITAL ASSETS (CONTINUED)

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

Administration	\$ 10,681
District Support Services	480
Elementary and Secondary Regular Instruction	955,874
Vocational Education Instruction	7,028
Special Education Instruction	48,888
Instructional Support Services	186,594
Pupil Support Services	573,943
Sites and Buildings	150,885
Food Service	53,338
Community Education and Services	24,461
Unallocated Depreciation	<u>3,973,593</u>
Total depreciation and amortization expense	<u><u>\$ 5,985,765</u></u>

NOTE 4 - LONG-TERM DEBT

A. Components of Long-Term Debt

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term debt						
G.O. Bonds						
G.O. School Building Bonds, Series 2018A	06/28/18	3.5%-5.0%	\$ 65,440,000	02/01/38	\$ 65,440,000	\$ 3,680,000
G.O. Facilities Maintenance Bonds, Series 2019A	06/27/19	3.0%-5.0%	4,380,000	02/01/34	2,950,000	280,000
G.O. Facilities Maintenance Bonds, Series 2022A	01/24/22	2.0%-4.0%	13,260,000	02/01/40	13,015,000	340,000
G.O. School Building Bonds, Series 2022B	08/11/22	2.0%-4.0%	3,470,000	02/01/30	3,470,000	-
G.O. School Building Bonds, Series 2023A	08/18/23	5.0%	2,460,000	02/01/31	2,160,000	315,000
Total G.O. bonds					<u>87,035,000</u>	<u>4,615,000</u>
Certificates of participation Series 2023B	08/18/23	4.5%-5.0%	1,580,000	04/01/38	<u>1,395,000</u>	<u>80,000</u>
Unamortized bond premium					4,090,323	-
Lease liability					794,163	343,308
Compensated absences					<u>2,448,230</u>	<u>200,187</u>
Total long term-debt					<u><u>\$ 95,762,716</u></u>	<u><u>\$ 5,238,495</u></u>

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 4 - LONG-TERM DEBT (CONTINUED)

The long-term bonds, certificates of participation, and lease liabilities were issued to finance acquisition and construction of capital facilities, equipment, and to refinance (refund) previous bond issues. Bonds payable are liquidated through the debt service funds. Certificates of participation and lease liabilities are typically liquidated through the General Fund.

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt:

Year Ended June 30,	G.O. Bonds		
	Principal	Interest	Total
2026	\$ 4,615,000	\$ 3,389,675	\$ 8,004,675
2027	4,830,000	3,162,325	7,992,325
2028	5,095,000	2,922,825	8,017,825
2029	5,340,000	2,676,475	8,016,475
2030	5,610,000	2,418,175	8,028,175
2031-2035	29,805,000	8,635,875	38,440,875
2036-2040	31,740,000	6,292,825	38,032,825
Total	<u>\$ 87,035,000</u>	<u>\$ 29,498,175</u>	<u>\$ 116,533,175</u>

Year Ended June 30,	Certificates of Participation		
	Principal	Interest	Total
2026	\$ 80,000	\$ 68,124	\$ 148,124
2027	85,000	64,126	149,126
2028	85,000	59,875	144,875
2029	90,000	55,625	145,625
2030	95,000	51,125	146,125
2031-2035	555,000	179,375	734,375
2036-2038	405,000	39,313	444,313
Total	<u>\$ 1,395,000</u>	<u>\$ 517,563</u>	<u>\$ 1,912,563</u>

Year Ended June 30,	Lease Liability		
	Principal	Interest	Total
2026	\$ 343,308	\$ 26,691	\$ 369,999
2027	300,501	12,754	313,255
2028	87,533	4,814	92,347
2029	62,821	1,719	64,540
Total	<u>\$ 794,163</u>	<u>\$ 45,978</u>	<u>\$ 840,141</u>

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 4 - LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Debt

	Beginning Balance	Change in Accounting Principle	Beginning Balance, Restated	Increases	Decreases	Ending Balance
Long-term debt						
G.O. Bonds	\$ 92,305,000	\$ -	\$ 92,305,000	\$ -	\$ 5,270,000	\$ 87,035,000
Certificates of participation	1,470,000	-	1,470,000	-	75,000	1,395,000
Unamortized bond premium	4,447,985	-	4,447,985	-	357,662	4,090,323
Lease liability	752,643	-	752,643	368,394	326,874	794,163
Compensated absences	768,373	1,531,708	2,300,081	148,149	-	2,448,230
Total long-term debt	<u>\$ 99,744,001</u>	<u>\$ 1,531,708</u>	<u>\$ 101,275,709</u>	<u>\$ 516,543</u>	<u>\$ 6,029,536</u>	<u>\$ 95,762,716</u>

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

NOTE 5 - FUND BALANCES AND NET POSITION

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

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 5 - FUND BALANCES AND NET POSITION (CONTINUED)

