Independent School District No. 861
Winona Area Public Schools

Basic Financial Statements

June 30, 2025

Independent School District No. 861
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Independent School District No. 861
Board of Education and Administration
June 30, 2025

Board of Education	Position	Term Expires
Nancy Denzer	Chairperson	2026
Karl Sonneman	Vice Chairperson	2026
Micheal Hanratty	Clerk	2026
Jack Hedin	Treasurer	2028
Martin Stickney	Director	2028
Monica Siegfried	Director	2028
Pete Watkins	Director	2026

Administration	
Brad Berzinski	Superintendent
Sarah Slaby	Director of Finance

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Independent Auditor's Report

To the School Board
Independent School District No. 861
Winona Area Public Schools

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. 861, Winona Area Public Schools 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. 861, Winona Area Public Schools, as of June 30, 2025, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, Food Service Special Revenue Fund and Community Service Special Revenue 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. 861, Winona Area Public Schools 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. 861 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 13, 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.



St. Cloud, Minnesota
November 13, 2025

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Independent School District No. 861
Management's Discussion and Analysis

This section of Independent School District No. 861's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the 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 that is required by the 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).

Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2024-2025 years include the following:

- Net position increased by $3,347,825.
- Implementation of a GASB Statement related to the accrual for future absences or the related payout in the event an employee terminates employment resulted in a decrease to the prior year net position in the amount of $1,015,559.
- Overall revenues for the district were $54,428,754, while overall expenses totaled $50,065,370.
- The fund balance in the General Fund increased by $921,804 (reserved and unreserved).
- General Fund unassigned fund balance increased $1,176,627.
- The district's current bond amount outstanding is $23,480,000.

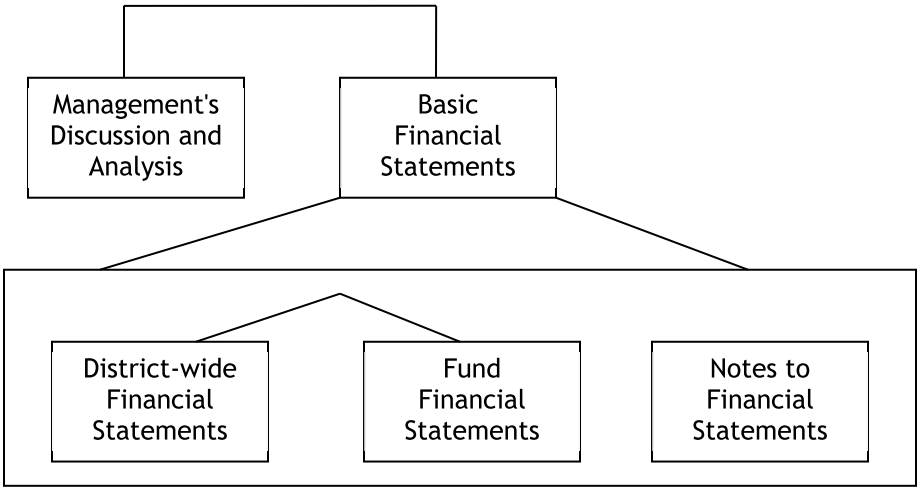
OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, Required Supplementary Information, which includes the MD&A, basic financial statements and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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 are arranged and related to one another:



Summary < ---------- > Detail

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 on the following page. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

	District-Wide Statements	Governmental Funds
Scope	Entire District	The activity of the District that is not proprietary or fiduciary, such as special education and building maintenance.
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial 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 included.
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.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

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

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

In the 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 services, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has one kind of fund:

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

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

Net Position

The District's combined net position was $2,059,701 on June 30, 2025, (see details in Table A-1). This was an increase of $3,347,825 from a negative balance of $1,288,124 at June 30, 2024. This increase was due to an increase in the investment in capital assets as well as a decrease in liabilities reported on the district-wide financial statements.

Table A-1

	Governmental Activities	
	2025	2024
Assets		
Total current assets	$ 27,191,030	$ 36,740,024
Total capital assets	48,876,173	41,803,041
Total assets	76,067,203	78,543,065
Deferred Outflows of Resources	5,657,875	6,803,675
Total assets and deferred outflows of resources	$ 81,725,078	$ 85,346,740
Liablities		
Current liabilities	$ 9,766,067	$ 12,206,573
Long-term liabilities	46,908,704	57,383,713
Total liabilities	56,674,771	69,590,286
Deferred Inflows of Resources	22,990,606	17,044,578
Net Position		
Net investment in capital assets	26,367,122	23,533,079
Restricted amounts	5,142,922	6,956,732
Unrestricted amounts	(29,450,343)	(31,777,935)
Total net position	2,059,701	(1,288,124)
Total liabilities, deferred inflows of resources and net position	$ 81,725,078	$ 85,346,740

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

Change in Net Position

The increase in net position occurred as a result overall revenues exceeding expenditures. A summary of the revenue and expenses is presented in Table A-2 below.

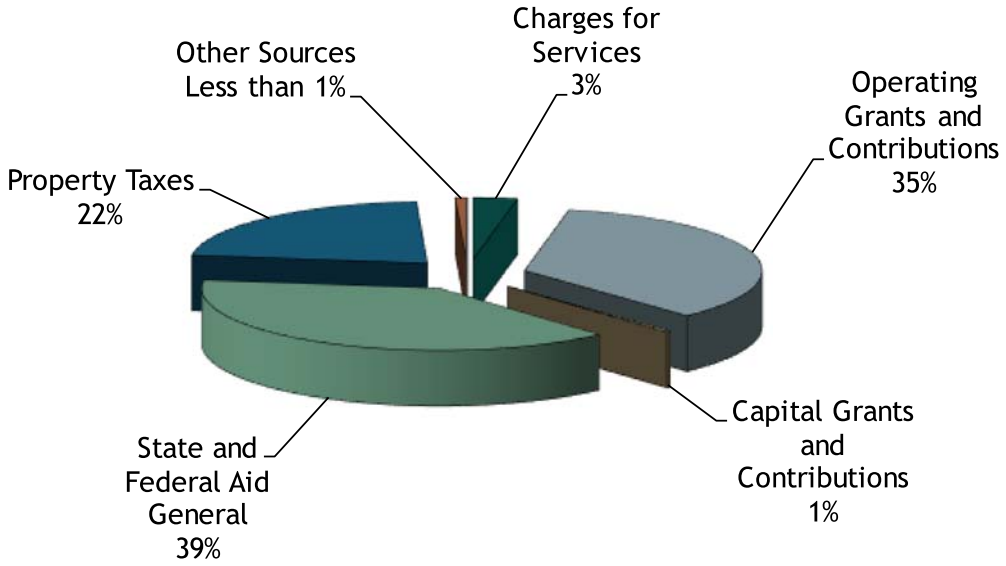
Table A-2

	Governmental Activities for the Year Ended June 30,	
	2025	2024
Revenues		
Program revenues		
Charges for services	$ 1,635,008	$ 1,641,260
Operating grants and contributions	19,075,742	16,212,218
Capital grants and contributions	154,291	221,734
General revenues		
Property taxes	12,045,820	11,215,789
State and federal aid-formula grants	21,119,377	22,093,102
Other sources	398,476	976,076
Total revenues	54,428,714	52,360,179
Expenses		
Administration	1,796,154	1,623,063
District Support Services	1,861,023	1,942,537
Elementary and Secondary Regular Education	16,597,025	15,343,725
Vocational Education Instruction	431,534	277,972
Special Education Instruction	10,592,443	10,267,912
Instructional Support Services	3,026,959	2,832,706
Pupil Support Services	5,930,308	6,253,989
Sites and Buildings	4,031,928	4,350,047
Fiscal and Other Fixed Cost Programs	299,408	289,536
Food Service	2,110,880	2,079,285
Community Service	2,566,372	2,207,660
Interest and Fiscal Charges on Long-Term Debt	821,296	751,171
Total expenses	50,065,330	48,219,603
Change in net position	4,363,384	4,140,576
Beginning of year net position	(1,288,124)	(6,370,411)
Change in accounting principle	(1,015,559)	941,711
Beginning of year net position, as restated	(2,303,683)	(5,428,700)
Ending of year net position	$ 2,059,701	$ (1,288,124)

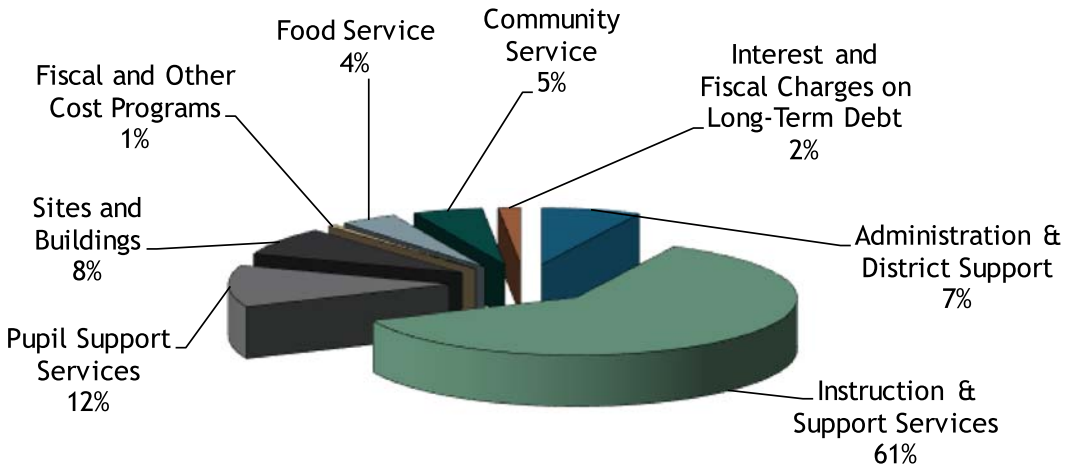
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS) (CONTINUED)

The District's total revenue consisted of program revenues of $20,865,041, property taxes of $12,045,840, aid payments from the state and federal governments of $21,119,377 and $398,476 from miscellaneous other sources. Expenses totaling $50,065,330 consisted mainly of education costs for regular, vocational and special needs programming totaling $27,621,002 between these three categories. Other areas of cost included: support services (District, administrative and pupil) $12,614,444, site, buildings and equipment $4,031,928, fiscal and other fixed cost program $299,408, food service $2,110,880, community education and services $2,566,372, interest and fiscal charges on long-term debt $821,296.

