

ANNUAL FINANCIAL REPORT

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

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New Richland, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

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Independent School District No. 2168
New Richland, Minnesota
School District Officials
For the Year Ended June 30, 2026

Board of Education

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Rick Schultz	12/31/2026	Chairman
Loren Schoenrock	12/31/2028	Vice-Chairman
Terri Engel	12/31/2028	Clerk
Pat Theuer	12/31/2026	Treasurer
Amy Ihrke	12/31/2026	Member
Kelly Delacruz	12/31/2028	Member
Aaron Phillips	12/31/2026	Member

Administration

Michael Meihak	Superintendent
Karla Christopherson	Business Manager

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA
FOR THE YEAR ENDED
JUNE 30, 2026

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2168, New Richland, Minnesota, (the District) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Emphasis of Matter - Change in Accounting Principle

As described in Note 7 to the financial statements, the District adopted the provision of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*, for the year ended June 30, 2026. Adoption of the provisions of this statement results in significant changes to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and Related Ratios, and the respective budgetary comparison schedules and related note disclosures starting on page 68 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining and individual fund financial statements, schedules, and table, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, schedules and table are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Abdo
Mankato, Minnesota
September 24, 2026



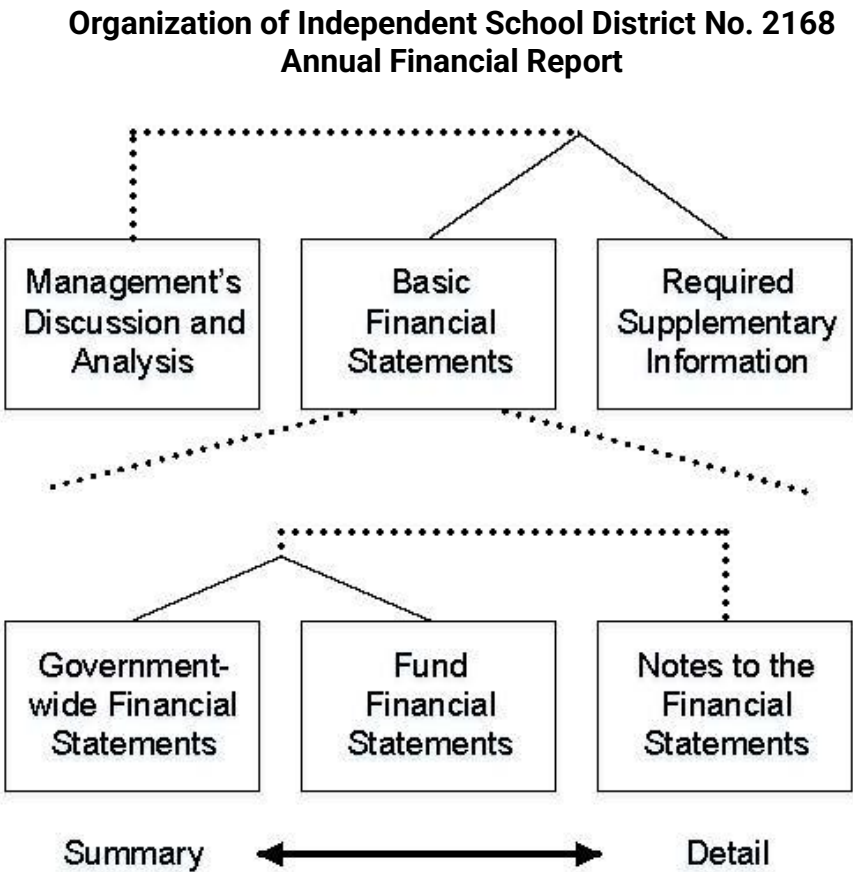
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Management’s Discussion and Analysis

As management of the Independent School District No. 2168, New Richland, Minnesota (the District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2026.

Overview of the Financial Statements

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



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

Major Features of the District-wide and Fund Financial Statements

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

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

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

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

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

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

The District-wide financial statements can be found starting on page 28 of this report.

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

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

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

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

The District adopts an annual appropriated budget for its General, Debt Service, Food Service and Community Service funds. Budgetary comparison statements has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 32 of this report.

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

The basic fiduciary fund financial statements can be found starting on page 36 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s share of net pension liabilities (assets) for defined benefits plans, budgetary comparison schedule and notes, schedules of contributions, and progress in funding its obligation to provide pension to its employees. Required supplementary information can be found starting on page 68 of this report.

Supplemental Information. The combining and individual fund financial statements, schedules, and tables, referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules and table can be found starting on page 78 of this report.

District-wide Financial Analysis

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

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. These funds are to be used for the construction of school facilities. Another large portion of the District's net position reflects amounts restricted for specific purposes. These restrictions consist of educational, food service and building construction purposes. The remaining deficit is mainly due to the recognition of long-term pension liabilities in accordance with GASB Statement No. 68.

Independent School District No. 2168's Net Position

	Governmental Activities		Increase (Decrease)	
	2026	2025	Amount	Percent
Current and Other Assets	\$ 7,341,067	\$ 7,921,669	\$ (580,602)	(7.3) %
Capital Assets	24,211,144	24,683,020	(471,876)	(1.9)
Total Assets	<u>31,552,211</u>	<u>32,604,689</u>	<u>(1,052,478)</u>	(3.2)
Deferred Outflows of Resources	<u>1,332,747</u>	<u>1,457,625</u>	<u>(124,878)</u>	(8.6)
Long-term Liabilities Outstanding	17,461,256	18,724,848	(1,263,592)	(6.7)
Other Liabilities	556,874	549,498	7,376	1.3
Total Liabilities	<u>18,018,130</u>	<u>19,274,346</u>	<u>(1,256,216)</u>	(6.5)
Deferred Inflows of Resources	<u>4,347,251</u>	<u>3,873,133</u>	<u>474,118</u>	12.2
Net Position				
Net investment in capital assets	11,626,184	11,531,648	94,536	0.8
Restricted	602,596	689,730	(87,134)	(12.6)
Unrestricted	<u>(1,709,203)</u>	<u>(1,306,543)</u>	<u>(402,660)</u>	30.8
Total Net Position	<u>\$ 10,519,577</u>	<u>\$ 10,914,835</u>	<u>\$ (395,258)</u>	(3.6) %

As shown in the table above, as of June 30, 2026, the District's assets and deferred outflows exceeded its liabilities and deferred inflows of resources. The following sections of the MD&A analyze the finance of the governmental activities.

Governmental Activities. Governmental activities decreased the District’s net position as shown in the changes in net position chart below. Key elements of this decrease are as follows:

Independent School District No. 2168’s Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2026	2025	Amounts	Percent
Revenues				
Program revenues				
Charges for services	\$ 1,084,083	\$ 1,186,324	\$ (102,241)	(8.6) %
Operating grants and contributions	3,563,398	3,624,552	(61,154)	(1.7)
General revenues				
Property taxes	1,933,920	1,799,474	134,446	7.5
State aid-formula grants and other contributions	6,037,163	6,484,117	(446,954)	(6.9)
Other general revenues	869,196	969,328	(100,132)	(10.3)
Investment earnings	220,449	338,601	(118,152)	(34.9)
Gain on sale of capital assets	-	6,162	(6,162)	(100.0)
Total Revenues	13,708,209	14,408,558	(700,349)	(4.9)
Expenses				
Administration	780,417	701,133	79,284	11.3
District support services	384,760	336,728	48,032	14.3
Elementary and secondary regular instruction	5,459,143	4,829,838	629,305	13.0
Vocational education instruction	314,747	276,566	38,181	13.8
Special education instruction	1,792,432	1,481,227	311,205	21.0
Community education and services	630,972	506,663	124,309	24.5
Instructional support services	484,539	493,322	(8,783)	(1.8)
Pupil support services	1,863,754	1,785,035	78,719	4.4
Sites and buildings	1,883,881	1,670,575	213,306	12.8
Fiscal and other fixed cost programs	99,500	92,177	7,323	7.9
Interest and fiscal charges on long-term debt	409,322	427,486	(18,164)	(4.2)
Total Expenses	14,103,467	12,600,750	1,502,717	11.9
Change in Net Position	(395,258)	1,807,808	(2,203,066)	(121.9)
Net Position, July 1	10,914,835	9,107,027	1,807,808	19.9
Net Position, June 30	\$ 10,519,577	\$ 10,914,835	\$ (395,258)	(3.6) %

Key elements of this decrease are as follows:

- Decrease in state aid-formula grants and other contributions
- Decrease in other general revenues
- Decrease in investment earnings

Decrease in State-Aid Formula Grants and Other Contributions

Decrease in state aid formula grants received, particularly related to less general education aid received in the fiscal year 2026 than in fiscal year 2025.