A. Fund Equity

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

	General Fund	Debt Service	Nonmajor Funds	Total
Nonspendable				
Prepaid items	\$ 423,062	\$ -	\$ 9,533	\$ 432,595
Inventory	-	-	119,018	119,018
Total nonspendable	<u>423,062</u>	<u>-</u>	<u>128,551</u>	<u>551,613</u>
Restricted/reserved				
Student Activities	186,301	-	-	186,301
Literacy Incentive Aid	340,899	-	-	340,899
American Indian Education Aid	25,087	-	-	25,087
Operating Capital	283,431	-	-	283,431
Area Learning Center	1,142,325	-	-	1,142,325
Gifted and Talented	42,272	-	-	42,272
English Learner	450	-	-	450
Basic Skills Programs	3,458,217	-	-	3,458,217
School Library Aid	89,450	-	-	89,450
Literacy Aid	131,522	-	-	131,522
Read Act Training	22,854	-	-	22,854
Long-Term Facilities Maintenance	132,742	-	-	132,742
Student Support Aid	14,459	-	-	14,459
Medical Assistance	1,320,377	-	-	1,320,377
Payments in Lieu of Taxes	22,491	-	-	22,491
Capital Projects	-	-	883,965	883,965
Debt Service	-	3,294,973	-	3,294,973
Food Service	-	-	1,134,142	1,134,142
Community Education	-	-	692,033	692,033
School Readiness	-	-	9,734	9,734
Community Service	-	-	129,037	129,037
Total restricted/reserved	<u>7,212,877</u>	<u>3,294,973</u>	<u>2,848,911</u>	<u>13,356,761</u>
Assigned				
Grants and gifts	169,730	-	-	169,730
Transportation	1,550,680	-	-	1,550,680
Total assigned	<u>1,720,410</u>	<u>-</u>	<u>-</u>	<u>1,720,410</u>
Unassigned				
General purposes	<u>5,934,424</u>	<u>-</u>	<u>-</u>	<u>5,934,424</u>
Total fund balance	<u>\$ 15,290,773</u>	<u>\$ 3,294,973</u>	<u>\$ 2,977,462</u>	<u>\$ 21,563,208</u>

Negative restricted/reserved amounts are reported as unassigned fund balance in accordance with GASB Statement No. 54.

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 5 - FUND BALANCES AND NET POSITION (CONTINUED)

A. Fund Equity (Continued)

Nonspendable for Inventory and Prepaid Items - This balance represents a portion of the fund balance that is not available since the amounts have been spent by the District on inventory and prepaid items for subsequent fiscal years.

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

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

Restricted/Reserved for American Indian Education Aid - This balance represents resources remaining in the American Indian Education Funds.

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

Restricted/Reserved for Area Learning Center - This balance represents amounts restricted for students attending area learning centers. Each district that sends students to an area learning center must restrict an amount equal to the sum of 1) at least 90 and no more than 100 percent of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to *Minnesota Statutes* § 126C.10, subd. 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved area learning center, plus (2) the amount of basic skills revenue generated by pupils attending the area learning center. The amount restricted may only be spent on program costs associated with the area learning center.

Restricted/Reserved for Gifted and Talented - The part of General Education Aid revenue for the gifted and talented program that is unspent at year end must be restricted in this Balance Sheet account.

Restricted/Reserved for English Learner - This balance represents resources available for English Learner students per *Minnesota Statutes* § 2023, 124D.59, subd. 2.

Restricted/Reserved for Basic Skills Programs - This balance represents resources available for the basic skills uses listed in *Minnesota Statutes* § 126C.15, subd. 1.

Restricted/Reserved for School Library Aid - This balance represents resources available for the school library aid uses listed in *Minnesota Statute* § 134.356, subd. 1.

Restricted/Reserved for Literacy Aid - This balance represents resources available for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy.

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

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 5 - FUND BALANCES AND NET POSITION (CONTINUED)

A. Fund Equity (Continued)

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

Restricted/Reserved for Student Support Personnel Aid - This balance represents available resources to be used for student support personnel that are in addition to current staff levels.

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

Restricted for Payments in Lieu of Taxes (PILT) - This balance represents resources available from PILT.

Restricted for Capital Projects - This balance represents the remaining balance in the Building Construction Fund restricted for capital projects.

Restricted for Debt Service - This balance represents the positive fund balance of the debt service funds.

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

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

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

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

Assigned Fund Balances - These balances represent amounts set aside by management for purposes as listed in the previous table.

B. Net Position

Restricted for State mandated restrictions net position is comprised of the total positive General Fund restricted fund balance plus the positive fund balances of the Debt Service, Food Service, and Community Service funds, and the effects of the conversion to the government-wide statements.

NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2025, was \$1,773,231. The components of pension expense are noted in the following plan summaries. The General Fund typically liquidates the liability related to the pensions.

Independent School District No. 318
Notes to Basic Financial Statements

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

Teachers' Retirement Association

A. Plan Description

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

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

B. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

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

Independent School District No. 318
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

A. Benefits Provided (Continued)

Tier I Benefits (Continued)

Or

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

Tier II Benefits

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

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

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

C. Contributions

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$2,212,274. The District's contributions were equal to the required contributions for each year as set by state statute.

Independent School District No. 318
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Experience study	August 2, 2023 (demographic and economic assumptions)*
Actuarial cost method	Entry Age Normal

Actuarial Assumptions

Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

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

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

Independent School District No. 318
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

Changes in actuarial assumptions since the previous valuation:

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

E. Discount Rate

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

Independent School District No. 318
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2025, the District reported a liability of \$23,167,854 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.3646% at the end of the measurement period and 0.3820% 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	\$ 23,167,854
State's proportionate share of the net pension liability associated with the District	<u>1,515,129</u>
Total	<u><u>\$ 24,682,983</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$1,609,186. Included in this amount, the District recognized \$83,287 as pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$642,304 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

Independent School District No. 318
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,122,628	\$ 319,866
Net difference between projected and actual earnings on plan investments	-	3,183,764
Changes of actuarial assumptions	2,603,041	2,762,829
Changes in proportion	56,643	2,385,068
Contributions to TRA subsequent to the measurement date	2,212,274	-
	<u>2,212,274</u>	<u>-</u>
Total	<u>\$ 5,994,586</u>	<u>\$ 8,651,527</u>

The \$2,212,274 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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

Year Ended June 30,	Pension Expense Amount
2026	\$ (2,001,907)
2027	1,950,155
2028	(2,282,009)
2029	(1,930,392)
2030	(605,062)
	<u>(605,062)</u>
Total	<u>\$ (4,869,215)</u>

Independent School District No. 318
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of NPL	\$ 40,799,947	\$ 23,167,854	\$ 8,656,224

H. Pension Plan Fiduciary Net Position

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

Independent School District No. 318
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

Minnesota Statutes Chapters 3353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$701,658. The District's contributions were equal to the required contributions as set by state statute.