Revenues - Figure A-1



Expenditures - Figure A-2



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

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, the governmental funds reported a combined fund balance of $8,663,114. This is down $7,486,916 from the District's June 30, 2024, combined fund balance total of $16,150,030. The reason for the decrease is spend down of approximately $8,443,407 of the construction fund balance as the geothermal projects related to indoor air quality projects at Jefferson and Washington-Kosciusko Elementary Schools continued during fiscal year 2025.

Revenue and Expenditures

Revenues of the District's governmental funds totaled $53,813,939 while total expenditures were $61,302,755. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in Table A-3 below.

Table A-3
Revenues and Expenditures - Governmental Funds

	2024 Beginning Fund Balance	2024 Revenue	2024 Expenditures	2024 Other	2024 Net Change in Fund Balance	2024 Ending Fund Balance
General	$ 6,125,497	$ 43,278,741	$ 44,772,361	$ 1,500	$ (1,492,120)	$ 4,633,377
Food Service	658,452	2,202,968	2,031,580	500	171,888	830,340
Community Service	748,242	2,502,707	2,292,438	-	210,269	958,511
Capital Projects	13,241,058	538,223	14,358,559	9,519,333	(4,301,003)	8,940,055
OPEB Debt Service	101,499	693,074	655,423	-	37,651	139,150
Debt Service	558,373	3,039,847	2,989,373	39,750	90,224	648,597
Totals	$ 21,433,121	$ 52,255,560	$ 67,099,734	$ 9,561,083	$ (5,283,091)	$ 16,150,030

	2025 Beginning Fund Balance	2025 Revenue	2025 Expenditures	2025 Other	2025 Net Change in Fund Balance	2025 Ending Fund Balance
General	$ 4,633,377	$ 44,948,825	$ 44,028,921	$ 1,900	$ 921,804	$ 5,555,181
Food Service	830,340	2,150,091	2,159,939	-	(9,848)	820,492
Community Service	958,511	2,630,810	2,587,143	-	43,667	1,002,178
Capital Projects	8,940,055	166,866	8,610,273	-	(8,443,407)	496,648
OPEB Debt Service	139,150	663,532	658,925	-	4,607	143,757
Debt Service	648,597	3,253,815	3,257,554	-	(3,739)	644,858
Totals	$ 16,150,030	$ 53,813,939	$ 61,302,755	$ 1,900	$ (7,486,916)	$ 8,663,114

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

General Fund Budgetary Highlights

During the year ended June 30, 2025, the District revised its operating budget one time in February. The revision is necessary because when the initial budget is prepared and adopted (a budget must be in place prior to the beginning of the year on July 1), details of student enrollment, staffing levels and other significant information items are estimates. When these items become known, the budget is then revised. A similar revision is made each year for the same reasons.

The District's final General Fund budget anticipated revenues would exceed expenditures by $136,650 for reserved and unassigned portions of the budget. The actual result was revenues exceeding expenditures by $921,804. Revenues results were $510,522 better than anticipated or 1.15% over budget. Expenditures results were $243,132 less than budgeted or 0.5% under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets consist of items of value over $4,000 when purchased. The assets are then depreciated over the life of the asset using the lifespan recommended by the GASB. Prior to fiscal year 2024, an individual item needed to exceed the cost threshold to be included as a capital asset. Beginning in 2024, the implementation of a Governmental Accounting Standard Board (GASB) Statement required the capitalization of group purchases as well. Detailed information regarding the District's capital assets can be found in Note 3 of the financial statements.

Long-Term Debt

At year-end, the District had a total of $26,682,287 of long-term debt. This consisted of bonded indebtedness of $25,022,023, capital leases payable of $13,835 and separation and severance of $1,646,429.

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The political environment at the state level could have a significant effect on future finances. The State Legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive. In addition, the political environment at the federal level could have a significant impact on the availability of future federal awards.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide the District's citizens, taxpayers, customers, 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 any questions about this report or would like additional information, contact Sarah Slaby, Director of Finance, at the District Office 903 Gilmore Avenue, Winona, Minnesota 55987.

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BASIC FINANCIAL STATEMENTS

Independent School District No. 861
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and investments	$ 15,190,606
Current property taxes receivable	5,940,911
Delinquent property taxes receivable	111,684
Accounts receivable	152,037
Due from Department of Education	4,185,151
Due from other Minnesota school districts	44,336
Due from Federal Government through Department of Education	1,018,206
Due from other governmental units	15,606
Lease receivable	31,550
Inventory	36,166
Prepaid items	464,777
Capital assets not depreciated	
Land	1,278,092
Construction in progress	25,788,142
Capital assets, net of accumulated depreciation	
Land improvements	2,454,647
Buildings	16,581,145
Furniture and equipment	2,774,147
Total assets	76,067,203
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	5,322,113
Deferred outflows of resources related to other postemployment benefits (OPEB)	134,946
Deferred outflow of recources related to loss on refunding	200,816
Total deferred outflows of resources	5,657,875
Total assets and deferred outflows of resources	$ 81,725,078
Liabilities	
Accounts payable	$ 1,268,094
Salaries and benefits payable	3,692,899
Interest payable	375,165
Due to other minnesota school districts	463,093
Due to other governmental units	378,425
Unearned revenue	171,237
Bond principal payable (net of premium)	
Payable within one year	3,185,000
Payable after one year	21,837,023
Financed purchases payable	
Payable within one year	13,835
Compensated absences payable	
Payable within one year	218,319
Payable after one year	1,428,110
Net pension liability	20,842,604
Net OPEB liability	2,800,967
Total liabilities	56,674,771
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	12,410,934
Deferred inflows of resources related to leases	31,550
Deferred inflows of resources related to pensions	8,368,453
Deferred inflows of resources realted to OPEB	2,179,669
Total deferred inflows of resources	22,990,606
Net Position	
Net investment in capital assets	26,367,122
Restricted for	
Debt service	446,609
Capital projects	496,648
Other purposes	4,199,665
Unrestricted	(29,450,343)
Total net position	2,059,701
.	
Total liabilities, deferred inflows of resources, and net position	$ 81,725,078

See notes to basic financial statements.

Independent School District No. 861
Statement of Activities
Year ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 1,796,154	$ 2,022	$ 1,179	$ -	$ (1,792,953)
District support services	1,861,023	57,171	14,673	-	(1,789,179)
Elementary and secondary regular instruction	16,597,025	418,627	2,514,057	23,234	(13,641,107)
Vocational education instruction	431,534	-	4,258	-	(427,276)
Special education instruction	10,592,443	323,678	10,408,275	-	139,510
Instructional support services	3,026,959	540	992,649	-	(2,033,770)
Pupil support services	5,930,308	13,320	1,692,126	-	(4,224,862)
Sites and buildings	4,031,928	-	270	131,057	(3,900,601)
Fiscal and other fixed cost programs	299,408	-	-	-	(299,408)
Food service	2,110,880	89,564	2,032,400	-	11,084
Community education and services	2,566,372	730,086	1,415,855	-	(420,431)
Interest and fiscal charges on long-term debt	821,296	-	-	-	(821,296)
Total governmental activities	$ 50,065,330	$ 1,635,008	$ 19,075,742	$ 154,291	(29,200,289)
General revenues					
Taxes					
Property taxes, levied for general purposes					7,946,588
Property taxes, levied for community education					457,450
Property taxes, levied for debt service					3,641,782
State and federal aid-formula grants					21,119,377
Other general revenues					115,364
Investment income					283,112
Total general revenues					33,563,673
Change in net position					4,363,384
Net position - beginning					(1,288,124)
Change in accounting principle (Note 12)					(1,015,559)
Net position - beginning, as restated					(2,303,683)
Net position - ending					$ 2,059,701

See notes to basic financial statements.