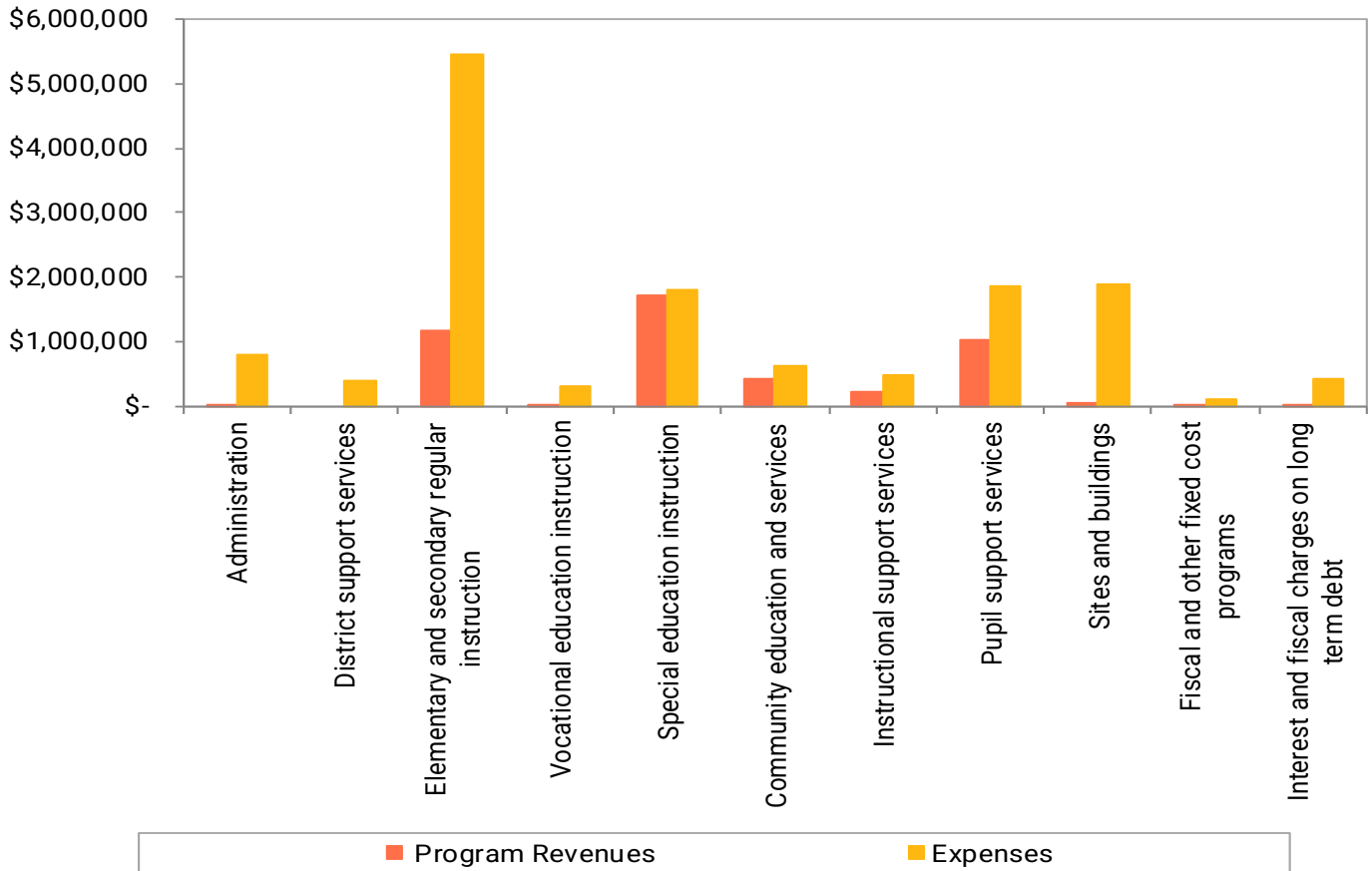
Decrease in Other General Revenues

Decrease in other general revenues particularly related to lower amounts of gifts and donations received in current year than in prior year.

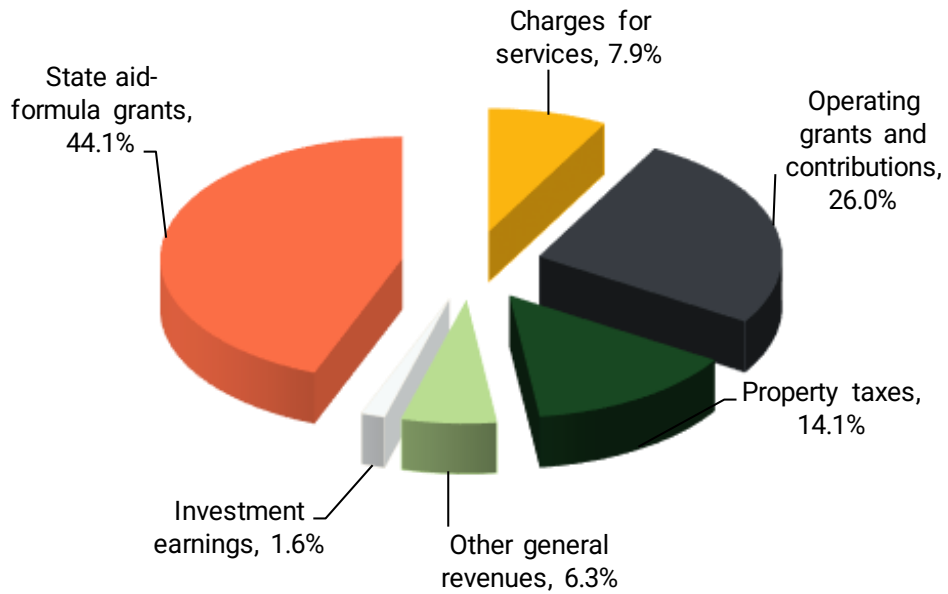
Decrease in Investment Earnings

Decrease in investment earnings due to fluctuations in market interest rates and changes in investable cash balances throughout the year.

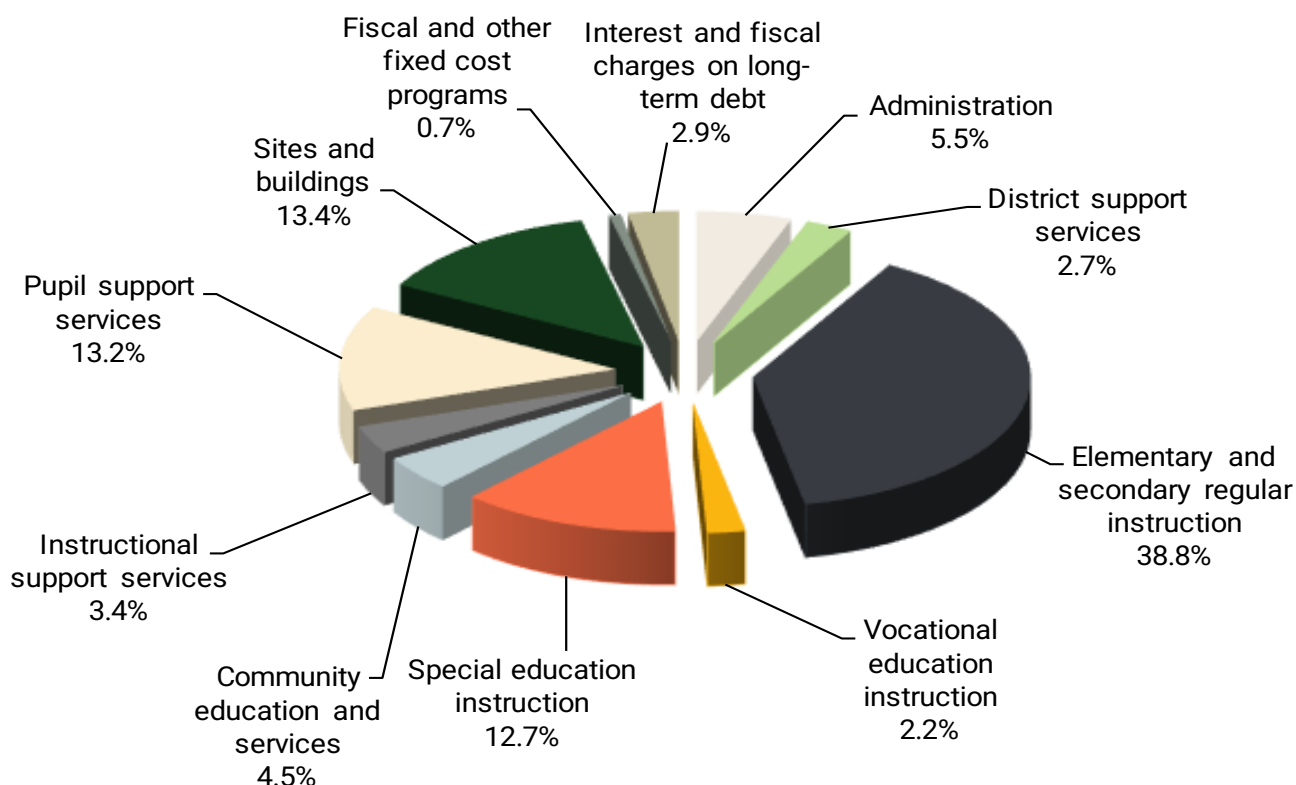
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

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

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending June 30, 2026.

	General	Debt Service	Other Governmental Funds	Total	Prior Year Total	Increase (Decrease)
Fund Balances						
Nonspendable	\$ 20,900	\$ -	\$ 18,398	\$ 39,298	\$ 41,963	\$ (2,665)
Restricted	77,361	255,736	433,598	766,695	1,012,047	(245,352)
Unassigned	3,897,871	-	-	3,897,871	4,123,408	(225,537)
Total	<u>\$ 3,996,132</u>	<u>\$ 255,736</u>	<u>\$ 451,996</u>	<u>\$ 4,703,864</u>	<u>\$ 5,177,418</u>	<u>\$ (473,554)</u>

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances shown above. Additional information on the District's fund balances can be found in Note 1 starting on page 39 of this report.