Independent School District No. 318
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$4,065,016 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 \$105,113.

School's proportionate share of net pension liability	\$ 4,065,016
State of Minnesota's proportionate share of the net pension liability associated with the School	<u>105,113</u>
Total	<u><u>\$ 4,170,129</u></u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1100% at the end of the measurement period and 0.1127% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$164,045 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$2,818 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedule for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$187,036 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

Independent School District No. 318
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 387,975	\$ -
Changes in actuarial assumptions	22,472	1,566,573
Difference between projected and actual investments earnings	-	1,159,064
Change in proportion	-	614,366
Contributions paid to PERA subsequent to the measurement date	701,658	-
	<u>701,658</u>	<u>-</u>
Total	<u>\$ 1,112,105</u>	<u>\$ 3,340,003</u>

The \$701,658 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2026	\$ (1,673,257)
2027	(405,006)
2028	(539,736)
2029	(311,557)
	<u>(311,557)</u>
Total	<u>\$ (2,929,556)</u>

Independent School District No. 318
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

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

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

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

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

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

Independent School District No. 318
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

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

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of NPL	\$ 8,878,654	\$ 4,065,016	\$ 105,364

I. Pension Plan Fiduciary Net Position

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

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan which provides medical coverage to eligible retirees and their dependents. The District is self-insured for medical coverage. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. The Plan does not issue a publicly available financial report.

B. Benefits Paid

The District provides retiree health insurance to certain retired employees as established by contracts with bargaining units or other employment contracts. These contracts state the years, age and retiring dates needed to qualify for these postemployment benefits. The contracts also establish the amount the District will contribute towards the purchase of health insurance. The District recognized expenditures on a pay-as-you-go basis. The General Fund, Food Service Fund, and Community Service Fund typically liquidate the liability related to post employment health benefits.

C. Contributions

Retirees and their spouses contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District. The required contributions are based on projected pay-as-you-go financing requirements. For the year ended June 30, 2025, the District contributed \$5,907,397 to the plan.

D. Members

As of the June 30, 2023, valuation date, the following were covered by the benefit terms:

Active employees electing medical coverage	378
Active employees waiving medical coverage	188
Retirees electing medical coverage	<u>420</u>
Total	<u><u>986</u></u>

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total post employment health care plan (OPEB) liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount rate	3.97%
Salary increases	3.00%
Inflation	2.50%
Healthcare cost trend increases	7.6% for 2024, gradually decreasing over several decades to an ultimate rate of 3.9% in 2076 and later years
Mortality Assumption - teachers	RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments
Mortality Assumption - non-teachers	Pub-2010 general mortality tables with projected mortality improvements ased on scale MP-2021, and other adjustments

Changes in actuarial assumptions

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

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2024, and was determined by an actuarial valuation as June 30, 2023.

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at July 1, 2024	\$ 127,686,601
Changes for the year	
Service cost	1,034,411
Interest	4,860,580
Differences between expected and actual economic experience	(69,455)
Changes in assumptions	(1,767,562)
Employer contributions	<u>(5,598,508)</u>
Net changes	<u>(1,540,534)</u>
Balances at June 30, 2025	<u><u>\$ 126,146,067</u></u>

G. OPEB Liability Sensitivity

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

	<u>1% Decrease in Discount Rate (2.97%)</u>	<u>Current Discount Rate (3.97%)</u>	<u>1% Increase in Discount Rate (4.97%)</u>
Total OPEB Liability	\$ 143,720,832	\$ 126,146,067	\$ 111,679,620

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% Decrease in Trend Rate (6.6% Decreasing to 2.9%)	Current Trend Rate (7.6% Decreasing to 3.9%)	1% Increase in Trend Rate (8.6 % Decreasing to 4.9%)
Total OPEB Liability	\$ 110,257,218	\$ 126,146,067	\$ 145,625,418

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$4,383,934. As of June 30, 2025, the District reported deferred outflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ 7,490,296	\$ 6,080,474
Changes of assumptions	11,668,987	22,177,978
Contributions made subsequent to the measurement date	5,907,397	-
Total	<u>\$ 25,066,680</u>	<u>\$ 28,258,452</u>

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

The \$5,907,397 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in OPEB expense as follows:

Year Ended June 30,	Total
2026	\$ (676,971)
2027	(280,743)
2028	(2,172,202)
2029	(4,933,325)
2030	(850,726)
Thereafter	(185,202)
Total	<u>\$ (9,099,169)</u>

NOTE 8 - INTERFUND ACTIVITY

As of June 30, 2025, the Post Employment Benefits Revocable Trust Fund had an interfund payable due to the General Fund in the amount of \$474,047 to cover the cash deficit in the Post Employment Benefits Revocable Trust Fund at year-end.

The District transferred \$1,474,022 from the Postemployment Benefits Debt Service Fund to the Debt Service Fund as the OPEB bonds were paid off in the year-ended June 30, 2025.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2025.

An Internal Service Fund accounts for the District's health self-insurance program. The District self-insures health benefits provided to retirees and active employees. The District purchases health insurance stop-loss reinsurance (plan) that protects against individual claims in excess of \$300,000, with no lifetime maximum, and against aggregate annual claims in excess of an amount determined by formula. The plan is administered by a third-party administrator. The plan liabilities for claims incurred but not reported are estimated based on subsequent claims activity.