Independent School District No. 861
Balance Sheet - Governmental Funds
June 30, 2025

	General	Food Service	Community Service	Capital Projects
Assets				
Cash and investments	$ 8,371,419	$ 883,535	$ 1,393,337	$ 1,687,914
Current property taxes receivable	3,671,786	-	236,437	-
Delinquent property taxes receivable	73,876	-	4,649	-
Accounts receivable	151,910	9	118	-
Due from Department of Education	4,088,405	29,158	42,204	-
Due from Federal Government through Department of Education	1,006,885	9,769	1,552	-
Due from other Minnesota school districts	9,450	-	34,886	-
Due from other governmental units	14,606	-	1,000	-
Lease receivable	31,550	-	-	-
Inventory	30,540	5,626	-	-
Prepaid items	460,405	70	4,302	-
Total assets	$ 17,910,832	$ 928,167	$ 1,718,485	$ 1,687,914
Liabilities				
Accounts payable	$ 293,428	$ 18,601	$ 10,891	$ 945,174
Salaries and benefits payable	3,455,924	57,138	179,837	-
Due to other Minnesota school districts	463,093	-	-	-
Due to other governmental units	130,596	-	1,737	246,092
Unearned revenue	130,137	31,936	9,164	-
Total liabilities	4,473,178	107,675	201,629	1,191,266
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	73,876	-	4,649	-
Deferred inflow of resources related to lease receivable	31,550	-	-	-
Property taxes levied for subsequent year's expenditures	7,777,047	-	510,029	-
Total deferred inflows of resources	7,882,473	-	514,678	-
Fund Balances				
Nonspendable	490,945	5,696	4,302	-
Restricted	2,372,346	814,796	997,876	496,648
Unassigned	2,691,890	-	-	-
Total fund balances	5,555,181	820,492	1,002,178	496,648
Total liabilities, deferred inflows of resources, and fund balances	$ 17,910,832	$ 928,167	$ 1,718,485	$ 1,687,914

See notes to basic financial statements.

OPEB Debt Service	Debt Service	Total Governmental Funds
$ 493,872	$ 2,360,529	$ 15,190,606
303,365	1,729,323	5,940,911
6,527	26,632	111,684
-	-	152,037
920	24,464	4,185,151
-	-	1,018,206
-	-	44,336
-	-	15,606
-	-	31,550
-	-	36,166
-	-	464,777
$ 804,684	$ 4,140,948	$ 27,191,030
$ -	$ -	$ 1,268,094
-	-	3,692,899
-	-	463,093
-	-	378,425
-	-	171,237
-	-	5,973,748
6,527	26,632	111,684
-	-	31,550
654,400	3,469,458	12,410,934
660,927	3,496,090	12,554,168
-	-	500,943
143,757	644,858	5,470,281
-	-	2,691,890
143,757	644,858	8,663,114
$ 804,684	$ 4,140,948	$ 27,191,030

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Independent School District No. 861
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2025

Total fund balances - governmental funds	$ 8,663,114
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	93,277,771
Less accumulated depreciation	(44,401,598)
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	(23,480,000)
Financed purchase payable	(13,835)
Premium on bonds payable	(1,542,023)
Compensated absences	(1,646,429)
Net OPEB liability	(2,800,967)
Net pension liability	(20,842,604)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds:	
Deferred outflows of resources related to pensions	5,322,113
Deferred inflows of resources related to pensions	(8,368,453)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to OPEB that are not recognized in the governmental funds:	
Deferred outflows of resources related to OPEB	134,946
Deferred inflows of resources related to OPEB	(2,179,669)
When a bond refunding occurs, the difference between the amount paid to the refunded bond escrow and the principal of the refunded debt is expensed in the governmental funds. These expenditures are capitalized on the statement of net position as deferred charges.	200,816
Delinquent property tax receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	111,684
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.	(375,165)
Total net position - governmental activities	$ 2,059,701

Independent School District No. 861
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2025

	General	Food Service	Community Service	Capital Projects
Revenues				
Local property taxes	$ 7,930,820	$ -	$ 456,705	$ -
Other local and county revenues	1,792,064	25,167	1,094,135	166,866
Revenue from state sources	33,229,211	620,664	1,055,677	-
Revenue from federal sources	1,973,679	1,414,696	24,293	-
Sales and other conversion of assets	23,051	89,564	-	-
Total revenues	44,948,825	2,150,091	2,630,810	166,866
Expenditures				
Current				
Administration	1,805,294	-	-	-
District support services	1,880,200	-	-	-
Elementary and secondary regular instruction	15,512,498	-	-	-
Vocational education instruction	435,389	-	-	-
Special education instruction	10,808,279	-	-	-
Instructional support services	3,183,328	-	-	-
Pupil support services	5,846,946	-	-	-
Sites and buildings	4,003,609	-	-	73,135
Fiscal and other fixed cost programs	299,408	-	-	-
Food service	-	2,094,319	-	-
Community education and services	-	-	2,585,917	-
Capital outlay				
Elementary and secondary regular instruction	143,964	-	-	-
Special education instruction	14,879	-	-	-
Instructional support services	1,687	-	-	-
Pupil support services	1,810	-	-	-
Sites and buildings	4,633	-	-	8,537,138
Food service	-	65,620	-	-
Community education and services	-	-	1,226	-
Debt service				
Principal	81,266	-	-	-
Interest and fiscal charges	5,731	-	-	-
Total expenditures	44,028,921	2,159,939	2,587,143	8,610,273
Excess of revenues over (under) expenditures	919,904	(9,848)	43,667	(8,443,407)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	1,900	-	-	-
Net change in fund balances	921,804	(9,848)	43,667	(8,443,407)
Fund Balances				
Beginning of year	4,633,377	830,340	958,511	8,940,055
End of Year	$ 5,555,181	$ 820,492	$ 1,002,178	$ 496,648

See notes to basic financial statements.

OPEB Debt Service	Debt Service	Total Governmental Funds
$ 648,877	$ 2,982,340	$ 12,018,742
5,458	26,844	3,110,534
9,197	244,631	35,159,380
-	-	3,412,668
-	-	112,615
663,532	3,253,815	53,813,939
-	-	1,805,294
-	-	1,880,200
-	-	15,512,498
-	-	435,389
-	-	10,808,279
-	-	3,183,328
-	-	5,846,946
-	-	4,076,744
-	-	299,408
-	-	2,094,319
-	-	2,585,917
-	-	143,964
-	-	14,879
-	-	1,687
-	-	1,810
-	-	8,541,771
-	-	65,620
-	-	1,226
570,000	2,425,000	3,076,266
88,925	832,554	927,210
658,925	3,257,554	61,302,755
4,607	(3,739)	(7,488,816)
-	-	1,900
4,607	(3,739)	(7,486,916)
139,150	648,597	16,150,030
$ 143,757	$ 644,858	$ 8,663,114

Independent School District No. 861
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Activities - Governmental Funds
Year Ended June 30, 2025

Net change in fund balances - total governmental funds	$ (7,486,916)
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 the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	9,045,169
Depreciation expense	(1,972,037)
Total OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(66,508)
Severance is recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(12,027)
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.	1,646,445
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net position in the Statement of Activities.	3,076,266
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.	7,686
Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are amortized in the Statement of Activities. Also, deferred amounts from refunding are amortized over the life of the bond in the Statement of Activities.	98,228
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.	27,078
Change in net position - governmental activities	$ 4,363,384

See notes to basic financial statements.

Independent School District No. 861
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 8,067,439	$ 8,082,439	$ 7,930,860	$ (151,579)
Other local and county revenues	1,692,691	1,536,980	1,792,064	255,084
Revenue from state sources	31,759,077	32,578,341	33,229,211	650,870
Revenue from federal sources	1,465,797	2,202,164	1,973,679	(228,485)
Sales and other conversion of assets	4,000	7,419	23,051	15,632
Total revenues	42,989,004	44,407,343	44,948,865	541,522
Expenditures				
Current				
Administration	1,703,865	1,798,146	1,805,334	7,188
District support services	1,825,180	1,757,118	1,880,200	123,082
Elementary and secondary regular instruction	15,214,569	15,442,149	15,512,498	70,349
Vocational education instruction	312,499	338,480	435,389	96,909
Special education instruction	10,576,367	10,985,408	10,808,279	(177,129)
Instructional support services	2,612,778	3,591,953	3,183,328	(408,625)
Pupil support services	5,480,770	5,680,508	5,846,946	166,438
Sites and buildings	4,154,696	4,129,497	4,003,609	(125,888)
Fiscal and other fixed cost programs	315,500	299,450	299,408	(42)
Capital outlay				
Elementary and secondary regular instruction	156,439	163,289	143,964	(19,325)
Special education instruction	1,300	8,844	14,879	6,035
Instructional support services	-	-	1,687	1,687
Pupil support services	1,598	1,598	1,810	212
Sites and buildings	5,074	7,724	4,633	(3,091)
Debt service				
Principal	64,060	64,060	81,266	17,206
Interest and fiscal charges	3,869	3,869	5,731	1,862
Total expenditures	42,428,564	44,272,093	44,028,961	(243,132)
Excess of revenues over (under) expenditures	560,440	135,250	919,904	784,654
Other financing sources				
Proceeds from sale of capital assets	-	1,400	1,900	500
Net change in fund balances	$ 560,440	$ 136,650	921,804	$ 785,154
Fund Balances				
Beginning of year			4,633,377	
End of year			$ 5,555,181	

See notes to basic financial statements.