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

	Current Year Ending Balance	Prior Year Ending Balance	Increase (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 20,900	\$ 30,000	\$ (9,100)
Restricted	77,361	275,683	(198,322)
Unassigned	3,897,871	4,123,408	(225,537)
Total	<u>\$ 3,996,132</u>	<u>\$ 4,429,091</u>	<u>\$ (432,959)</u>
General Fund Expenditures	\$ 11,625,287	\$ 11,201,706	
Unassigned as a Percent of Expenditures	33.5%	36.8%	
Total Fund Balance as a Percent of Expenditures	34.4%	39.5%	

The fund balance of the District's General fund decreased during the current fiscal year as shown in the table above. The decrease is mainly due to items discussed in the governmental activities section above.

Other major governmental fund analysis is shown below:

	June 30, 2026	June 30, 2025	Increase (Decrease)
Debt Service fund	\$ 255,736	\$ 187,348	\$ 68,388

The Debt Service fund increase in fund balance during the year was due to local property taxes levies and revenue from state sources exceeding scheduled debt payments.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2026, is shown in the chart below (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment.

Significant asset additions that occurred during the year are as follows:

- Completion of the following projects:
 - Bus Garage Roof
 - School Improvement Project
- Entered finance purchase agreement to own bus 46 & 44

There were no significant asset disposals in fiscal year 2026.

Independent School District No. 2168's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2026	2025	Increase (Decrease)
Land	\$ 263,308	\$ 263,308	\$ -
Land Improvements	567,282	623,225	(55,943)
Buildings	21,730,065	22,276,529	(546,464)
Equipment	1,650,489	1,500,658	149,831
Construction in Progress	-	19,300	(19,300)
Total	<u>\$ 24,211,144</u>	<u>\$ 24,683,020</u>	<u>\$ (471,876)</u>
Percent Increase/(Decrease)			-1.9%

Additional information on the District's capital assets can be found in Note 3C on page 49 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total general obligation bonds and financed purchase arrangements outstanding as shown in the chart below. Most of this amount is to finance capital projects relating to school buildings.

Independent School District No. 2168's Outstanding Debt

	Governmental Activities		
	2026	2025	Increase (Decrease)
General Obligation Bonds	\$ 11,518,000	\$ 12,344,000	\$ (826,000)
Financed Purchase Arrangements	323,628	159,562	164,066
Total	<u>\$ 11,841,628</u>	<u>\$ 12,503,562</u>	<u>\$ (661,934)</u>
Percent Increase/(Decrease)			-5.3%

The decrease in the District's total debt as shown in the chart above was due to scheduled debt service payments.

Additional information on the District's long-term debt can be found in Note 3D on page 50 of this report.

Currently Known Facts, Decisions, or Conditions

Enrollment is an area of concern weighing on the District's financial future. Since Minnesota school districts are paid on pupil units served, any decline in enrollment results in less revenue. The District's student enrollment, which determines the pupil units for the purpose of funding, had been on a slight, but manageable decline in recent years but in FY26 we saw a rise in numbers mainly based on scheduling of PSEO students and online options. We were sensitive to the choices families were making during the unprecedented times of a worldwide pandemic, but now have started working extremely hard to contact families and offer new online learning options in the hopes of attracting our resident students back to our district.

The NRHEG School Board had asked voters for local financial support through an operating levy request on the November 3, 2020 ballot. That ask was soundly defeated and while the operating levy request was in response to a number of financial pressures that were resulting in expenses exceeding revenue, challenging the school district's ability to maintain the quality education students deserve and the community expects, we were able to refocus in the short term as much needed federal aid was received following that vote.

The COVID relief aid has now come to an end but with the largest education funding package from state legislators in the last 15 years, we have been given dollars needed to help navigate the drop in student enrollment. While we believe state funding has not kept pace with inflation over the years and additional unfunded mandates have been put in place, we appreciate the efforts made in the 2023 session and will work hard to use the dollars to continue to follow our strategic plan, with the number one goal focused on student achievement.

With changes made in the 2025 legislative session to the long term facility maintenance funding, the district began work on exploring roof repair and replacement projects and approved a 10 year plan that included this much needed work. That plan was approved by MDE in August so following a competitive bid process this fall, bonds will be sold in the spring that will fund the work planned for the summer of 2027.

Labor costs account for over 80% of the District expenses. As cost of benefits continue to rise, it becomes more important during the negotiations of labor contracts that the District be cognizant to this potential unknown long-term liability. The District must continue to follow enrollment trends and maintain a responsible balance between staffing and student enrollment.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 2168, 306 Ash Ave, New Richland, Minnesota 56072.

DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA
FOR THE YEAR ENDED
JUNE 30, 2026

Independent School District No. 2168

New Richland, Minnesota

Statement of Net Position

June 30, 2026

	Governmental Activities
Assets	
Cash and temporary investments	\$ 4,612,933
Receivables	
Taxes	1,490,102
Accounts and interest	62,837
Due from other school districts	10,678
Intergovernmental	1,125,219
Inventories	11,639
Prepaid items	27,659
Capital assets not being depreciated	263,308
Capital assets net of accumulated depreciation	23,947,836
Total Assets	<u>31,552,211</u>
Deferred Outflows of Resources	
Deferred pension resources	<u>1,332,747</u>
Liabilities	
Salaries and wages payable	58,953
Accounts and other payables	52,542
Accrued interest payable	184,314
Due to other school districts	68,626
Accrued expenses	156,423
Unearned revenue	36,016
Noncurrent liabilities	
Due within one year	
Long-term liabilities	976,900
Due in more than one year	
Long-term liabilities	11,837,190
Net pension liability	4,647,166
Total Liabilities	<u>18,018,130</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	2,249,849
Deferred pension resources	2,097,402
Total Deferred Inflows of Resources	<u>4,347,251</u>
Net Position	
Net investment in capital assets	11,626,184
Restricted	
Educational purposes	243,017
Food service	280,343
Debt service	79,236
Unrestricted	<u>(1,709,203)</u>
Total Net Position	<u>\$ 10,519,577</u>

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

Independent School District No. 2168
New Richland, Minnesota
Statement of Activities
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 780,417	\$ -	\$ 1,068	\$ -	\$ (779,349)
District support services	384,760	-	-	-	(384,760)
Elementary and secondary regular instruction	5,459,143	177,858	1,002,117	-	(4,279,168)
Vocational education instruction	314,747	2,362	3,425	-	(308,960)
Special education instruction	1,792,432	154,494	1,555,771	-	(82,167)
Community education and services	630,972	324,781	99,340	-	(206,851)
Instructional support services	484,539	15,752	205,959	-	(262,828)
Pupil support services	1,863,754	396,742	617,534	-	(849,478)
Sites and buildings	1,883,881	-	54,716	-	(1,829,165)
Fiscal and other fixed cost programs	99,500	12,094	-	-	(87,406)
Interest and fiscal charges on long term debt	409,322	-	23,468	-	(385,854)
Total Governmental Activities	<u>\$ 14,103,467</u>	<u>\$ 1,084,083</u>	<u>\$ 3,563,398</u>	<u>\$ -</u>	<u>(9,455,986)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					1,090,655
Property taxes, levied for community service					128,625
Property taxes, levied for debt service					714,640
State aid-formula grants and other contributions					6,037,163
Other general revenues					869,196
Investment earnings					220,449
Total General Revenues					<u>9,060,728</u>
Change in Net Position					(395,258)
Net Position, July 1					<u>10,914,835</u>
Net Position, June 30					<u>\$ 10,519,577</u>

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

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA
FOR THE YEAR ENDED
JUNE 30, 2026

Independent School District No. 2168
New Richland, Minnesota
Balance Sheet
Governmental Funds
June 30, 2026

	General	Debt Service	Other Governmental Funds	Total
Assets				
Cash and temporary investments	\$ 3,521,539	\$ 550,507	\$ 540,887	\$ 4,612,933
Receivables				
Taxes				
Current	497,247	915,560	62,501	1,475,308
Delinquent	6,218	7,814	762	14,794
Accounts and interest	56,172	-	6,665	62,837
Due from other school districts	10,678	-	-	10,678
Intergovernmental	1,056,098	63,804	5,317	1,125,219
Inventories	-	-	11,639	11,639
Prepaid items	20,900	-	6,759	27,659
Total Assets	<u>\$ 5,168,852</u>	<u>\$ 1,537,685</u>	<u>\$ 634,530</u>	<u>\$ 7,341,067</u>
Liabilities				
Salaries and wages payable	\$ 19,127	\$ -	\$ 39,826	\$ 58,953
Accounts and other payables	48,303	-	4,239	52,542
Due to other school districts	68,626	-	-	68,626
Accrued expenses	156,423	-	-	156,423
Unearned revenue	22,550	-	13,466	36,016
Total Liabilities	<u>315,029</u>	<u>-</u>	<u>57,531</u>	<u>372,560</u>
Deferred Inflows of Resources				
Property taxes levied for subsequent year	851,473	1,274,135	124,241	2,249,849
Unavailable revenue				
Delinquent property taxes	6,218	7,814	762	14,794
Total Deferred Inflows of Resources	<u>857,691</u>	<u>1,281,949</u>	<u>125,003</u>	<u>2,264,643</u>
Fund Balances				
Nonspendable	20,900	-	18,398	39,298
Restricted	77,361	255,736	433,598	766,695
Unassigned	3,897,871	-	-	3,897,871
Total Fund Balances	<u>3,996,132</u>	<u>255,736</u>	<u>451,996</u>	<u>4,703,864</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,168,852</u>	<u>\$ 1,537,685</u>	<u>\$ 634,530</u>	<u>\$ 7,341,067</u>