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 9 - RISK MANAGEMENT (CONTINUED)

Changes in the Fund's claims liability amounts for the past three years for the health plan were as follows:

Year Ended	Beginning of Year	Claims Incurred	Claims Paid	End of Year
June 30, 2025	\$ 1,404,535	\$ 13,072,401	\$ (13,653,314)	\$ 823,622
June 30, 2024	702,347	13,028,955	(12,326,767)	1,404,535
June 30, 2023	582,488	14,969,649	(14,849,790)	702,347

NOTE 10 - COMMITMENTS

As of June 30, 2025, the District had commitments related to various construction contracts of \$1,002,331.

NOTE 11 - ACCOUNTING CHANGES

As of July 1, 2024, the District implemented changes related to GASB Statement No. 101, *Compensated Absences*. The liability was previously calculated based on vacation balances accrued as of year-end as well as sick leave balances that were accrued as of year-end for vested employees. The liability is now consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave. The resulted in a change in accounting principle on the Statement of Activities in the amount of \$1,531,708.

Net position June 30, 2024, as previously stated	\$ (86,478,105)
Change in accounting principle	<u>(1,531,708)</u>
Net position June 30, 2024, as restated	<u><u>\$ (88,009,813)</u></u>

Independent School District No. 318
Notes to Basic Financial Statements

NOTE 11 - ACCOUNTING CHANGES (CONTINUED)

The Building Construction Capital Project Fund and Postemployment Benefits Debt Service Fund were presented as major funds in the June 30, 2024 financial statements but did not qualify as major funds for the June 30, 2025 financial statements, and thus were presented as nonmajor funds.

	Building Construction Capital Project Fund	Postemployment Benefits Debt Service Fund	Nonmajor Funds
Beginning of year	\$ 4,004,934	\$ 1,406,230	\$ 1,927,585
Change within financial reporting entity	(4,004,934)	(1,406,230)	5,411,164
Beginning of year, as restated	\$ -	\$ -	\$ 7,338,749

NOTE 12 - GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 318
Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Total OPEB Liability			
Service cost	\$ 1,034,411	\$ 1,365,030	\$ 2,268,617
Interest	4,860,580	4,656,273	3,125,939
Changes of benefit terms	-	26,279	-
Changes of assumptions	(1,767,562)	6,869,675	(35,560,450)
Differenced between expected and actual experience	(69,455)	(7,073,853)	257,464
Employer contributions	<u>(5,598,508)</u>	<u>(5,956,043)</u>	<u>(5,666,038)</u>
Net change in total OPEB liability	<u>(1,540,534)</u>	<u>(112,639)</u>	<u>(35,574,468)</u>
Beginning of year	<u>127,686,601</u>	<u>127,799,240</u>	<u>163,373,708</u>
End of year	<u><u>\$ 126,146,067</u></u>	<u><u>\$ 127,686,601</u></u>	<u><u>\$ 127,799,240</u></u>
Covered-employee payroll	\$ 35,224,989	\$ 34,148,450	\$ 35,541,386
Total OPEB liability as a percentage of covered-employee payroll	358.1%	373.9%	359.6%

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

<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
\$ 2,434,104	\$ 1,869,536	\$ 2,088,191	\$ 2,039,175	\$ 2,355,184
3,442,673	3,917,567	4,527,425	4,482,108	4,020,675
-	-	-	-	-
4,966,255	13,587,233	4,471,411	(3,344,599)	(13,771,004)
16,782,433	2,187	(6,451,703)	-	-
(4,669,804)	(4,501,669)	(4,141,846)	(3,979,422)	(4,183,169)
<u>22,955,661</u>	<u>14,874,854</u>	<u>493,478</u>	<u>(802,738)</u>	<u>(11,578,314)</u>
<u>140,418,047</u>	<u>125,543,193</u>	<u>125,049,715</u>	<u>125,852,453</u>	<u>137,430,767</u>
<u>\$ 163,373,708</u>	<u>\$ 140,418,047</u>	<u>\$ 125,543,193</u>	<u>\$ 125,049,715</u>	<u>\$ 125,852,453</u>
\$ 32,725,100	\$ 29,033,034	\$ 31,721,000	\$ 31,316,240	\$ 27,651,000
499.2%	483.6%	395.8%	399.3%	455.1%

Independent School District No. 318
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered- Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.1100%	\$ 4,065,016	\$ 105,113	\$ 4,170,129	\$ 9,306,213	43.68%	89.08%
2023	0.1127%	6,302,058	173,866	6,475,924	8,966,000	70.29%	83.10%
2022	0.1245%	9,860,441	288,966	10,149,407	9,325,227	105.74%	76.67%
2021	0.1275%	5,444,821	166,282	5,611,103	9,198,537	59.19%	87.00%
2020	0.1257%	7,536,289	232,435	7,768,724	8,963,540	84.08%	79.10%
2019	0.1186%	6,557,128	203,024	6,760,152	7,675,611	85.43%	80.20%
2018	0.1201%	6,662,656	218,477	6,881,133	8,064,059	82.62%	79.50%
2017	0.1216%	7,762,864	97,637	7,860,501	7,830,659	99.13%	75.90%
2016	0.1205%	9,784,002	127,810	9,911,812	7,477,040	130.85%	68.90%
2015	0.1228%	6,364,133	-	6,364,133	7,213,933	88.22%	78.20%

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered- Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.3646%	\$ 23,167,854	\$ 1,515,129	\$ 24,682,983	\$ 24,152,960	95.92%	82.07%
2023	0.3820%	31,538,776	2,209,471	33,748,247	24,288,819	129.85%	76.42%
2022	0.4029%	32,262,101	2,392,533	34,654,634	24,904,568	129.54%	76.17%
2021	0.4062%	17,776,527	1,499,392	19,275,919	24,305,966	73.14%	86.60%
2020	0.4039%	29,840,673	2,500,461	32,341,134	23,473,382	127.13%	75.50%
2019	0.4039%	25,744,671	2,278,098	28,022,769	19,518,797	131.90%	78.20%
2018	0.4020%	25,248,206	2,371,875	27,620,081	22,209,188	113.68%	78.10%
2017	0.3875%	77,352,029	7,478,105	84,830,134	20,858,755	370.84%	51.60%
2016	0.3739%	89,184,071	8,951,105	98,135,176	19,450,667	458.51%	44.90%
2015	0.3506%	21,688,077	2,660,220	24,348,297	17,796,307	121.87%	76.80%

See notes to required supplementary information.