Independent School District No. 861
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Food Service
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Other local and county revenues	$ 10,000	$ 35,070	$ 25,167	$ (9,903)
Revenue from state sources	572,564	572,564	620,664	48,100
Revenue from federal sources	1,215,604	1,240,680	1,414,696	174,016
Sales and other conversion of assets	93,200	85,125	89,564	4,439
Total revenues	1,891,368	1,933,439	2,150,091	216,652
Expenditures				
Current				
Food service	1,939,559	1,965,375	2,094,319	128,944
Capital outlay				
Food service	7,000	31,066	65,620	34,554
Total expenditures	1,946,559	1,996,441	2,159,939	163,498
Net change in fund balances	$ (55,191)	$ (63,002)	(9,848)	$ 53,154
Fund Balances				
Beginning of year			830,340	
End of year			$ 820,492	

See notes to basic financial statements.

Independent School District No. 861
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Community Service
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	$ 461,025	$ 461,025	$ 456,705	$ (4,320)
Other local and county revenues	941,137	938,233	1,094,135	155,902
Revenue from state sources	868,513	1,084,002	1,055,677	(28,325)
Revenue from federal sources	-	20,197	24,293	4,096
Total revenues	2,270,675	2,503,457	2,630,810	127,353
Expenditures				
Current				
Community education and services	2,235,749	2,468,624	2,585,917	117,293
Capital outlay				
Community service	4,425	4,425	1,226	(3,199)
Total expenditures	2,240,174	2,473,049	2,587,143	114,094
Net change in fund balances	$ 30,501	$ 30,408	43,667	$ 13,259
Fund Balances				
Beginning of year			958,511	
End of year			$ 1,002,178	

See notes to basic financial statements.

Independent School District No. 861
Statement of Fiduciary Net Position
June 30, 2025

	Irrevocable OPEB Trust	Winona CO Collaborative Custodial Fund
Assets		
Current		
Cash and investments	$ 1,868,299	$ -
Other Receivables	-	3,094
Total assets	1,868,299	3,094
Liabilities		
Current		
Salaries and benefits payable	76,566	-
Due to other governments	-	2,189
Accounts payable	-	905
Total liabilities	76,566	3,094
Net Position		
Held in trust for OPEB	$ 1,791,733	$ -

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

	Irrevocable OPEB Trust	Winona CO Collaborative Custodial Fund
Additions		
Other local revenues	$ 239,516	$ 136,861
Deductions		
Benefit payments	390,141	-
Special education	-	136,861
Total Deductions	390,141	136,861
Change in net position	(150,625)	-
Net Position		
Beginning of year	1,942,358	-
End of year	$ 1,791,733	$ -

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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 expense that can be specifically identified by function is included in the direct expenses of that function. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

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

C. Measurement Focus and Basis of Accounting

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

1. Revenue Recognition

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

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.

Description of Funds:

Major Funds:

General Fund – This fund is used to account for all financial resources except those accounted for in another fund. It includes the general operations and pupil transportation activities of the district, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures. Revenues in the Food Service Fund consist of user fees and state and federal reimbursements restricted for the Food Service program.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Major Funds: (Continued)

Community Service Special Revenue Fund – This fund is used to account for service provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenue in the Community Service Fund consist of local property taxes, use fees, and state tax credits and aids restricted for the Community Service programs.

Capital Projects – Building Construction Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

OPEB Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, OPEB obligation bond principal, interest, and related costs.

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.

Fiduciary Funds:

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

Custodial Fund – This fund is established to account for cash and other assets held by the District as the agent for others. This fund accounts for money held and and/or receivable from Minnesota Department of Education under agency agreements with the Winona County Collaborative.

D. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Building Construction Fund, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budgeted amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgeting (Continued)

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

E. Deposits and Investments

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.

1. District Funds Other than the OPEB Trust Fund

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

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

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

2. OPEB Trust Fund

These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2025, they were comprised of various pools with U.S. Bank.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

Minnesota Statutes authorize the OPEB Trust Fund 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, ankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments.

F. Property Tax Receivable

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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 the fiscal year 2025. The remaining portion of the levy will be recognized when measurable and available.

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. Prepaid Items

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

J. 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. Winona and Wabasha Counties are the collecting agencies for the levy and remit the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

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

K. Capital Assets

Capital assets are capitalized as historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of $4,000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for furniture and equipment.

Capital assets not being depreciated include land and construction in progress.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of building or other improvable property.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has three items that qualify for reporting in this category. A deferred charge on refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

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

M. Long-Term Obligations

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations (Continued)

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

N. Accrued Employee Benefits

Vacation Pay

Employees earn annual vacation at rates dependent upon each employee group labor contract. At June 30, 2025, unpaid vacation pay totaling $196,805 is recorded in the statement of net position.

Sick Pay

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

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 non-cash 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 non-cash means and certain other types of leave.

Severance and Other Postemployment Benefits

Accounting policies for severance and other postemployment benefits are described as follows:

1. **Severance Payment - Nonaffiliated Employees, Plant Operation, and Maintenance Employees**

   A severance payment is available to nongroup employees and plant operation and maintenance employees who have completed at least 15 consecutive years of full or part time service with the District and are at least age 55 or employees who qualify for early retirement under the rule of 90 as prescribed by PERA. An eligible individual will receive an amount equal to $5.00 an hour for each unused hour of sick leave, reduced by the 403b matching dollars paid by the District over the employee's employment.

2. **Severance Payment - Educational Office Professionals and Paraprofessionals**

   A severance payment is available to educational office professionals and paraprofessionals that have 15 years of service and who are at least 55 years of age, or employees who qualify for early retirement under the rule of 90 as prescribed by PERA. Qualified employees receive a severance payment equal to $4.50 an hour for each hour of unused sick leave, reduced by the amount of 403b matching dollars paid by the District over the employee's employment.

3. **Severance Payment - School Nutrition Personnel**

   A severance payment is available to food service personnel that have completed at least 15 years of continuous service with the District and are at least age 55 or employees who qualify for early retirement under the rule of 90 as prescribed by PERA. Qualified employees receive a severance payment equal to $5.00 an hour for each unused hour of sick leave.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits (Continued)

Severance and Other Postemployment Benefits (Continued)

4. Severance Payment - Teachers
A severance payment is available to teachers who have taught a minimum of 15 years in the District and are at least 55 years of age. An eligible individual will receive an amount equal to $10 per day for each day of unused sick leave, up to 195 days, directly into the retiree's 403b account.

5. Other Postemployment Benefits - Educational Office Professionals, Teachers, and Paraprofessionals
Upon retirement, employees with at least 15 years of continuous service with the District and are at least age 55 will receive $40,000, which will be placed into a postretirement healthcare account. If the employee is less than full time, the $40,000 benefit is prorated based on the employee's FTE status for the last 5 years of their employment with the District.

Starting with the 2005-2006 school year, teachers starting the school year who are age 50 with a minimum of 15 years of full-time service, the District will contribute $2,000 annually for teachers and $840 annually for paraprofessionals and educational office professionals into a healthcare savings account administered by the Minnesota State Retirement Association. Upon retirement, the cumulative amount of the deposits made for the teacher into the account will be subtracted from the $40,000 retirement incentive mentioned above.

6. Other Postemployment Benefits - School Nutrition Personnel
Upon retirement, employees with a minimum of 15 years of full-time service in the District and are at least 55 years of age are eligible to receive a postemployment health care benefit. The benefit is an amount equal to $40,000, reduced by 403(b) matching dollars paid by the District over the employee's employment.

Part-time employees with a minimum of 15 years of service in the District, working in a capacity in which the employee was eligible for insurance benefits, and who are at least 55 years of age is eligible to receive a postemployment health care benefit. The benefit is equal to a prorated payment of the $40,000 based on the employee's fractional time.

The District budgets for payments of severance pay for the year when it anticipates the retirement of personnel requires a severance payment. The payment of severance pay is recorded as a current expenditure in the year of the payment. The liability for sick leave and severance totaled $1,449,624 and is recorded in the statement of net position.

These amounts are included in the compensated absences balance on the Statement of Net Position.

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.

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. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues in the General Fund for a variety of unexpended local grants and unearned fees. In the Food Service Fund, unearned revenues have been recorded for school lunch deposits. The District also recorded unearned revenue in the Community Service Fund related to unexpended local grants and fees.

Q. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable portions of fund balance relate to prepaids and inventories. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The District currently does not report any committed fund balances. The Board of Education passed a resolution authorizing the Director of Finance the ability to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum unassigned fund balance in the General Fund of 8-10% of annual operating expenditures. In the Food Service Fund and Community Service Fund the District has a minimum fund balance policy, which identifies a minimum total fund balance of 10% of operating expenditures.

R. Risk Management

The District is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the District-wide and fiduciary fund 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 District-wide financial statement when there are limitations imposed on their use through external restrictions impose by creditors, grantors, laws, or regulations of other governments.

T. Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

1. District Funds Other than the OPEB Trust Fund

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's policy requires the District's deposits be collateralized as required by *Minnesota Statutes* § 118.03 for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of June 30, 2025, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name and irrevocable letters of credit.

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

Checking	$ 13,141,318

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

1. District Funds Other than the OPEB Trust Fund

The District also invest idle funds as authorized by *Minnesota Statutes* as follows:

Investment	Fair Value	Investment Maturities: Less Than 1 Year
Nonpooled Investments		
Money Market	$ 1,519,053	$ 1,519,053
U.S. Treasuries	254,208	254,208
Total Nonpooled Investments	$ 1,773,261	$ 1,773,261

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to U.S. Treasury obligations, U.S. Government Agency and instrumentality obligations, Canadian Government obligations, certificates of deposit, banker's acceptances, commercial paper rated in the highest tier, investment-grade obligations, repurchase agreements, money market mutual funds, and local government investment pools. The Money market nonpooled investments were rated at AAA.

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 the District may invest in any one issuer, although the investment policy states to eliminate risk of loss resulting from the over concentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalents assets in all District funds shall be diversified by maturity, issuer, and class of security. The policy also states unless matched to a specific cash flow, the District will not directly invest in securities maturing more than five years from the date of purchase or in accordance with state and local statutes and ordinances.

Interest Rate Risk: This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investments will be managed in a manner to attain a market rate of return through various economic and budgetary cycles while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

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 states that securities will be held by an independent third party custodian selected by the District as evidenced by safekeeping receipts in the District's name. The safekeeping institution shall annually provide a copy of their most recent report on internal controls.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

1. District Funds Other than the OPEB Trust Fund (Continued)

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

- $1,519,053 of $1,773,261 nonpooled investments are valued using quoted market price (Level 1 inputs)
- $254,208 of $1,773,261 nonpooled investments are valued using a matrix pricing model (Level 2 inputs)
- $2,143,176 of the OPEB trust fund investments using level 1 inputs

2. OPEB Trust Fund

Credit Risk: As of June 30, 2025, the District's OPEB Trust Fund cash and cash equivalents and investments were unrated.

Investments	Fair Value
Money Market	$ 6,479
Fixed Income Funds	1,082,799
Equity Funds	1,053,898
Total investments - OPEB Trust Fund	$ 2,143,176

C. Deposits and Investments

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

District funds other than Fiduciary Funds	
Petty cash	$ 1,150
Deposits (Note 3.A.)	13,141,318
Non-pooled investments (Construction)	1,773,261
OPEB Trust Fund	
Investments	2,143,176
Total deposits and investments	$ 17,058,905

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

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

Statement of Net Position	
Cash and investments	$ 15,190,606
Statement of Fiduciary Net Position	
OPEB Irrevocable Trust Fund	
Cash	1,868,299
Total deposits and investments	$ 17,058,905

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,278,092	$ -	$ -	$ 1,278,092
Construction in progress	17,514,572	8,628,583	(355,013)	25,788,142
Total capital assets not being depreciated	18,792,664	8,628,583	(355,013)	27,066,234
Capital assets being depreciated				
Land improvements	6,701,871	-	-	6,701,871
Buildings	49,625,137	-	-	49,625,137
Furniture and equipment	9,464,002	771,599	(351,072)	9,884,529
Total capital assets being depreciated	65,791,010	771,599	(351,072)	66,211,537
Less accumulated depreciation for				
Land improvements	(3,985,984)	(261,240)	-	(4,247,224)
Buildings	(31,893,269)	(1,150,723)	-	(33,043,992)
Furniture and equipment	(6,901,380)	(560,074)	351,072	(7,110,382)
Total accumulated depreciation	(42,780,633)	(1,972,037)	351,072	(44,401,598)
Total capital assets being depreciated, net	23,010,377	(1,200,438)	-	21,809,939
Governmental activities, capital assets, net	$ 41,803,041	$ 7,428,145	$ (355,013)	$ 48,876,173

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

Government Activities	
Administration	$ 21,059
District Support Services	6,498
Regular Instuction	1,426,546
Vocational Education Instruction	7,942
Special Education Instruction	29,915
Intructional Support Services	185,056
Pupil Support Services	156,764
Sites and Buildings	90,497
Food Service	27,343
Community Service	20,417
Total depreciation expense, Government Activities	$ 1,972,037

NOTE 4 – LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitation by Minnesota law.

	Issue Date	Interest Rates	Original Issue	Final Maturity	Total	Due Within One Year
Long-term liabilities						
Capital Facilities Bonds, 2013A	2/5/2013	2.0%-2.15%	$ 1,580,000	2/1/2028	$ 350,000	$ 115,000
Capital Facilities Bonds, 2013B	11/13/2013	2.0%-3.05%	2,140,000	2/1/2028	510,000	165,000
OPEB Refunding Bonds, 2016	4/17/2016	6.40%	6,495,000	2/1/2029	2,460,000	525,000
Facilities Maintenance, 2022	3/10/2022	3.00%-4.00%	15,490,000	2/1/2037	11,205,000	1,795,000
Facilities Maintenance, 2024	4/25/2024	4% - 5%	8,955,000	2/1/2037	8,955,000	585,000
Total G.O. bonds					23,480,000	3,185,000
Bond premiums					1,542,023	-
Financed purchases from direct borrowing					13,835	13,835
Compensated absences payable					1,646,429	218,319
Total all long-term liabilities					$ 26,682,287	$ 3,417,154

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities. Bond principal payments are made by the Debt Service Fund. Financed Purchases are paid by the General Fund.

B. Changes in Long-Term Liabilities

	June 30, 2024	Additions	Retirements	June 30, 2025
Long-Term Liabilities				
G.O. Bonds	$ 26,475,000	$ -	$ 2,995,000	$ 23,480,000
Bonds Premium	1,693,803	-	151,780	1,542,023
Certificates of Participation Payable	64,060	-	64,060	-
Financed Purchases Payable	31,041	-	17,206	13,835
Compensated Absences Payable	1,634,402	12,027	-	1,646,429
Total	$ 29,898,306	$ 12,027	$ 3,228,046	$ 26,682,287

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

General Obligation Bonds

On February 5, 2013, the District issued $1,580,000 of General Obligation Capital Facilities Bonds, Series 2013A. The proceeds of the issue were used to finance the betterment of capital projects in the District. Future ad valorem tax levies are dedicated to retire these bonds.

On November 13, 2013, the District issued $2,140,000 of General Obligation Capital Facilities Bonds, Series 2013B. The proceeds of the issue were used to finance the betterment of capital projects in the District. Future ad valorem tax levies are dedicated to retire these bonds.

On April 17, 2016, the District issued $6,495,000 in General Obligation Taxable OPEB Bonds, Series 2016A. Net proceeds of these bonds were used to purchase U.S. Treasury securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments on the Series 2009A bonds. As a result, $5,970,000 of the Series 2009A Bonds were considered defeased. The reacquisition price exceeded the net carrying amount of the old debt by $696,161. This amount is reported as deferred outflows of resources in the statement of net position and amortized over the remaining life of the new bond. The advanced refunding was undertaken to reduce total debt service payments over the next 13 years by $1,284,686 and resulted in an economic gain (difference between the present values of the old and net debt service payments) of $1,074,288.

On March 10, 2022, the District issued $15,490,000 in General Obligation School Building Bonds, Series 2022A. The proceeds of the issue are to be used to finance the betterment of school sites and facilities in the District. Future long term facilities maintenance funds are dedicated to retire these bonds.

On April 25, 2024, the District issued $8,955,000 in General Obligation School Building Bonds, Series 2024A. The proceeds of the issue are to be used to finance the betterment of school sites and facilities in the District. Future long term facilities maintenance funds are dedicated to retire these bonds.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

B. Changes in Long-Term Liabilities (Continued)

Certificates of Participation
The District raised funds through the issuance of a certificate of participation during the year ended June 30, 2009. The loan in the amount of $1,855,000, dated May 13, 2009, was used to finance the construction of a track facility. This loan is structured as governmental lease purchase agreements for facility improvements. Repayment of principal is made through rental payments, which are structured to correspond to the related debt service requirements. The certificates were paid in full as of June 30, 2025.