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

Independent School District No. 2168
New Richland, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2026

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

Total Fund Balances - Governmental Funds	\$ 4,703,864
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	24,211,144
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Bonds payable	(11,518,000)
Compensated absences payable	(229,130)
Financed purchase arrangements	(323,628)
Unamortized premiums	(743,332)
Net pension liability	(4,647,166)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	14,794
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,332,747
Deferred inflows of pension resources	(2,097,402)
Governmental funds do not report a liability for accrued interest until due and payable.	
	<u>(184,314)</u>
Total Net Position - Governmental Activities	<u>\$ 10,519,577</u>

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

Independent School District No. 2168
New Richland, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2026

	General	Debt Service	Formerly Major Building Construction	Other Governmental Funds	Total
Revenues					
Local property tax levies	\$ 1,094,911	\$ 711,823		\$ 130,376	\$ 1,937,110
Other local and county revenue	613,940	-		354,676	968,616
Interest earned on investments	197,839	7,618		14,992	220,449
Revenue from state sources	8,492,096	634,827		473,911	9,600,834
Revenue from federal sources	456,340	-		390,703	847,043
Sales and other conversion of assets	75,844	-		88,609	164,453
Total Revenues	<u>10,930,970</u>	<u>1,354,268</u>	<u>-</u>	<u>1,453,267</u>	<u>13,738,505</u>
Expenditures					
Current					
Administration	749,143	-		-	749,143
District support services	369,733	-		-	369,733
Elementary and secondary regular instruction	5,238,395	-		-	5,238,395
Vocational education instruction	286,672	-		-	286,672
Special education instruction	1,821,451	-		-	1,821,451
Community education and services	2,750	-		607,684	610,434
Instructional support services	445,233	-		-	445,233
Pupil support services	973,884	-		824,629	1,798,513
Sites and buildings	1,023,204	-		-	1,023,204
Fiscal and other fixed cost programs	99,500	-		-	99,500
Capital outlay	477,370	-		160,269	637,639
Debt service					
Principal	126,556	826,000		-	952,556
Interest and other charges	11,396	459,880		-	471,276
Total Expenditures	<u>11,625,287</u>	<u>1,285,880</u>	<u>-</u>	<u>1,592,582</u>	<u>14,503,749</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(694,317)</u>	<u>68,388</u>	<u>-</u>	<u>(139,315)</u>	<u>(765,244)</u>
Other Financing Sources (Uses)					
Debt issued	290,622	-		-	290,622
Sale of capital assets	1,068	-		-	1,068
Transfers in	-	-		30,332	30,332
Transfers out	(30,332)	-		-	(30,332)
Total Other Financing Sources (Uses)	<u>261,358</u>	<u>-</u>	<u>-</u>	<u>30,332</u>	<u>291,690</u>
Net Change in Fund Balances	<u>(432,959)</u>	<u>68,388</u>	<u>-</u>	<u>(108,983)</u>	<u>(473,554)</u>
Fund Balances, July 1, as Previously Presented	4,429,091	187,348	151,654	409,325	5,177,418
Change Within Financial Reporting Entity (Note 7) Change from major to nonmajor fund	<u>-</u>	<u>-</u>	<u>(151,654)</u>	<u>151,654</u>	<u>-</u>
Fund Balances, July 1, as Adjusted	<u>4,429,091</u>	<u>187,348</u>	<u>-</u>	<u>560,979</u>	<u>5,177,418</u>
Fund Balances, June 30	<u>\$ 3,996,132</u>	<u>\$ 255,736</u>	<u>\$ -</u>	<u>\$ 451,996</u>	<u>\$ 4,703,864</u>

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

Independent School District No. 2168
New Richland, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2026

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

Total Net Change in Fund Balances - Governmental Funds	\$ (473,554)
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	587,982
Depreciation expense	(1,059,858)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Issuance of long-term debt	(290,622)
Principal repayments	952,556
Amortization of bond premiums	56,132
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.	5,822
Long-term pension activity is not reported in governmental funds.	
Pension expense	(53,627)
Direct aid contributions	(28,174)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	(3,190)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences costs	<u>(88,725)</u>
Change in Net Position - Governmental Activities	<u><u>\$ (395,258)</u></u>

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

Independent School District No. 2168
New Richland, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2026

	Private Purpose Trust
Assets	
Cash and temporary investments	\$ 117,297
Interest receivable	<u>1,909</u>
Total Assets	<u><u>\$ 119,206</u></u>
Net Position	
Held in Trust for Scholarships	<u><u>\$ 119,206</u></u>

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

Independent School District No. 2168
New Richland, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2026

	Private Purpose Trust
Revenues	
Interest earned on investments	\$ 3,827
Expenditures	
Other expenditures	<u>1,000</u>
Change in Net Position	2,827
Net Position, July 1	<u>116,379</u>
Net Position, June 30	<u><u>\$ 119,206</u></u>

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

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Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2168, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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*.

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 1: Summary of Significant Accounting Policies (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as unavailable revenue.

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

Description of Funds

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

Major Governmental Funds

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

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

Non-Major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures.

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

The *Building Construction capital project fund* accounts for capital costs related to building construction.

Fiduciary Funds

The *Private-Purpose Trust fund* is used to account for resources legally held in trust by agreements where the School Board has accepted the responsibility to serve as trustee.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

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

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.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2026 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credits are paid to the District by the State in lieu of taxes levied against the property.

Current property taxes receivable is the uncollected portion of the taxes levied in 2025 and collectible in 2026. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year.

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

Accounts Receivable

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

Inventories And Prepaid Items

Food Service fund inventories include items purchased by the District and commodities donated by the U.S. Department of Agriculture (USDA). Commodities are valued using a standard price list furnished by the USDA and purchased inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 1: Summary of Significant Accounting Policies (Continued)

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

Assets	Years
Buildings	50
Plumbing and electrical	30
Building improvements interior, portable classroom, and fire system	25
Heating and ventilation system, long-term admin software, furniture and fixtures, outdoor equipment, roofing, and site improvements	20
Custodial equipment, grounds equipment, kitchen equipment, and machinery and tools	15
All other equipment, short-term admin software and long-term instructional software	10
Vehicles and buses	8
Carpet replacement	7
Computer hardware, copiers, short-term instructional software, and library books	5

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Compensated Absences

Vacation Pay - Vacations taken or estimated to be taken within 60 days after year end are expensed and included in salaries payable as of June 30. Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no long-term portion of vacation liabilities is recorded in the financial statements.

Sick Pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment. An estimated amount of sick leave is accrued as a liability based on an estimate derived from historical data using the last in first out (LIFO) method.

Severance Pay - The District maintains a severance pay plan for its staff. The plan contains benefit formulas based on years of service and minimum age requirements. If severance benefits are paid within the first 60 days after year end, an accrual is made in the governmental fund incurring the liability. Otherwise, vested severance pay, if any, is recorded in the statement of net position and severance pay expenses are recognized when earned. As of June 30, 2026, the District has a severance liability of \$229,130 of which \$2,371 is considered current.

Long-term Obligations

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 1: Summary of Significant Accounting Policies (Continued)

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

Pensions

Teachers Retirement Association (TRA)

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

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

Public Employees Retirement Association (PERA)

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

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

	Public Employees Retirement Association of Minnesota (PERA)	Teacher's Retirement Association (TRA)	Total All Plans
School's proportionate share	\$ 15,554	\$ 679,030	\$ 694,584
Proportionate share of State's contribution	(2,795)	(6,053)	(8,848)
Total pension expense	<u>\$ 12,759</u>	<u>\$ 672,977</u>	<u>\$ 685,736</u>

Deferred Inflows of Resources

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 1: Summary of Significant Accounting Policies (Continued)

Furthermore, the District has an additional item which qualify for reporting in this category on the statement of net position. The item, deferred pension resources, is reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

Fund Balance

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

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

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

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

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

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

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

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of 22% to 28% of the general fund annual operating budget.

Net Position

In the district-wide financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

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

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for District governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds.

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the School Board.
2. Budgets for General, Special Revenue and Debt Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of budgetary control is the department level.
6. The District does not use encumbrance accounting.

B. Excess of Actual Expenditures Over Appropriations

For the year ended June 30, 2026, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General	\$ 11,283,752	\$ 11,625,287	\$ 341,535
Community Service	555,180	615,967	60,787
Debt Service	1,285,868	1,285,880	12

The excess expenditures were funded by revenues in excess of budget and available fund balance.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 3: Detailed Notes on All Funds (Continued)

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

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

At year end, the District's carrying amount of deposits was \$1,184,626 and the bank balance was \$1,701,279. Of the bank balance, \$500,000 was covered by federal depository insurance and the remaining balance was covered by bonds or collateral held by the District's agent in the District's name.

Investments

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

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the District's investments to the list on page 41 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 3: Detailed Notes on All Funds (Continued)

As of June 30, 2026, the District had the following investments:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled Investments at Amortized Costs			
Financial Investors Trust - U.S.			
Treasury Money Market Fund	NA	less than six months	\$ 3,545,604

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

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

N/A Indicates not applicable or available.

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Deposits	\$ 1,184,626
Investments	3,545,604
Total	4,730,230
Less Fiduciary Fund Cash and Temporary Investments	(117,297)
Cash and Temporary Investments	\$ 4,612,933

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2025 and payable in 2026. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2026 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies.