Independent School District No. 318
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2025	\$ 701,658	\$ 701,658	\$ -	\$ 9,355,440	7.50%
2024	697,966	697,966	-	9,306,213	7.50%
2023	672,450	672,450	-	8,966,000	7.50%
2022	699,392	699,392	-	9,325,227	7.50%
2021	688,568	688,568	-	9,198,537	7.50%
2020	672,309	672,309	-	8,963,540	7.50%
2019	575,673	575,673	-	7,675,611	7.50%
2018	604,805	604,805	-	8,064,059	7.50%
2017	587,688	587,688	-	7,830,659	7.50%
2016	560,767	560,767	-	7,477,040	7.50%

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2025	\$ 2,212,274	\$ 2,212,274	\$ -	\$ 25,283,131	8.75%
2024	2,113,384	2,113,384	-	24,152,960	8.75%
2023	2,076,694	2,076,694	-	24,288,819	8.55%
2022	2,077,041	2,077,041	-	24,904,568	8.34%
2021	1,976,075	1,976,075	-	24,305,966	8.13%
2020	1,859,095	1,859,095	-	23,473,382	7.92%
2019	1,504,900	1,504,900	-	19,518,797	7.71%
2018	1,665,683	1,665,683	-	22,209,188	7.50%
2017	1,564,407	1,564,407	-	20,858,755	7.50%
2016	1,458,800	1,458,800	-	19,450,667	7.50%

Independent School District No. 318
Notes to the Required Supplementary Information

TRA Retirement Fund

2024 Changes

Changes in Actuarial Assumptions

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

Changes of Benefit Terms

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

2023 Changes

Changes in Actuarial Assumptions

- None

2022 Changes

Changes in Actuarial Assumptions

- None

2021 Changes

Changes in Actuarial Assumptions

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

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 318
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2018 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.

Independent School District No. 318
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Independent School District No. 318
Notes to the Required Supplementary Information

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 318
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

Independent School District No. 318
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions (Continued)

- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

2017 Changes (Continued)

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Independent School District No. 318
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 318
Notes to the Required Supplementary Information

Post Employment Health Care Plan

There are no assets accumulated in a trust that meet criteria of GASB Statement No. 75, paragraph 4, to pay related benefits.

2025 Changes

Changes in Actuarial Assumptions

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

2024 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.69% to 3.86% based on the updated 20-year AA municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality rates were updated from the rates used in the July 1, 2021, PERA General Employees Plan valuation to the rates used in the July 1, 2023, valuation.
- The percent of future retirees eligible for an explicit subsidy assumed to elect coverage at retirement changed from 80% to 85% to reflect recent plan experience.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 60% to 70% to reflect recent plan experience.
- The general inflation assumption was changed from 2.25% to 2.5% based on an updated analysis of historical inflation rates and forward-looking market expectations.

2023 Changes

Changes in Actuarial Assumptions

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

2022 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.45% to 1.92% based on the updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the most recent TRA and GERS valuations.
- The inflation assumption was changed from 2.5% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

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SUPPLEMENTARY INFORMATION

Independent School District No. 318
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds		
	Food Service	Community Service	Total Special Revenue Funds
Assets			
Cash and investments	\$ 1,127,309	\$ 1,121,005	\$ 2,248,314
Delinquent property taxes receivable	-	-	-
Accounts receivable	4,579	28,116	32,695
Due from Department of Education	-	49,132	49,132
Due from federal government	-	-	-
through department of education	26,820	-	26,820
Inventory	119,018	-	119,018
Prepaid items	9,533	-	9,533
Total assets	<u>\$ 1,287,259</u>	<u>\$ 1,198,253</u>	<u>\$ 2,485,512</u>
Liabilities			
Accounts and contracts payable	\$ 10,326	\$ 80,297	\$ 90,623
Salaries and benefits payable	14,240	14,462	28,702
Due to other Minnesota school districts	-	272,690	272,690
Total liabilities	<u>24,566</u>	<u>367,449</u>	<u>392,015</u>
Fund Balances			
Nonspendable	128,551	-	128,551
Restricted	1,134,142	830,804	1,964,946
Total fund balances	<u>1,262,693</u>	<u>830,804</u>	<u>2,093,497</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,287,259</u>	<u>\$ 1,198,253</u>	<u>\$ 2,485,512</u>

Capital Project Fund		
Building Construction		Total Nonmajor Funds
\$ 896,892		\$ 3,145,206
-		-
-		32,695
-		49,132
-		26,820
-		119,018
-		9,533
<u>\$ 896,892</u>		<u>\$ 3,382,404</u>
\$ 12,927		103,550
-		28,702
-		272,690
<u>12,927</u>		<u>404,942</u>
-		128,551
883,965		2,848,911
<u>883,965</u>		<u>2,977,462</u>
\$ 896,892		\$ 3,382,404

Independent School District No. 318
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2025