C. Minimum Debt Payments

Minimum annual principal and interest payments required to retire the G.O. Bond liabilities:

Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2026	$ 3,185,000	$ 900,398	$ 4,085,398
2027	3,215,000	764,675	3,979,675
2028	3,125,000	630,580	3,755,580
2029	1,385,000	498,200	1,883,200
2030	1,375,000	445,450	1,820,450
2031-2035	7,730,000	1,372,300	9,102,300
2036-2040	3,465,000	170,500	3,635,500
Total	$ 23,480,000	$ 4,782,103	$ 28,262,103

D. Financed Purchase Obligations

The District entered into various financed purchase agreements for office equipment. Minimum annual principal and interest payments required to retire the Financed Purchase liabilities:

Year Ending June 30,	Financed Purchases from Direct Borrowing		
	Principal	Interest	Total
2026	$ 13,835	$ 465	$ 14,300

NOTE 5 – FUND BALANCES/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.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Equity

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

	General	Food Service	Community Service	Capital Projects	OPEB Debt Service	Debt Service	Total
Nonspendable for							
Inventory	$ 30,540	$ 5,626	$ -	$ -	$ -	$ -	$ 36,166
Prepaid Items	460,405	70	4,302	-	-	-	464,777
Total nonspendable	490,945	5,696	4,302	-	-	-	500,943
Restricted/Reserved for							
Student Activities	250,569	-	-	-	-	-	250,569
Staff Development	18,466	-	-	-	-	-	18,466
Operating Capital	713,470	-	-	-	-	-	713,470
Literacy Incentive Aid	193,661	-	-	-	-	-	193,661
American Indian Education Aid	14,319	-	-	-	-	-	14,319
Capital Projects Levy	395,148	-	-	-	-	-	395,148
READ Act Literacy Aid	48,220	-	-	-	-	-	48,220
Long-Term Facilities Maintenance	737,226	-	-	496,648	-	-	1,233,874
Gifted and Talented	591	-	-	-	-	-	591
Community Education	-	-	767,927	-	-	-	767,927
Early Childhood And Family Education	-	-	102,311	-	-	-	102,311
Adult Basic Education	-	-	9,652	-	-	-	9,652
School Readiness	-	-	117,986	-	-	-	117,986
Debt Service	-	-	-	-	143,757	644,858	788,615
Food Service	-	814,796	-	-	-	-	814,796
Other purposes	676	-	-	-	-	-	676
Total restricted/reserved	2,372,346	814,796	997,876	496,648	143,757	644,858	5,470,281
Unassigned for							
General purposes	2,691,890	-	-	-	-	-	2,691,890
Total fund balances	$ 5,555,181	$ 820,492	$ 1,002,178	$ 496,648	$ 143,757	$ 644,858	$ 8,663,114

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

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 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.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Equity (Continued)
Restricted/Reserved for Capital Projects Levy – This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statues* § 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

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

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

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

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

Restricted/Reserved for Debt Service – These balances represent the positive Fund balance of the debt service fund and the OPEB debt service fund.

Restricted/Reserved for Food Service – This balance represents the positive Fund balance of the Food Service fund.

Restricted/Reserved for Other Purposes – This balance represents the earned, but unspent balance of various grants received.

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 $1,282,049. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

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.

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)

- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Or

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

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

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

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

C. Contributions
Per *Minnesota Statutes* Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were $1,638,463. The District's contributions were equal to the required contributions for each year as set by state statute.

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% 7.00%
Price inflation	2.50% 2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.
Cost of living adjustment	1.00% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	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.
Post-retirement	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 projections uses the MP 2015 scale.
Beneficiaries	Pub-2010(A) Contingent Survivo Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses th 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.

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

Changes in actuarial assumptions since the previous valuation:

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

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.

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 $17,448,965 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 0.2746% at the end of the measurement period and 0.2787% 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	$ 17,448,965
State's proportionate share of the net pension liability associated with the District	1,141,312
Total	$ 18,590,277

For the year ended June 30, 2025, the District recognized pension expense of $1,052,632. Included in this amount, the District recognized $62,738 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 $483,754 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.

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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 839,975	$ 230,860
Changes in actuarial assumptions	1,825,830	2,080,836
Net difference between projected and actual earnings on plan investments	-	2,369,127
Changes in proportion	96,278	1,254,488
District contributions subsequent to the measurement date	1,638,463	-
Total	$ 4,400,546	$ 5,935,311

The $1,638,463 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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

Year Ending June 30,	Pension Expense Amount
2026	$ (1,537,643)
2027	1,423,359
2028	(1,467,146)
2029	(1,260,003)
2030	(331,795)
Total	$ (3,173,228)

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

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

Sensitivity of NPL to Changes in the Discount Rate

1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 30,728,649	$ 17,448,965	$ 6,519,471

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided

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

General Employees Plan 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.

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were $585,038. The District's contributions were equal to the required contributions as set by state statute.

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 $3,393,639 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 $87,753.

District's proportionate share of net pension liability	$ 3,393,639
State's proportionate share of the net pension liability associated with the District	87,753
Total	$ 3,481,392

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 0.0918% at the end of the measurement period and 0.0920% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of $229,417 or its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $2,353 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 $156,145 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.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 319,654	$ -
Changes in actuarial assumptions	16,875	1,286,519
Net difference between projected and actual investments earnings	-	1,027,428
Changes in proportion	-	119,195
Contributions paid to PERA subsequent to the measurement date	585,038	-
Total	$ 921,567	$ 2,433,142

The $585,038 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 Ending June 30,	Pension Expense Amount
2026	$ (1,211,483)
2027	(206,135)
2028	(418,896)
2029	(260,099)
Total	$ (2,096,613)

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

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
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 completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation.

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%)	Current Discount Rate (7%)	1% Increase in Discount Rate (8%)
District's proportionate share of the PERA net pension liability	$ 7,412,254	$ 3,393,639	$ 87,962

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

Public Employees' Retirement Association (Continued)

I. Pension Plan Fiduciary Net Position

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

NOTE 7 – OTHER POSTEMPLOYEMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses. There are 403 active participants and 18 retired participants. Benefit and eligibility provisions are established through negotiations between the district and various unions representing District employees and are renegotiated each two-year bargaining period. Assets are accumulated in a trust that meet the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52, Postemployment Benefits Other than Pensions--Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria-Defined Benefit. Therefore, the District reports a "net OPEB liability" in accordance with GASB Statement No. 75. The Plan does not issue a publicly available financial report.

B. Benefits Provided

Teachers, who are at least 55 years of age upon retirement and have been employed by the District for a minimum of 15 years at a minimum of 60% of a full contract, and their spouses are eligible to remain on the District's health insurance at their own cost until reaching age 65. Certain other non-teaching staff who are at least 55 years of age upon retirement and have been employed by the District full-time for a minimum of 15 years, and their spouses are eligible to remain on the District's health insurance at their own cost until reaching age 65.

The District contributes up to $40,000 to a health retirement account for eligible retired administration, teachers, office professionals, paraprofessionals, food service, and nonaffiliated plan members. For retired maintenance plan members, the District contributes the single health insurance premium, up to $40,000. The District also contributes 10% the final salary for retired administrators and teachers to the health retirement account. The District contributes eight days for each year of service (up to a maximum of 130 days) to a health retirement account for retired directors. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Actuarial Methods and Assumptions

The District's net OPEB liability was measured as of June 30, 2025, and the net OPEB liability was determined by an actuarial valuation as of July 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	various
Expected long-term rate of return	6.00% (net of investment expense)
Health Care Cost Trend Rates	6.50% in 2024 grading to 5.00% over 6 years and then to 4.00% over the next 48 years

NOTE 7 – OTHER POSTEMPLOYEMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale for the June 30, 2024, measurement date.

Discount Rate

The discount rate used to measure the net OPEB liability was 4.10%. The discount rate is based on the estimated investment return on the irrevocable trust for the funded portion of the OPEB liability and the estimated yield of 20-Year AA-rated municipal bonds for the unfunded portion.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.0 %	7.50 %
Fixed income	50.0	4.70
International equity	17.0	7.10
Total	100.0 %	

NOTE 7 – OTHER POSTEMPLOYEMENT BENEFIT PLAN (CONTINUED)

D. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Liability (Asset) (a) - (b)
Balances at June 30, 2024	$ 5,487,688	$ 1,942,358	$ 3,545,330
Changes for the year			
Service cost	308,785	-	308,785
Interest cost	227,233	-	227,233
Assumption changes	(393,968)	-	(393,968)
Plan changes	10,540	-	10,540
Projected investment return	-	116,541	(116,541)
Differences between expected and actual economic experience	(793,552)	-	(793,552)
Benefit payments	(780,357)	(780,357)	-
Administrative expense	-	(13,140)	13,140
Net Changes	(1,421,319)	(676,956)	(744,363)
Balances at June 30, 2025	$ 4,066,369	$ 1,265,402	$ 2,800,967

E. Net OPEB Liability Sensitivity

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

	1% Decrease In Discount Rate (3.10%)	Current Discount Rate (4.10%)	1% Increase In Discount Rate (5.10%)
Net OPEB Liability	$ 2,998,043	$ 2,800,967	$ 2,609,192

NOTE 7 – OTHER POSTEMPLOYEMENT BENEFIT PLAN (CONTINUED)

E. Net OPEB Liability Sensitivity (Continued)

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

	Healthcare Cost		
	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate
Net OPEB Liability	$ 2,581,853	$ 2,800,967	$ 3,061,077

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

For the year ended June 30, 2025, the District recognized OPEB expense of $66,509. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains	$ -	$ 1,432,643
Changes in actuarial assumptions	132,565	747,026
Investment gains and losses	2,381	-
Total	$ 134,946	$ 2,179,669

NOTE 7 – OTHER POSTEMPLOYEMENT BENEFIT PLAN (CONTINUED)

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

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

Year Ending June 30,	Pension Expense Amount
2026	$ (232,645)
2027	(339,016)
2028	(311,760)
2029	(225,503)
2030	(253,696)
Thereafter	(682,103)
Total	$ (2,044,723)

NOTE 8 – DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirements benefit through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amount set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contributions for the year ended June 30, 2025 are $109,981. The related employee contributions were $561,551 for the year ended June 30, 2025.