Taxes receivable is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	\$ 497,247	\$ 915,560	\$ 62,501	\$ 1,475,308
Delinquent Taxes	6,218	7,814	762	14,794
Total Taxes Receivable	\$ 503,465	\$ 923,374	\$ 63,263	\$ 1,490,102
Property Taxes Levied for Subsequent Year	\$ 851,473	\$ 1,274,135	\$ 124,241	\$ 2,249,849

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the District for the year ended June 30, 2026 was as follows:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 263,308	\$ -	\$ -	\$ 263,308
Construction In Progress	19,300	18,100	(37,400)	-
Total Capital Assets not Being Depreciated	<u>282,608</u>	<u>18,100</u>	<u>(37,400)</u>	<u>263,308</u>
Capital Assets Being Depreciated				
Land Improvements	1,634,222	-	-	1,634,222
Buildings	34,531,585	148,219	-	34,679,804
Equipment	8,351,782	459,063	-	8,810,845
Total Capital Assets Being Depreciated	<u>44,517,589</u>	<u>607,282</u>	<u>-</u>	<u>45,124,871</u>
Less Accumulated Depreciation				
Land Improvements	(1,010,997)	(55,943)	-	(1,066,940)
Buildings	(12,255,056)	(694,683)	-	(12,949,739)
Equipment	(6,851,124)	(309,232)	-	(7,160,356)
Total Accumulated Depreciation	<u>(20,117,177)</u>	<u>(1,059,858)</u>	<u>-</u>	<u>(21,177,035)</u>
Total Capital Assets Being Depreciated, Net	<u>24,400,412</u>	<u>(452,576)</u>	<u>-</u>	<u>23,947,836</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 24,683,020</u>	<u>\$ (434,476)</u>	<u>\$ (37,400)</u>	<u>\$ 24,211,144</u>

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 375
District Support Services	117
Elementary And Secondary Regular Instruction	115,928
Vocational Education Instruction	3,815
Community Education	5,040
Instructional Support Services	5,047
Pupil Support Services	90,665
Sites and Buildings	823,265
Special Education Instruction	<u>15,606</u>
Total Depreciation Expense	<u>\$ 1,059,858</u>

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Liabilities

Finance Purchased Arrangements

The District has entered into multiple finance purchase arrangements. The details are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Due Within One Year	Balance at Year End
230 Apple 10.9-Inch Ipads	\$ 79,445	7.98 %	07/15/24	07/15/27	\$ 19,043	\$ 39,605
Bus 36 & 38	111,498	5.55	08/15/24	09/15/27	27,210	55,930
Bus 46 & 44	290,622	4.55	10/15/25	11/15/29	53,276	228,093
					<u>\$ 99,529</u>	<u>\$ 323,628</u>

The annual requirement to amortize all finance purchase arrangements at June 30, 2026 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2027	\$ 99,529	\$ 16,645	\$ 116,174
2028	104,984	11,189	116,173
2029	58,234	5,420	63,654
2030	60,881	2,773	63,654
Total	<u>\$ 323,628</u>	<u>\$ 36,027</u>	<u>\$ 359,655</u>

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. In addition, general obligation bonds have been issued to refund general obligation bonds.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 3: Detailed Notes on All Funds (Continued)

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

Description	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
G.O. School Building Bonds, Series 2019A	\$ 8,575,000	2.98 - 5.00 %	08/14/19	02/01/40	\$ 410,000	\$ 7,305,000
G.O. Capital Facilities Refunding Bonds, Series 2021A	611,000	0.59	06/08/21	02/01/28	90,000	178,000
G.O. Facilities Maintenance and Tax Abatement Bonds, Series 2022	4,985,000	4.00 - 5.00	11/10/22	02/01/38	375,000	4,035,000
Total					<u>\$ 875,000</u>	<u>\$ 11,518,000</u>

The annual requirements to amortize all bonds outstanding at June 30, 2026 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2027	\$ 875,000	\$ 418,820	\$ 1,293,820
2028	913,000	379,040	1,292,040
2029	860,000	337,270	1,197,270
2030	900,000	303,370	1,203,370
2031	930,000	267,770	1,197,770
2032-2036	4,195,000	843,800	5,038,800
2037-2040	<u>2,845,000</u>	<u>209,130</u>	<u>3,054,130</u>
Total	<u>\$ 11,518,000</u>	<u>\$ 2,759,200</u>	<u>\$ 14,277,200</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 12,344,000	\$ -	\$ (826,000)	\$ 11,518,000	\$ 875,000
Bond premiums	799,464	-	(56,132)	743,332	-
Total Bonds Payable	<u>13,143,464</u>	<u>-</u>	<u>(882,132)</u>	<u>12,261,332</u>	<u>875,000</u>
Other Liabilities					
Financed purchase arrangements	159,562	290,622	(126,556)	323,628	99,529
Compensated absences payable*	<u>140,405</u>	<u>88,725</u>	<u>-</u>	<u>229,130</u>	<u>2,371</u>
Total Long-term Liabilities	<u>\$ 13,443,431</u>	<u>\$ 379,347</u>	<u>\$ (1,008,688)</u>	<u>\$ 12,814,090</u>	<u>\$ 976,900</u>

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At June 30, 2026, portions of the District's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (Restricted) and policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Nonmajor Governmental	Total
Nonspendable				
Inventories	\$ -	\$ -	\$ 11,639	\$ 11,639
Prepaid items	20,900	-	6,759	27,659
Total	<u>\$ 20,900</u>	<u>\$ -</u>	<u>\$ 18,398</u>	<u>\$ 39,298</u>
Restricted				
Student activities	\$ 21,302	\$ -	\$ -	\$ 21,302
Staff development	538	-	-	538
Literacy incentive aid	4,423	-	-	4,423
Learning and development	9,871	-	-	9,871
Long term facility maintenance	41,227	-	-	41,227
Community education	-	-	48,273	48,273
Early childhood and family education	-	-	88,052	88,052
School readiness	-	-	11,804	11,804
Food service	-	-	268,704	268,704
Community service	-	-	16,765	16,765
Debt service	-	255,736	-	255,736
Total	<u>\$ 77,361</u>	<u>\$ 255,736</u>	<u>\$ 433,598</u>	<u>\$ 766,695</u>
Unassigned	<u>\$ 3,897,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,897,871</u>

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Student Activities - This amount represents available resources for various student activities.

Restricted for Staff Development - This amount represents available resources for staff development. Revenues are derived from state aids and expenditures are for staff development at each site.

Restricted for Literacy Incentive Aid - This amount represents available resources to support implementation of evidence-based reading instruction

Restricted for Learning and Development - This amount represents available general education revenues for learning and development, which is mainly for reducing the pupil-to-staff ratio.

Restricted for Long-term Facility Maintenance - This amount represents available resources for larger maintenance projects. Revenues are derived from State aids and expenditures are for maintenance.

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

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

Restricted for School Readiness - This amount represents available resources to provide for services for school readiness programs. Revenues are derived from State aids, fees and grants and expenditures are for salaries, benefits and supplies.

Restricted for Food Service - This amount represents available resources available for food service. Revenues are derived from sales to pupils and State aid.

Restricted for Community Service - This amount represents available resources available for community services. Revenues are derived from tax levies and local and county sources and expenditures are primarily for salaries, benefits, purchased services supplies and materials.

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 4: Defined Benefit Pension Plans - Statewide

A. Teachers Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

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

Tier I:	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% 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:

1. Normal retirement age is 65 with less than 30 years of allowable service and age 60 with 30 or more years of allowable service.
2. Three percent per year early retirement reduction factor for all years under normal retirement age.
3. Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

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

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for Basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for coordinated members and 2.7% per year for Basic members applies. An early retirement reduction is applied to members retiring prior to age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

Tier II Benefits

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 65 effective July 1, 2024. An early retirement reduction is applied to members retiring before age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

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

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

3. Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for fiscal year 2026 for the Coordinated Plan were 8.00% for the employee and 9.81% for the employer. Basic rates were 11.50% for the employee and 13.81% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2026, were \$413,409. The District's contributions were equal to the required contributions for each year as set by state statute.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

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

4. Actuarial Assumptions

The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Experience Studies	* August 2, 2023 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2027 and 3.25% after June 30, 2028.
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028.
Cost of Living Adjustment	1% for January 2019 through January 2023, then increasing by 1.0% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Health Retirees	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

*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.

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.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

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

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

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

Changes in the actuarial assumptions since the 2023 valuation:

- Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

5. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2025 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Net Pension Liability

On June 30, 2026, the District reported a liability of \$3,891,766 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

The District's proportionate share was 0.0679% at the end of the measurement period and 0.0694% at 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	\$ 3,891,766
State's Proportionate Share of Net Pension Liability Associated with the District	<u>241,705</u>
Total	<u>\$ 4,133,471</u>

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

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

For the year ended June 30, 2026, the District recognized pension expense of \$679,030. It also recognized negative \$6,053 as a decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2025, the State of Minnesota contributed \$28,462,000 to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$28,462,000 in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$19,328 for the year ended June 30, 2026 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.

At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 179,463	\$ 38,221
Changes in Actuarial Assumptions	219,833	411,675
Net Difference Between Projected and Actual Investment Earnings	-	781,444
Changes in Proportion	146,661	352,994
Contributions Paid to TRA Subsequent to the Measurement Date	467,298	-
Total	<u>\$ 1,013,255</u>	<u>\$ 1,584,334</u>

The \$467,298 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2027	\$ 153,257
2028	(482,938)
2029	(478,364)
2030	(219,541)
2031	(10,791)

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate.