	Special Revenue Funds		
	Food Service	Community Service	Total Special Revenue
Revenues			
Local property taxes	\$ -	\$ 357,083	\$ 357,083
Other local and county revenues	28,728	283,308	312,036
Revenue from state sources	1,112,928	516,739	1,629,667
Revenue from federal sources	1,463,915	-	1,463,915
Sales and other conversion of assets	286,509	-	286,509
Total revenues	<u>2,892,080</u>	<u>1,157,130</u>	<u>4,049,210</u>
Expenditures			
Current			
Pupil support services	-	131	131
Sites and buildings	-	-	-
Food service	2,661,047	-	2,661,047
Community education and services	-	1,121,716	1,121,716
Capital outlay			
Sites and buildings	-	-	-
Food service	100,404	-	100,404
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>2,761,451</u>	<u>1,121,847</u>	<u>3,883,298</u>
Excess of revenues over (under) expenditures	130,629	35,283	165,912
Other Financing Uses			
Transfers out	-	-	-
Net change in fund balances	130,629	35,283	165,912
Fund Balances			
Beginning of year	1,132,064	795,521	1,927,585
Change within financial reporting entity	-	-	-
Beginning of year, restated	<u>1,132,064</u>	<u>795,521</u>	<u>1,927,585</u>
End of year	<u>\$ 1,262,693</u>	<u>\$ 830,804</u>	<u>\$ 2,093,497</u>

Capital Project Fund	Debt Service Fund	
Building Construction	Postemployment Benefits Debt Service Fund	Total Nonmajor Funds
\$ -	\$ 4,465,215	\$ 4,822,298
384,297	122,991	819,324
-	192,967	1,822,634
-	-	1,463,915
-	-	286,509
384,297	4,781,173	9,214,680
-	-	131
4,268	-	4,268
-	-	2,661,047
-	-	1,121,716
3,500,998	-	3,500,998
-	-	100,404
-	4,585,000	4,585,000
-	128,381	128,381
3,505,266	4,713,381	12,101,945
(3,120,969)	67,792	(2,887,265)
-	(1,474,022)	(1,474,022)
(3,120,969)	(1,406,230)	(4,361,287)
-	-	1,927,585
4,004,934	1,406,230	5,411,164
4,004,934	1,406,230	7,338,749
\$ 883,965	\$ -	\$ 2,977,462

Independent School District No. 318
Combining Schedule of Net Position - Internal Service Funds
June 30, 2025

	Postemployment Benefits Revocable Trust	Health Insurance Fund	Total Internal Service Funds
Assets			
Cash and cash equivalents	\$ -	\$ 969,760	\$ 969,760
Investments	3,642,786	4,432,968	8,075,754
Total assets	<u>3,642,786</u>	<u>5,402,728</u>	<u>9,045,514</u>
Liabilities			
Accounts and claims payable	\$ -	\$ 823,622	\$ 823,622
Due to other funds	474,047	-	474,047
Total liabilities	<u>474,047</u>	<u>823,622</u>	<u>1,297,669</u>
Net Position			
Unrestricted	<u>3,168,739</u>	<u>4,579,106</u>	<u>7,747,845</u>
Total liabilities and net position	<u>\$ 3,642,786</u>	<u>\$ 5,402,728</u>	<u>\$ 9,045,514</u>

Independent School District No. 318
Combining Schedule of Revenues, Expenses, and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2025

	Postemployment Benefits Revocable Trust	Health Insurance Fund	Total Internal Service Funds
Operating Revenue			
Contributions from the District and employees	\$ -	\$ 15,489,739	\$ 15,489,739
Contributions from employees and retirees	482,811	-	482,811
Total operating revenues	<u>482,811</u>	<u>15,489,739</u>	<u>15,972,550</u>
Operating Expenses			
Healthcare benefits and claims	3,404,039	13,072,401	16,476,440
Administrative costs	15,158	1,056,580	1,071,738
Total operating expenses	<u>3,419,197</u>	<u>14,128,981</u>	<u>17,548,178</u>
Operating income (loss)	(2,936,386)	1,360,758	(1,575,628)
Nonoperating Revenue			
Investment income, net of fees	<u>658,186</u>	<u>255,936</u>	<u>914,122</u>
Change in net position	(2,278,200)	1,616,694	(661,506)
Net Position			
Beginning of year	<u>5,446,939</u>	<u>2,962,412</u>	<u>8,409,351</u>
End of year	<u>\$ 3,168,739</u>	<u>\$ 4,579,106</u>	<u>\$ 7,747,845</u>

Independent School District No. 318
Combining Schedule of Cash Flows - Internal Service Funds
Year Ended June 30, 2025

	Postemployment Benefits Revocable Trust	Health Insurance Fund	Total Internal Service Funds
Cash Flows - Operating Activities			
Contributions from the District and employees	\$ -	\$ 15,954,628	\$ 15,954,628
Receipts from retirees and employees	482,811	-	482,811
Payments for healthcare premiums	(3,408,954)	(13,653,314)	(17,062,268)
Payments for administrative costs	(15,158)	(1,056,580)	(1,071,738)
Net cash flows - operating activities	<u>(2,941,301)</u>	<u>1,244,734</u>	<u>(1,696,567)</u>
Cash Flows - Noncapital Financing Activities			
Amounts repaid to other funds	(4,277,438)	(296,359)	(4,573,797)
Amounts borrowed from other funds	474,047	-	474,047
Net cash flows - noncapital financing activities	<u>(3,803,391)</u>	<u>(296,359)</u>	<u>(4,099,750)</u>
Cash Flows - Investing Activities			
Proceeds from sales and maturities of investments	6,086,506	-	6,086,506
Purchase of investments	-	(234,551)	(234,551)
Interest received	658,186	255,936	914,122
Net cash flows - investing activities	<u>6,744,692</u>	<u>21,385</u>	<u>6,766,077</u>
Net change in cash and cash equivalents	-	969,760	969,760
Cash and Cash Equivalents			
Beginning of year	-	-	-
End of year	<u>\$ -</u>	<u>\$ 969,760</u>	<u>\$ 969,760</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	\$ (2,936,386)	\$ 1,360,758	\$ (1,575,628)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Change in accounts and claims payable	(4,915)	(580,913)	(585,828)
Change in accounts receivable	-	464,889	464,889
Total adjustments	<u>(4,915)</u>	<u>(116,024)</u>	<u>(120,939)</u>
Net cash flows - operating activities	<u>\$ (2,941,301)</u>	<u>\$ 1,244,734</u>	<u>\$ (1,696,567)</u>