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan that is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions for the health care portion of the plan, whether or not such contributions have been made.

NOTE 9 – FLEXIBLE BENEFIT PLAN

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service, and Community Service Funds. Payments for amount withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

NOTE 10 – JOINTLY GOVERNED ORGANIZATION

The District and 13 other school districts in Minnesota have entered into a Joint Powers Agreement to form the Minnesota Schools Wind Energy Cooperative (the Cooperative). The purpose of the cooperative is to acquire, develop, construct, finance, operate, and maintain a wind energy project to be located in Minnesota. The Cooperative is governed by a Joint Powers Board, which consists of two members (a school board member and the superintendent or another district employee) from each of the participating districts. Any district may withdraw from the Cooperative prior to the issuance of any project financing instruments, provided that the withdrawing district reimburses the Cooperative for its pro rata portion of the total development or other project costs other than obligations incurred by the Cooperative. Once financing instruments, other than Clean Renewable Energy Bonds (CREBs), have been issued, a district may withdraw provided it prepays the outstanding balance of its pro rata portion of any outstanding financing instruments. Upon issuance of the CREBs, no district may withdraw membership until the CREBs have been repaid in full. The District has not committed any financial resources to the Cooperative as of June 30, 2025.

NOTE 11 – COMMITMENTS

As of June 30, 2025, the District had two construction projects with outstanding commitments. These two projects were the Jefferson School GeoThermal Project and the W-K School GeoThermal Project. These projects used a variety of vendors and have a total future commitment of $326,216.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

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 $1,015,559.

Net Position June 30, 2024, as previously stated	$ (1,288,124)
Change in accounting principle	(1,015,559)
Net Position June 30, 2024, as restated	$ (2,303,683)

NOTE 14 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 861
Winona Area Public Schools
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service cost	$ 527,922	$ 499,410	$ 434,904	$ 521,378
Interest	236,395	236,236	268,611	257,203
Plan Changes	-	-	9,843	-
Differences between expected and actual experience	-	-	(609,137)	-
Changes of assumptions	-	(169,757)	24,617	281,956
Benefit payments	(659,108)	(824,373)	(745,025)	(582,751)
Net change in total OPEB liability	105,209	(258,484)	(616,187)	477,786
Beginning of year	7,679,046	7,784,255	7,525,771	6,909,584
End of year	$ 7,784,255	$ 7,525,771	$ 6,909,584	$ 7,387,370
Plan Fiduciary Net Pension (FNP)				
Projected investment income	453,392	330,462	258,744	238,648
Differences between expected and actual experience	-	-	-	-
Benefit payments	(659,108)	(824,373)	(745,025)	(587,432)
Administrative expense	(3,714)	(3,275)	(23,324)	(20,394)
Net change in plan fiduciary net position	(209,430)	(497,186)	(509,605)	(369,178)
Beginning of year	4,834,281	4,624,851	4,127,665	3,618,060
End of year	$ 4,624,851	$ 4,127,665	$ 3,618,060	$ 3,248,882
Net OPEB liability	$ 3,159,404	$ 3,398,106	$ 3,291,524	$ 4,138,488
Plan FNP as a percentage of the total OPEB liability	59.41%	54.85%	52.36%	43.98%
Covered-employee payroll	$ 24,778,677	$ 25,522,037	$ 25,305,372	$ 23,238,420
Net OPEB liability as a percentage of covered-employee payroll	12.75%	13.31%	13.01%	17.81%

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

June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025
$ 477,539	$ 394,262	$ 352,234	$ 353,155	$ 308,785
186,468	146,059	238,617	221,888	227,233
(24,885)	-	(603,920)	-	10,540
(622,086)	-	(302,686)	-	(793,552)
(192,738)	(351,718)	19,845	(34,641)	(393,968)
(659,599)	(621,858)	(386,915)	(488,703)	(780,357)
(835,301)	(433,255)	(682,825)	51,699	(1,421,319)
7,387,370	6,552,069	6,118,814	5,435,989	5,487,688
$ 6,552,069	$ 6,118,814	$ 5,435,989	$ 5,487,688	$ 4,066,369
849,990	(395,282)	145,021	130,480	116,541
-	-	51,403	139,061	-
(659,599)	(621,858)	(386,915)	(488,703)	(780,357)
(23,935)	(20,801)	(12,246)	(13,140)	(13,140)
166,456	(1,037,941)	(202,737)	(232,302)	(676,956)
3,248,882	3,415,338	2,377,397	2,174,660	1,942,358
$ 3,415,338	$ 2,377,397	$ 2,174,660	$ 1,942,358	$ 1,265,402
$ 3,136,731	$ 3,741,417	$ 3,261,329	$ 3,545,330	$ 2,800,967
52.13%	38.85%	40.00%	35.39%	31.12%
$ 23,238,420	$ 23,935,573	$ 24,947,145	$ 25,695,559	$ 24,152,016
13.50%	15.63%	13.07%	13.80%	11.60%

Independent School District No. 861
Winona Area Public Schools
Schedule of Investment Returns

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Annual money-weighted rate of return, net of investment expense	4.30%	4.30%	4.30%	4.00%

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

June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
26.10%	-11.60%	8.30%	12.40%

Independent School District No. 861
Schedule of District's and Non-employer
Proportionate Share 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 Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1292%	$ 6,695,815	$ -	$ 6,695,815	$ 1,860,093	359.97%	78.19%
2016	0.1268%	10,295,531	134,405	10,429,936	1,984,467	518.81%	68.91%
2017	0.1196%	7,635,185	96,010	7,731,195	7,697,027	99.20%	75.90%
2018	0.1121%	6,218,848	204,030	6,422,878	7,523,293	82.66%	79.53%
2019	0.1022%	5,650,409	175,659	5,826,068	7,219,773	78.26%	80.23%
2020	0.0981%	5,881,543	181,321	6,062,864	7,029,520	83.67%	79.06%
2021	0.0983%	4,197,850	128,191	4,326,041	7,076,827	59.32%	87.00%
2022	0.0935%	7,405,231	217,232	7,622,463	7,006,600	105.69%	76.67%
2023	0.0920%	5,144,537	141,763	5,286,300	7,312,653	70.35%	83.10%
2024	0.0918%	3,393,639	87,753	3,481,392	7,769,200	43.68%	89.08%

Schedule of District's and Non-employer
Proportionate Share 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 Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.3420%	$ 21,156,082	$ 2,594,660	$ 23,750,742	$ 17,404,200	100.9%	76.77%
2016	0.3389%	80,835,736	8,113,435	88,949,171	17,675,373	457.3%	44.88%
2017	0.3324%	66,353,070	6,413,575	72,766,645	18,004,907	368.5%	51.57%
2018	0.3205%	20,132,628	1,891,248	22,023,876	17,709,773	113.7%	78.07%
2019	0.3117%	19,867,823	1,758,242	21,626,065	17,707,821	112.2%	78.21%
2020	0.2936%	21,691,561	1,817,816	23,509,377	17,022,008	127.4%	75.48%
2021	0.2849%	12,468,076	1,051,447	13,519,523	17,047,847	73.1%	86.63%
2022	0.2893%	23,165,614	1,717,844	24,883,458	17,881,535	129.6%	76.17%
2023	0.2787%	23,010,096	1,611,703	24,621,799	17,720,573	129.8%	76.42%
2024	0.2746%	17,448,965	1,141,312	18,590,277	18,619,462	93.7%	82.07%

See notes to required supplementary information.

Independent School District No. 861
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 Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 589,026	$ 148,835	$ -	$ 1,984,467	7.50%
2017	577,277	577,277	-	7,697,027	7.50%
2018	564,247	564,247	-	7,523,293	7.50%
2019	541,483	541,483	-	7,219,773	7.50%
2020	527,214	527,214	-	7,029,520	7.50%
2021	530,762	530,762	-	7,076,827	7.50%
2022	525,495	525,495	-	7,006,600	7.50%
2023	548,449	548,449	-	7,312,653	7.50%
2024	582,690	582,690	-	7,769,200	7.50%
2025	585,038	585,038	-	7,800,507	7.50%

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 1,325,653	$ 1,325,653	$ -	$ 17,675,373	7.50%
2017	1,350,368	1,350,368	-	18,004,907	7.50%
2018	1,328,233	1,328,233	-	17,709,773	7.50%
2019	1,365,273	1,365,273	-	17,707,821	7.71%
2020	1,348,143	1,348,143	-	17,022,008	7.92%
2021	1,385,990	1,385,990	-	17,047,847	8.13%
2022	1,491,320	1,491,320	-	17,881,535	8.34%
2023	1,515,109	1,515,109	-	17,720,573	8.55%
2024	1,591,964	1,591,964	-	18,619,462	8.55%
2025	1,638,463	1,638,463	-	18,725,291	8.75%

See notes to 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%.