	District's Proportionate Share of Net Pension Liability		
	One Percent Decrease (6%)	Current (7%)	One Percent Increase (8%)
Teachers Retirement Association	\$ 7,340,954	\$ 3,891,766	\$ 1,053,107

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

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

8. Pension Plan Fiduciary Net Position

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

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan (General Plan)

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

2. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% 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 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 retirement 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.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

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

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

3. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2026 and the District was required to contribute 7.50% for General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2026, were \$154,364. The District's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2026, the District reported a liability of \$755,400 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 \$18,223.

District's proportionate share of the net pension liability	\$ 755,400
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>18,223</u>
Total	<u><u>\$ 773,623</u></u>

The net pension liability was measured as of June 30, 2026, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2025 through June 30, 2026, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0228% at the end of the measurement period and 0.0236% at the beginning of the period.

For the year ended June 30, 2026, the District recognized pension expense of \$15,554 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional negative \$2,795 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.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

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

At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 71,973	\$ -
Changes in actuarial assumptions	18,201	173,815
Net difference between projected and actual investment earnings	-	300,581
Changes in proportion	64,505	38,672
Employer contributions subsequent to the measurement date	164,813	-
	<u>\$ 319,492</u>	<u>\$ 513,068</u>
Total		

The \$164,813 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, 2027. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2027	\$ (68,495)
2028	(121,304)
2029	(114,894)
2030	(53,696)

5. Long-term Expected Return on Investment

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

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

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

6. 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, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service.

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

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

7. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current plan members. 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.

8. Pension Liability Sensitivity

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

	<u>1 Percent Decrease (6.00%)</u>	<u>Current (7.00%)</u>	<u>1 Percent Increase (8.00%)</u>
General Employees Fund	\$ 1,834,747	\$ 755,400	\$ (120,194)

9. Pension Plan Fiduciary Net Position

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

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 5: 403(b) Plan

The District sponsors a 403(b) tax-sheltered annuity defined contribution plan (the "Plan") for eligible employees. Under collective bargaining agreements and employment contracts, the District provides matching contributions for eligible teachers, paraprofessionals, and certain other employees.

Eligible teachers who have completed the required service period may receive dollar-for-dollar matching contributions subject to annual maximum contributions ranging from \$800 to \$1,800 based on years of service. Certain non-teaching employees and paraprofessionals become eligible after satisfying applicable service requirements. Part-time employees are eligible for prorated matching contributions.

Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2026, 2025, and 2024 are \$67,481, \$57,268 and \$57,792 respectively. The related employee contributions were \$107,261, \$124,298 and \$124,466 for the years ended June 30, 2026, 2025, and 2024, respectively.

Note 6: Other Information

A. Risk Management

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

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

B. Federal And State Programs

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

C. Affiliated Organizations

The District, in conjunction with South Central Service Cooperative (SCSC), created a joint powers agreement for group employee benefits and other financial and risk management services. The SCSC's board is defined in the Joint Powers Agreement. A member may withdraw upon written notice given to the Board. In the event of dissolution, amounts received from participants to the benefit fund reserve shall be used exclusively for the payment of benefits to or on behalf of enrolled employees, payment of reasonable expenses, and payment of taxes. Separate financial statements of the affiliated organization may be obtained from SCSC. The affiliated organization is in good financial health. It is not anticipated to be a burden on the District.

Independent School District No. 2168
New Richland, Minnesota
Notes to the Financial Statements
June 30, 2026

Note 7: Adjustments to Beginning Balances

Change within Major and Nonmajor Fund Reporting

During fiscal year 2026, the Building Construction fund was determined to be nonmajor. The effects of the changes within the financial reporting entity are shown in the Statement of Revenues, Expenditures and Changes in Fund Balances Statement.

Change in Accounting Principle

During the year ended June 30, 2026, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. There were no adjustments or restatements of beginning balance needed for the adoption of this statement.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

Independent School District No. 2168

New Richland, Minnesota

Required Supplementary Information

For the Year Ended June 30, 2026

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.0679 %	\$ 3,891,766	\$ 241,705	\$ 4,133,471	\$ 4,724,674	82.4 %	84.5 %
6/30/2024	0.0694	4,409,899	270,381	4,680,280	4,788,740	92.1	82.1
6/30/2023	0.0686	5,663,770	397,003	6,060,773	4,365,220	129.7	76.4
6/30/2022	0.0734	5,877,484	435,804	6,313,288	4,472,758	131.4	76.2
6/30/2021	0.0703	3,076,538	259,373	3,335,911	4,205,629	73.2	86.6
6/30/2020	0.0742	5,481,995	459,303	5,941,298	4,198,079	130.6	75.5
6/30/2019	0.0785	5,003,606	442,560	5,446,166	4,396,706	113.8	78.2
6/30/2018	0.0796	5,002,273	469,844	5,472,117	4,400,760	113.7	78.1
6/30/2017	0.0792	15,809,757	1,529,052	17,338,809	4,262,870	370.9	51.6
6/30/2016	0.0773	18,437,894	1,851,052	20,288,946	4,022,721	458.3	44.9

Schedule of Employer's TRA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2026	\$ 467,298	\$ 467,298	\$ -	\$ 4,763,486	9.81 %
6/30/2025	413,409	413,409	-	4,724,674	8.8
6/30/2024	419,015	419,015	-	4,788,740	8.8
6/30/2023	373,226	373,226	-	4,365,220	8.5
6/30/2022	373,028	373,028	-	4,472,758	8.3
6/30/2021	341,918	341,918	-	4,205,629	8.1
6/30/2020	332,488	332,488	-	4,198,079	7.9
6/30/2019	338,986	338,986	-	4,396,706	7.7
6/30/2018	330,057	330,057	-	4,400,760	7.5
6/30/2017	319,715	319,715	-	4,262,870	7.5

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2026

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2025 - Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

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

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

2022 - No changes noted.

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

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

2019 - No changes noted.

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

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

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

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2026

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2025 - The 2025 Omnibus Pensions and Retirement Bill (HF 1889/SF 2884) made several changes to benefit provisions and actuarial methods. Expanded the current special early retirement reductions available at age 62 with at least 30 years of service to ages 60 and 61 with at least 30 years of service. Lowered special early retirement reductions for members who retire after reaching age 60 with 30 years of service from 6% with augmentation to 5% with augmentation. Delayed retired members' eligibility for their first COLA until age 65, including members who retire under special early retirement. Increased employer contribution rates by 0.31% above the previous scheduled increase. Changed the amortization method for financing the System's Unfunded Actuarial Accrued Liability (UAAL) from a single base being amortized over the period ending June 30, 2048 to a "layered" amortization approach. Under the new method, the UAAL as of July 1, 2024 will continue to be amortized according to its current schedule, but new bases will be amortized over varying periods depending on the source the UAAL impact.

2024 - The 2024 Omnibus Pensions and Retirement Bill (HF 5040/SF 4643) lowered the normal retirement age for Tier 2 members from 66 to 65 effective July 1, 2024 and provided for a one-time State appropriation of \$28.46 million to cover the cost. HF 3100, appropriated \$176,166,838 to TRA, payable on October 1, 2023: \$28,735,816 for the difference between the statutory 1.1% compounded COLA payable on January 1, 2024 and a one-time 2.5% lump-sum COLA for coordinated plan members; \$2,384,222 for the difference between the statutory 1.1% compounded COLA payable on January 1, 2024 and a one-time 4.0% lump-sum COLA for basic plan members; and \$145,046,800 to pay down the unfunded actuarial accrued liability.

2023 - The 2023 Tax Finance and Policy Bill contained a number of changes: Effective July 1, 2025, the normal retirement age for Tier 2 members will decrease from 66 to 65. The employer contribution rate will increase from 8.75% to 9.50% on July 1, 2025. The employee contribution rate will increase from 7.75% to 8.00% on July 1, 2025.

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

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

2017 - No changes noted.

2016 - No changes noted.

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2026

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.0228 %	\$ 755,400	\$ 18,223	\$ 773,623	\$ 2,058,187	36.7 %	90.8 %
6/30/2024	0.0236	871,518	22,536	894,054	1,995,201	43.7	86.7
6/30/2023	0.0215	1,202,256	33,153	1,235,409	1,711,154	70.3	83.1
6/30/2022	0.0218	1,726,567	50,755	1,777,322	1,632,394	105.8	76.7
6/30/2021	0.0208	888,253	272,207	1,160,460	1,498,813	59.3	87.0
6/30/2020	0.0214	1,283,028	39,457	1,322,485	1,523,920	84.2	79.0
6/30/2019	0.0209	1,155,514	35,998	1,191,512	1,474,256	78.4	80.2
6/30/2018	0.0213	1,181,637	38,762	1,220,399	1,431,852	82.5	79.5
6/30/2017	0.0210	1,340,626	16,832	1,357,458	1,350,812	99.2	75.9
6/30/2016	0.0220	1,786,291	23,343	1,809,634	1,364,235	130.9	68.9

Schedule of Employer's PERA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2026	\$ 164,813	\$ 164,813	\$ -	\$ 2,197,507	7.50 %
6/30/2025	154,364	154,364	-	2,058,189	7.5
6/30/2024	149,640	149,640	-	1,995,201	7.5
6/30/2023	128,337	128,337	-	1,711,154	7.5
6/30/2022	122,430	122,430	-	1,632,394	7.5
6/30/2021	112,411	112,411	-	1,498,813	7.5
6/30/2020	114,294	114,294	-	1,523,920	7.5
6/30/2019	110,569	110,569	-	1,474,256	7.5
6/30/2018	107,389	107,389	-	1,431,852	7.5
6/30/2017	101,311	101,311	-	1,350,812	7.5

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2026

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2025 - The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

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

2023 - The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

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

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

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

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2026

Notes to the Required Supplementary Information - PERA (Continued)

Changes in Plan Provisions

2025 - The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%. The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

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

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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

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

2016 - There were no changes in plan provisions since the previous valuation.