Independent School District No. 318
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2025

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 66,390,472	\$ 66,390,473	\$ (1)	Total revenue	\$ 384,297	\$ 384,297	\$ -
Total expenditures	64,634,137	64,634,135	2	Total expenditures	3,505,266	3,505,265	1
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	423,062	423,062	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	186,301	186,301	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	-	-	-	4.13 Building Projects Funded by COP/LP	-	-	-
4.03 Staff Development	-	-	-	4.67 LTFM	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.09 Alternative Facility Program	-	-	-	4.64 Restricted fund balance	883,965	883,966	(1)
4.12 Literacy Incentive Aid	340,899	340,899	-	<i>Unassigned:</i>			
4.13 Building Projects Funded by COP/LP	-	-	-	4.63 Unassigned fund balance	-	-	-
4.14 Operating Debt	-	-	-				
4.16 Levy Reduction	-	-	-	07 DEBT SERVICE FUND			
4.17 Taconite Building Maintenance	-	-	-	Total revenue	\$ 4,592,290	\$ 4,592,290	\$ -
4.20 American Indian Education Aid	25,087	25,087	-	Total expenditures	4,148,991	4,148,992	(1)
4.24 Operating Capital	283,431	283,431	-	<i>Nonspendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Restricted/reserved:</i>			
4.28 Learning and Development	-	-	-	4.25 Bond refunding	-	-	-
4.34 Area Learning Center	1,142,325	1,142,325	-	4.33 Maximum effort loan aid	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.51 QZAB payments	-	-	-
4.36 State Approved Alternative Learning Program	-	-	-	4.67 LTFM	1,314,467	1,314,467	-
4.37 Quality Compensation - Alternative Teacher Professional Pay System	-	-	-	<i>Restricted:</i>			
4.38 Gifted and Talented	42,272	42,272	-	4.64 Restricted fund balance	1,980,506	1,980,505	1
4.39 English Learner	450	450	-	<i>Unassigned:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.63 Unassigned fund balance	-	-	-
4.41 Basic Skills Programs	3,458,217	3,458,216	1				
4.43 School Library Aid	89,450	89,450	-	08 TRUST FUND			
4.48 Achievement and Integration	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.49 Safe Schools Revenue	-	-	-	Total expenditures	-	-	-
4.51 QZAB Payments	-	-	-	<i>Unassigned:</i>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.01 Student Activities	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-	4.02 Scholarships	-	-	-
4.56 Literacy Aid	131,522	131,522	-	4.22 Net Assets	-	-	-
4.57 Teacher Compensation for Read Act Training	22,854	22,854	-				
4.59 Basic Skills Extended Time	-	-	-	18 CUSTODIAL FUND			
4.67 Long-Term Facilities Maintenance	132,742	132,742	-	Total revenue	\$ 49,016	49,016	-
4.71 Student Support Personnel Aid	14,459	14,459	-	Total expenditures	36,400	36,400	-
4.72 Medical Assistance	1,320,377	1,320,376	1	<i>Unassigned:</i>			
<i>Restricted:</i>				4.01 Student Activities	1,641	1,641	-
4.64 Restricted fund balance	-	-	-	4.02 Scholarships	44,384	44,385	(1)
4.75 Title VII - Impact Aid	-	-	-	4.22 Achievement & Integration	-	-	-
4.76 Payments in Lieu of Taxes	22,491	22,491	-	4.64 Restricted	-	-	-
<i>Committed:</i>							
4.18 Committed for separation	-	-	-	20 INTERNAL SERVICE FUND			
4.61 Committed fund balance	-	-	-	Total revenue	\$ 15,745,675	\$ 15,745,675	\$ -
<i>Assigned:</i>				Total expenditures	14,128,981	14,128,982	(1)
4.62 Assigned fund balance	1,720,410	1,720,410	-	<i>Unassigned:</i>			
<i>Unassigned:</i>				4.22 Net position	4,579,106	4,579,106	-
4.22 Unassigned fund balance	5,934,424	5,934,427	(3)				
				25 OPEB REVOCABLE TRUST			
02 FOOD SERVICE FUND				Total revenue	\$ 1,140,997	\$ 1,140,997	\$ -
Total revenue	\$ 2,892,080	\$ 2,892,080	\$ -	Total expenditures	3,419,197	3,419,198	(1)
Total expenditures	2,761,451	2,761,451	-	<i>Unassigned:</i>			
<i>Nonspendable:</i>				4.22 Net position	3,168,739	3,168,738	1
4.60 Nonspendable fund balance	128,551	128,550	1				
<i>Restricted/reserved:</i>				45 OPEB IRREVOCABLE TRUST			
4.52 OPEB liabilities not held in trust	-	-	-	Total revenue	\$ -	\$ -	\$ -
<i>Restricted:</i>				Total expenditures	-	-	-
4.64 Restricted fund balance	1,134,142	1,134,142	-	<i>Unassigned:</i>			
<i>Unassigned:</i>				4.22 Net position	-	-	-
4.63 Unassigned fund balance	-	-	-				
				47 OPEB DEBT SERVICE			
04 COMMUNITY SERVICE FUND				Total revenue	\$ 4,781,173	\$ 4,781,173	\$ -
Total revenue	\$ 1,157,130	\$ 1,157,129	\$ 1	Total expenditures	4,713,381	4,713,380	1
Total expenditures	1,121,847	1,121,846	1	<i>Nonspendable:</i>			
<i>Nonspendable:</i>				4.60 Nonspendable fund balance	-	-	-
4.60 Nonspendable fund balance	-	-	-	<i>Restricted:</i>			
<i>Restricted/reserved:</i>				4.64 Restricted fund balance	-	-	-
4.26 \$25 Taconite	-	-	-	<i>Unassigned:</i>			
4.31 Community Education	692,033	692,033	-	4.63 Unassigned fund balance	-	-	-
4.32 ECFE	-	-	-				
4.40 Teacher Development and Evaluation	-	-	-				
4.44 School Readiness	9,734	9,734	-				
4.47 Adult Basic Education	-	-	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	129,037	129,036	1				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