TRA Retirement Fund (Continued)

2018 Changes (Continued)
Changes in Actuarial Assumptions (Continued)

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

2017 Changes
Changes in Actuarial Assumptions

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

2016 Changes
Changes in Actuarial Assumptions

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

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%.

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

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 changes 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 retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions (Continued)

- 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.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

2015 Changes (Continued)

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.

Post Employment Benefit Plan
The following changes were reflected in the valuation performed on behalf of the District's other postemployment benefits plan for the year ended June 30:

2024 Changes
Benefit Changes
- The 403(b) employer matching contribution schedule for Non-Affiliated Employees was updated. Note: Accumulated matching contributions are not included in the liabilities of this report. They are mentioned because they are used to offset the District's GASB 75 benefits.
- The additional 10% of annual salary payable to a Health Care Savings Plan for Administrators (Principals) was added back to the GASB 75 benefits.

Changes in Actuarial Assumptions
- The health care trend rates were updated.
- The percentage of future retirees who are assumed to elect post-employment medical coverage decreased from 75% to 60%.
- The discount rate was changed from 4.20% to 4.10%.

2023 Changes
Changes in Actuarial Assumptions
- The discount rate was changed from 4.00% to 4.20%.
- The expected long-term investment return assumption was changed from 6.10% to 6.00%.

2022 Changes
Changes in Actuarial Assumptions
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2021 Changes
Changes in Plan Provisions
- The discount rate was changed from 2.20% to 3.80%.

2020 Changes
Changes in Actuarial Assumptions
- There have been no changes since the prior valuation.

Changes in Plan Provisions
- The discount rate was changed from 2.50% to 2.20%.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers), with MP-2019 Generational Improvement Scale.

Post Employment Benefit Plan (Continued)

2019 Changes
Changes in Actuarial Assumptions
- There have been no changes since the prior valuation.

Changes in Plan Provisions
- The expected long-term investment return assumption was changed from 4.30% to 4.00%.
- The discount rate was changed from 3.60% to 2.50%.

2018 Changes
Changes in Actuarial Assumptions
- A GASB 74/75 subsidy was added for the new superintendent.

Changes in Plan Provisions
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

2017 Changes
Changes in Actuarial Assumptions
- There have been no changes since the prior valuation.

Changes in Plan Provisions
- The discount rate was changed from 3.00% to 3.60%.

SUPPLEMENTARY INFORMATION

Independent School District No. 861
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Debt Service
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	$ 3,013,015	$ 3,013,015	$ 2,982,340	$ (30,675)
Other local and county revenues	30,000	30,000	26,844	(3,156)
Revenue from state sources	223,000	223,000	244,631	21,631
Total revenues	3,266,015	3,266,015	3,253,815	(12,200)
Expenditures				
Debt service				
Principal	2,425,000	2,425,000	2,425,000	-
Interest and fiscal charges	827,579	828,779	832,554	3,775
Total expenditures	3,252,579	3,253,779	3,257,554	3,775
Net change in fund balances	$ 13,436	$ 12,236	(3,739)	$ (15,975)
Fund Balances				
Beginning of year			648,597	
End of year			$ 644,858	

Independent School District No. 861
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - OPEB Debt Service
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	$ 650,371	$ 650,371	$ 648,877	$ (1,494)
Other local and county revenues	6,000	6,000	5,458	(542)
Revenue from state sources	9,200	9,200	9,197	(3)
Total revenues	665,571	665,571	663,532	(2,039)
Expenditures				
Debt service				
Principal	570,000	570,000	570,000	-
Interest and fiscal charges	88,950	88,950	88,925	(25)
Total expenditures	658,950	658,950	658,925	(25)
Net change in fund balances	$ 6,621	$ 6,621	4,607	$ (2,014)
Fund Balances				
Beginning of year			139,150	
End of year			$ 143,757	

Independent School District No. 861
Uniform Financial Accounting And Reporting Standards
Compliance Table
Year Ended June 30, 2025

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total revenue		$ 44,948,825	$ 44,948,823	$ 2
Total expenditures		44,028,921	44,028,921	-
Nonspendable:				
4.60	Nonspendable fund balance	490,945	490,945	-
Restricted/reserved:				
4.01	Student Activities	250,569	250,569	-
4.02	Scholarships	-	-	-
4.03	Staff Development	18,466	18,466	-
4.07	Capital Projects Levy	395,148	395,148	-
4.08	Cooperative Revenue	-	-	-
4.12	Literacy Incentive Aid	193,661	193,661	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.20	American Indian Education Aid	14,319	14,319	-
4.24	Operating Capital	713,470	713,470	-
4.26	$ 25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	-	-	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Learning Program	-	-	-
4.37	Quality Compensation - Alternative Teacher Professional Pay System	-	-	-
4.38	Gifted and Talented	591	591	-
4.39	English Learner	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	-	-	-
4.43	School Library Aid	-	-	-
4.45	Career Technical Programs	-	-	-
4.46	First Grade Preparedness	-	-	-
4.48	Achievement and Integration	-	-	-
4.49	Safe Schools Revenue	-	-	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.56	Literacy Aid	-	-	-
4.57	Teacher Compensation for Read Act Training	-	-	-
4.59	Basic Skills Extended Time	-	-	-
4.56	Literacy Aid	48,220	48,220	-
4.67	Long Term Facilities Maintenance	737,226	737,226	-
4.71	Student Support Personnel Aid	-	-	-
Restricted:				
4.72	Medical Assistance	-	-	-
4.64	Restricted fund balance	676	676	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Committed:				
4.18	Committed for separation	-	-	-
4.61	Committed	-	-	-
Assigned:				
4.62	Assigned fund balance	-	-	-
Unassigned:				
4.22	Unassigned fund balance	2,691,890	2,691,889	1
02 FOOD SERVICES FUND				
Total revenue		$ 2,150,091	$ 2,150,090	$ 1
Total expenditures		2,159,939	2,159,938	1
Nonspendable:				
4.60	Nonspendable fund balance	5,696	5,696	-
Restricted/reserved:				
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	814,796	814,796	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
04 COMMUNITY SERVICES FUND				
Total revenue		$ 2,630,810	$ 2,630,802	$ 8
Total expenditures		2,587,143	2,587,137	6
Nonspendable:				
4.60	Nonspendable fund balance	4,302	4,302	-
Restricted/reserved:				
4.26	$ 25 Taconite	-	-	-
4.31	Community Education	767,927	767,927	-
4.32	ECFE	102,311	102,311	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	117,986	117,986	-
4.47	Adult Basic Education	9,652	9,651	1
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ 166,866	$ 166,866	$ -
Total expenditures		8,610,273	8,610,273	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.07	Capital Projects Levy	-	-	-
4.09	Alternative Facility Program	-	-	-
4.13	Building Projects Funded by COP	-	-	-
4.67	Long-term Facilities Maintenance	496,648	496,648	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
4.33	Maximum effort loan aid	-	-	-
07 DEBT SERVICE FUND				
Total revenue		$ 3,253,815	$ 3,253,814	$ 1
Total expenditures		3,257,554	3,257,554	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.25	Bond Refunding	-	-	-
4.33	Maximum effort load aid	-	-	-
4.51	QZAB Payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted fund balance	644,858	644,857	1
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	$ -	$ -	$ -
4.02	Scholarships	-	-	-
4.22	Net position	-	-	-
18 CUSTODIAL				
Total revenue		$ 136,861	$ 136,861	$ -
Total expenditures		136,861	136,861	-
Restricted/Reserved				
4.01	Student Activities	$ -	$ -	$ -
4.02	Scholarships	-	-	-
4.48	Achievement and Integration	-	-	-
4.64	Restricted	-	-	-
20 INTERNAL SERVICE FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
25 OPEB REVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ 239,516	$ 239,517	$ (1)
Total expenditures		390,141	390,141	-
Unassigned:				
4.22	Net position	1,791,733	1,791,733	-
47 OPEB DEBT SERVICE				
Total revenue		$ 663,532	$ 663,532	$ -
Total expenditures		658,925	658,925	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.64	Restricted fund balance	143,757	143,757	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

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

Board of Education
Winona Area Public Schools
Independent School District No. 861
Winona, 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. 861 (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 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 a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a significant deficiency, listed as Audit Finding 2025-001.

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

District's Response to the Finding
Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of 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 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.



St. Cloud, Minnesota
November 13, 2025

Independent School District No. 861
Schedule of Findings on Internal Control

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 financial statements requires adequate segregation of accounting duties.

Condition:
The District does not have adequate segregation of accounting duties.

Context:
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 lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Business Manager is able to record journal entries without review.
- The Business Manager reconciles property taxes and receivables without review.
- The Business Manager has access to all areas of the accounting system.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

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

Cause:
There are a limited number of office employees capable of performing these tasks.

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

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

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
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   Administration will review current segregation of accounting duties to determine if further segregation is possible.

3. Official Responsible for Ensuring CAP
   Sarah Slaby, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2025.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.

Minnesota Legal Compliance

Independent Auditor's Report

Board of Education
Winona Area Public Schools
Independent School District No. 861
Winona, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 861, Winona, Minnesota, as of and for the year ended June 30, 2025, and the related notes to basic financial statements, and have issued our report thereon dated November 13, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, 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
November 13, 2025