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2026

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Revenues					
Local property tax levies	\$ 1,031,063	\$ 1,031,063	\$ -	\$ 1,094,911	\$ 63,848
Other local and county revenue	543,299	567,099	23,800	613,940	46,841
Interest earned on investments	150,000	210,000	60,000	197,839	(12,161)
Revenue from state sources	8,343,637	8,476,837	133,200	8,492,096	15,259
Revenue from federal sources	367,700	381,200	13,500	456,340	75,140
Sales and other conversion of assets	73,500	72,400	(1,100)	75,844	3,444
Total Revenues	<u>10,509,199</u>	<u>10,738,599</u>	<u>229,400</u>	<u>10,930,970</u>	<u>192,371</u>
Expenditures					
Current					
Administration	729,972	740,909	10,937	749,143	(8,234)
District support services	375,148	394,306	19,158	369,733	24,573
Elementary and secondary regular instruction	4,994,378	5,084,866	90,488	5,238,395	(153,529)
Vocational education instruction	283,889	292,633	8,744	286,672	5,961
Special education instruction	1,732,526	1,875,349	142,823	1,821,451	53,898
Community education and services	2,820	2,820	-	2,750	70
Instructional support services	363,910	380,745	16,835	445,233	(64,488)
Pupil support services	968,098	971,366	3,268	973,884	(2,518)
Sites and buildings	1,112,958	1,114,506	1,548	1,023,204	91,302
Fiscal and other fixed cost programs	99,000	99,500	500	99,500	-
Capital outlay					
Administration	1,000	-	(1,000)	-	-
District support services	1,450	2,450	1,000	1,961	489
Elementary and secondary regular instruction	84,920	61,750	(23,170)	75,405	(13,655)
Vocational education instruction	2,000	2,000	-	-	2,000
Special education instruction	-	200	200	202	(2)
Instructional support services	10,000	5,400	(4,600)	1,170	4,230
Pupil support services	1,800	-	(1,800)	290,622	(290,622)
Sites and buildings	7,000	117,000	110,000	108,010	8,990
Debt service					
Principal	125,798	126,556	758	126,556	-
Interest and other charges	10,273	11,396	1,123	11,396	-
Total Expenditures	<u>10,906,940</u>	<u>11,283,752</u>	<u>376,812</u>	<u>11,625,287</u>	<u>(341,535)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(397,741)</u>	<u>(545,153)</u>	<u>(147,412)</u>	<u>(694,317)</u>	<u>(149,164)</u>
Other Financing Sources (Uses)					
Debt issued	-	-	-	290,622	290,622
Sale of capital assets	-	2,500	2,500	1,068	(1,432)
Transfers out	(20,000)	-	20,000	(30,332)	(30,332)
Total Other Financing Sources (Uses)	<u>(20,000)</u>	<u>2,500</u>	<u>22,500</u>	<u>261,358</u>	<u>258,858</u>
Net Change in Fund Balances	(417,741)	(542,653)	(124,912)	(432,959)	109,694
Fund Balances, July 1	<u>4,429,091</u>	<u>4,429,091</u>	<u>-</u>	<u>4,429,091</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 4,011,350</u>	<u>\$ 3,886,438</u>	<u>\$ (124,912)</u>	<u>\$ 3,996,132</u>	<u>\$ 109,694</u>

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
June 30, 2026

Notes to the Required Supplementary Information - Budgetary Reporting

A. Budgetary Comparison Schedule

The budgetary comparison schedule presents the comparison of the original and legally amended budget with actual amounts on a departmental level for the General and Special Revenue funds. The departmental level budgets are adopted on a basis consistent with generally accepted accounting principles. The fund balance reports revenue in the period in which they become measurable and available.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2026, expenditures exceeded appropriations in the general fund as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General	\$ 11,283,752	\$ 11,625,287	\$ 341,535

These excess expenditures were funded by excess fund balance and greater than anticipated revenues.

C. Budget Amendments

In accordance with state statutes governing municipal financial management and compliance with GASB Statement No. 103, the District's budget amendments were processed and approved through established legal and procedural frameworks. The School Board exercised its authority as delineated in Minnesota Statutes Section 123B.77, ensuring that all modifications to the budget were deliberated and approved in public meetings, adhering to principles of transparency and accountability. Each amendment or group of amendments were documented and justified based on emergent fiscal requirements or reallocation of resources, following criteria that align with GASB 103 guidelines. This process underscores the District's commitment to maintaining financial integrity and regulatory compliance, providing a clear audit trail for citizens and auditors alike.

D. Summary of Significant Budget Amendments

Significant amendments to the original General fund budget were approved as noted below:

Revenues

- Approved an increase in revenue from State sources based on ADM changes.

Expenditures

- Special education salary expenditures were amended significantly due to a change in the budgeted payment method for PSEO students with Riverland.
- Capital outlay expenditures were amended significantly to accommodate the anticipated purchase of a residential property identified later in the fiscal year.

Independent School District No. 2168
New Richland, Minnesota
Required Supplementary Information (Continued)
June 30, 2026

Notes to the Required Supplementary Information - Budgetary Reporting (Continued)

E. Summary of Significant Budget Variances

The General fund revenues and expenditures varied significantly from final budget amounts as noted below:

Revenues

- There were no significant budget variances between budgeted and actual revenues in the General Fund.

Expenditures

- Elementary and secondary regular instruction expenditures varied from budget primarily due to the District's transition from contracted staffing through Teachers On Call to employing instructional staff directly.
- Pupil support services expenditures varied from budget as a result of capital lease obligations incurred during the year related to finance purchase agreements acquired during the year for buses 46-44.

F. Budgetary Compliance

There were no budgetary compliance violations for the fiscal year ending June 30, 2026.

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

Independent School District No. 2168

New Richland, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2026

	Special Revenue		Building	
	Food	Community	Construction	Total
	Service	Service		
Assets				
Cash and temporary investments	\$ 283,442	\$ 257,445	\$ -	\$ 540,887
Receivables				
Taxes				
Current	-	62,501	-	62,501
Delinquent	-	762	-	762
Accounts and interest	-	6,665	-	6,665
Intergovernmental	-	5,317	-	5,317
Inventories	11,639	-	-	11,639
Prepaid items	-	6,759	-	6,759
Total Assets	\$ 295,081	\$ 339,449	\$ -	\$ 634,530
Liabilities				
Salaries and wages payable	\$ 13,129	\$ 26,697	\$ -	\$ 39,826
Accounts and other payables	-	4,239	-	4,239
Unearned revenue	1,609	11,857	-	13,466
Total Liabilities	14,738	42,793	-	57,531
Deferred Inflows of Resources				
Property taxes levied for subsequent year	-	124,241	-	124,241
Unavailable revenue				
Delinquent property taxes	-	762	-	762
Total Deferred Inflows of Resources	-	125,003	-	125,003
Fund Balances				
Nonspendable				
Inventories	11,639	-	-	11,639
Prepaid items	-	6,759	-	6,759
Restricted				
Community education	-	48,273	-	48,273
Early childhood family education	-	88,052	-	88,052
School readiness	-	11,804	-	11,804
Community service	-	16,765	-	16,765
Food service	268,704	-	-	268,704
Total Fund Balances	280,343	171,653	-	451,996
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 295,081	\$ 339,449	\$ -	\$ 634,530

Independent School District No. 2168
New Richland, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2026

	Special Revenue		Formerly Major Building Construction	Total
	Food Service	Community Service		
Revenues				
Local property tax levies	\$ -	\$ 130,376	\$ -	\$ 130,376
Other local and county revenue	-	354,676	-	354,676
Interest earned on investments	7,711	7,281	-	14,992
Revenue from state sources	404,466	69,445	-	473,911
Revenue from federal sources	390,703	-	-	390,703
Sales and other conversion of assets	88,609	-	-	88,609
Total Revenues	<u>891,489</u>	<u>561,778</u>	<u>-</u>	<u>1,453,267</u>
Expenditures				
Current				
Community education and services	-	607,684	-	607,684
Pupil support services	824,629	-	-	824,629
Capital outlay	-	8,283	151,986	160,269
Total Expenditures	<u>824,629</u>	<u>615,967</u>	<u>151,986</u>	<u>1,592,582</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,860	(54,189)	(151,986)	(139,315)
Other Financing Sources (Uses)				
Transfers in	-	30,000	332	30,332
Net Change in Fund Balances	<u>66,860</u>	<u>(24,189)</u>	<u>(151,654)</u>	<u>(108,983)</u>
Fund Balances, July 1, as Previously Presented	213,483	195,842	-	409,325
Change to Financial Reporting Entity (Note 7) Change from major to nonmajor fund	-	-	151,654	151,654
Fund Balances, July 1, as Adjusted	<u>213,483</u>	<u>195,842</u>	<u>151,654</u>	<u>560,979</u>
Fund Balances, June 30	<u>\$ 280,343</u>	<u>\$ 171,653</u>	<u>\$ -</u>	<u>\$ 451,996</u>

Independent School District No. 2168
New Richland, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2026