Independent School District No. 318
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast Program	10.553	\$ 265,400
Commodities Program (noncash)	10.555	176,749
Commodities Program	10.555	819
National School Lunch Program	10.555	925,665
Summer Food Service Program for Children	10.559	65,393
Total Child Nutrition Cluster		<u>1,434,026</u>
Child and Adult Care Food Program	10.558	19,512
State Administrative Expenses for Child Nutrition	10.560	10,377
Through Itasca County		
Schools and Roads - Grants to States	10.665	132,778
Total U.S. Department of Agriculture		<u>1,596,693</u>
U.S. Department of Education		
Direct from Federal Government		
Indian Education Grants to Local Education Agencies	84.060	119,809
Through Minnesota Department of Education		
Title I Program		
Title I Grants to Local Education Agencies	84.010	716,465
Title I, Part D	84.010A	45,208
Total Title I program		<u>761,673</u>
Special Education Cluster		
Special Education - Grants to States	84.027	926,325
Special Education - Preschool Grants	84.173	29,705
Total Special Education Cluster		<u>956,030</u>
Special Education - Grants for Infants and Toddlers	84.181	27,148
Supporting Effective Instruction State Grants	84.367	165,317
Student Support and Achievement Enrichment Grants	84.424	63,790
Education Stabilization Fund		
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	342,204
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	2,244
Total Education Stabilization Fund		<u>344,448</u>
Through True North Stars Consortium		
Career and Technical Education - Basic Grants to States	84.048	24,062
Total U.S. Department of Education		<u>2,462,277</u>
U.S. Department of Health and Human Services		
Direct from Federal Government		
Drug-Free Communities Support Program Grants	93.276	113,612
Total Federal Expenditures		<u>\$ 4,172,582</u>

Independent School District No. 318
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District 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 the District, it is not intended to and does not present the financial position, changes of net assets, or cash flows of the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified 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 3 - PASS-THROUGH GRANT NUMBERS

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

NOTE 4 - INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 5 - INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

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

Independent Auditor's Report

To the School Board
Independent School District No. 318
Grand Rapids, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 318, Grand Rapids, Minnesota, as of and for the year ending 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 September 30, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance as audit finding 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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 basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to the Finding

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

Purpose of this Report

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

BerganKDV, Ltd.

St. Cloud, Minnesota
September 30, 2025



**Report on Compliance for each Major Federal Program
and Report on Internal Control over Compliance in Accordance with
the Uniform Guidance**

Independent Auditor's Report

To the School Board
Independent School District No. 318
Grand Rapids, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Independent School District No. 318, Grand Rapids, Minnesota with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (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 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
December 8, 2025

**Independent School District No. 318
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
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Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes, Audit Finding 2025-001

Noncompliance material to financial statements noted?	No
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Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
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Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No
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Identification of Major Programs

Assistance Listing No.:	84.027 and 84.173
Name of Federal Program or Cluster:	Special Education Cluster

Dollar threshold used to extinguish between type A and type B programs:	\$750,000
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Auditee qualified as low risk auditee?	Yes
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**Independent School District No. 318
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II - FINANCIAL STATEMENT FINDINGS

Audit Finding 2025-001

Criteria:

Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements requires adequate segregation of accounting duties.

Condition:

During the year ended June 30, 2025, the District had a lack of segregation of accounting duties due to a limited number of office employees. This condition increases the risk that errors could occur which would not be prevented or detected and corrected in a timely manner.

The Business Manager has full access to the general ledger as well as reconciles state aids and property tax revenues.

Context:

This finding impacts the internal control for all significant accounting functions.

Cause:

The Business Manager has full access to the general ledger to complete job duties.

Effect or Potential Effect:

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

Recommendations:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

**Independent School District No. 318
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2025-001 (Continued)

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
The District does not disagree with the audit finding.
2. Actions Planned in Response to Finding
The District officials are aware of the access that the Business Manager possesses. Mitigating procedures are in place to when journal entries are made by the business manager. This position is unable to run accounts payable or payroll checks. This individual is unable to make withdrawals from bank accounts and does not make any deposits of cash or check.
3. Official Responsible for Ensuring CAP
The Business Manager, Kara Lundin and Superintendent, Matt Grose.
4. Planned Completion Date for CAP
The plan is complete. The business manager is unable to withdrawal cash and investments or issue checks, accounts, or payroll checks.
5. Plan to Monitor Completion of CAP
The Business Manager will monitor compliance with the corrective action plan and report to the Superintendent, Matt Grose, and the School Board. In addition, monthly reporting is done so any anomalies can be noted timely by the Board and the Finance Committee.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV - PRIOR YEAR FEDERAL AWARD FINDING

None



Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 318
Grand Rapids, 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. 318, Grand Rapids, Minnesota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2025.

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

The purpose of this report is 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
September 30, 2025