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Revenues					
Local property tax levies	\$ 1,031,063	\$ 1,031,063	\$ -	\$ 1,094,911	\$ 63,848
Other local and county revenue	543,299	567,099	23,800	613,940	46,841
Interest earned on investments	150,000	210,000	60,000	197,839	(12,161)
Revenue from state sources	8,343,637	8,476,837	133,200	8,492,096	15,259
Revenue from federal sources	367,700	381,200	13,500	456,340	75,140
Sales and other conversion of assets	73,500	72,400	(1,100)	75,844	3,444
Total Revenues	10,509,199	10,738,599	229,400	10,930,970	192,371
Expenditures					
Current					
Administration					
Salaries	530,012	506,740	(23,272)	502,272	4,468
Employee benefits	177,110	210,999	33,889	220,892	(9,893)
Purchased services	9,500	8,950	(550)	11,949	(2,999)
Supplies and materials	3,150	3,900	750	3,885	15
Other expenditures	10,200	10,320	120	10,145	175
Total administration	729,972	740,909	10,937	749,143	(8,234)
District support services					
Salaries	150,785	173,667	22,882	167,526	6,141
Employee benefits	64,483	68,759	4,276	63,022	5,737
Purchased services	112,500	108,000	(4,500)	101,684	6,316
Supplies and materials	11,700	11,700	-	10,411	1,289
Other expenditures	35,680	32,180	(3,500)	27,090	5,090
Total district support services	375,148	394,306	19,158	369,733	24,573
Elementary and secondary regular instruction					
Salaries	3,390,243	3,386,402	(3,841)	3,405,765	(19,363)
Employee benefits	1,026,843	1,016,477	(10,366)	1,010,121	6,356
Purchased services	294,707	388,307	93,600	505,331	(117,024)
Supplies and materials	266,985	278,080	11,095	295,848	(17,768)
Other expenditures	15,600	15,600	-	21,330	(5,730)
Total elementary and secondary regular instruction	4,994,378	5,084,866	90,488	5,238,395	(153,529)
Vocational education instruction					
Salaries	206,045	211,191	5,146	201,858	9,333
Employee benefits	60,424	61,522	1,098	62,248	(726)
Purchased services	2,100	2,100	-	3,415	(1,315)
Supplies and materials	15,320	17,820	2,500	19,151	(1,331)
Total vocational education instruction	283,889	292,633	8,744	286,672	5,961
Special education instruction					
Salaries	1,122,225	1,255,766	133,541	1,234,734	21,032
Employee benefits	340,230	373,802	33,572	359,273	14,529
Purchased services	261,146	236,306	(24,840)	213,930	22,376
Supplies and materials	8,700	9,250	550	13,314	(4,064)
Other expenditures	225	225	-	200	25
Total special education instruction	1,732,526	1,875,349	142,823	1,821,451	53,898

Independent School District No. 2168
New Richland, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2026

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Expenditures (Continued)					
Current (continued)					
Community education and services					
Employee benefits	\$ 2,820	\$ 2,820	\$ -	\$ 2,750	\$ 70
Instructional support services					
Salaries	263,288	266,475	3,187	332,148	(65,673)
Employee benefits	45,322	54,370	9,048	75,648	(21,278)
Purchased services	38,600	40,100	1,500	16,811	23,289
Supplies and materials	16,700	19,800	3,100	20,626	(826)
Total instructional support services	363,910	380,745	16,835	445,233	(64,488)
Pupil support services					
Salaries	537,626	524,551	(13,075)	563,432	(38,881)
Employee benefits	130,217	148,401	18,184	145,554	2,847
Purchased services	151,565	170,774	19,209	141,690	29,084
Supplies and materials	148,690	127,640	(21,050)	123,208	4,432
Total pupil support services	968,098	971,366	3,268	973,884	(2,518)
Sites and buildings					
Salaries	332,287	333,632	1,345	343,488	(9,856)
Employee benefits	117,526	117,729	203	119,779	(2,050)
Purchased services	469,145	469,145	-	368,080	101,065
Supplies and materials	194,000	194,000	-	191,857	2,143
Total sites and buildings	1,112,958	1,114,506	1,548	1,023,204	91,302
Fiscal and other fixed cost programs					
Purchased services	99,000	99,500	500	99,500	-
Total current	10,662,699	10,957,000	294,301	11,009,965	(52,965)
Capital outlay					
Administration	1,000	-	(1,000)	-	-
District support services	1,450	2,450	1,000	1,961	489
Elementary and secondary regular instruction	84,920	61,750	(23,170)	75,405	(13,655)
Vocational education instruction	2,000	2,000	-	-	2,000
Special education instruction	-	200	200	202	(2)
Instructional support services	10,000	5,400	(4,600)	1,170	4,230
Pupil support services	1,800	-	(1,800)	290,622	(290,622)
Sites and buildings	7,000	117,000	110,000	108,010	8,990
Total capital outlay	108,170	188,800	80,630	477,370	(288,570)
Debt service					
Principal	125,798	126,556	758	126,556	-
Interest and other charges	10,273	11,396	1,123	11,396	-
Total debt service	136,071	137,952	1,881	137,952	-
Total Expenditures	10,906,940	11,283,752	376,812	11,625,287	(341,535)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(397,741)	(545,153)	(147,412)	(694,317)	(149,164)
Other Financing Sources (Uses)					
Debt issued	-	-	-	290,622	290,622
Sale of capital assets	-	2,500	2,500	1,068	(1,432)
Transfers out	(20,000)	-	20,000	(30,332)	(30,332)
Total Other Financing Sources (Uses)	(20,000)	2,500	22,500	261,358	258,858
Net Change in Fund Balances	(417,741)	(542,653)	(124,912)	(432,959)	109,694
Fund Balances, July 1	4,429,091	4,429,091	-	4,429,091	-
Fund Balances, June 30	\$ 4,011,350	\$ 3,886,438	\$ (124,912)	\$ 3,996,132	\$ 109,694

Independent School District No. 2168
New Richland, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2026

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Revenues					
Interest earned on investments	\$ 1,200	\$ 1,200	\$ -	\$ 7,711	\$ 6,511
Revenue from state sources	341,000	341,000	-	404,466	63,466
Revenue from federal sources	421,200	422,200	1,000	390,703	(31,497)
Sales and other conversion of assets	95,400	95,400	-	88,609	(6,791)
Total Revenues	<u>858,800</u>	<u>859,800</u>	<u>1,000</u>	<u>891,489</u>	<u>31,689</u>
Expenditures					
Current					
Pupil support services					
Salaries	296,288	296,288	-	301,734	(5,446)
Employee benefits	62,074	62,074	-	60,086	1,988
Purchased services	23,400	23,400	-	23,299	101
Supplies and materials	446,650	446,650	-	439,411	7,239
Other expenditures	1,000	1,000	-	99	901
Total Expenditures	<u>829,412</u>	<u>829,412</u>	<u>-</u>	<u>824,629</u>	<u>4,783</u>
Net Change in Fund Balances	29,388	30,388	1,000	66,860	36,472
Fund Balances, July 1	<u>213,483</u>	<u>213,483</u>	<u>-</u>	<u>213,483</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 242,871</u>	<u>\$ 243,871</u>	<u>\$ 1,000</u>	<u>\$ 280,343</u>	<u>\$ 36,472</u>

Independent School District No. 2168
New Richland, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2026

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final Budget	Amendments	Amounts	Budget
Revenues					
Local property tax levies	\$ 102,978	\$ 102,978	\$ -	\$ 130,376	\$ 27,398
Other local and county revenue	309,475	337,625	28,150	354,676	17,051
Interest earned on investments	4,000	4,000	-	7,281	3,281
Revenue from state sources	75,476	77,436	1,960	69,445	(7,991)
Total Revenues	<u>491,929</u>	<u>522,039</u>	<u>30,110</u>	<u>561,778</u>	<u>39,739</u>
Expenditures					
Current					
Community education and services					
Salaries	323,674	326,231	2,557	378,781	(52,550)
Employee benefits	85,239	79,569	(5,670)	87,080	(7,511)
Purchased services	47,100	86,250	39,150	95,463	(9,213)
Supplies and materials	46,230	51,130	4,900	46,360	4,770
Other expenditures	2,900	4,200	1,300	-	4,200
Total community education and services	<u>505,143</u>	<u>547,380</u>	<u>42,237</u>	<u>607,684</u>	<u>(60,304)</u>
Capital outlay					
Community education and services	<u>8,450</u>	<u>7,800</u>	<u>(650)</u>	<u>8,283</u>	<u>(483)</u>
Total Expenditures	<u>513,593</u>	<u>555,180</u>	<u>41,587</u>	<u>615,967</u>	<u>(60,787)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,664)	(33,141)	(11,477)	(54,189)	(21,048)
Other Financing Sources (Uses)					
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balances	8,336	(3,141)	(11,477)	(24,189)	(21,048)
Fund Balances, July 1	<u>195,842</u>	<u>195,842</u>	<u>-</u>	<u>195,842</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 204,178</u>	<u>\$ 192,701</u>	<u>\$ (11,477)</u>	<u>\$ 171,653</u>	<u>\$ (21,048)</u>

Independent School District No. 2168
New Richland, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2026

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Revenues					
Local property tax levies	\$ 769,000	\$ 769,000	\$ -	\$ 711,823	\$ (57,177)
Interest earned on investments	350	350	-	7,618	7,268
Revenue from state sources	597,981	597,981	-	634,827	36,846
Total Revenues	<u>1,367,331</u>	<u>1,367,331</u>	<u>-</u>	<u>1,354,268</u>	<u>(13,063)</u>
Expenditures					
Debt service					
Principal	826,000	826,000	-	826,000	-
Interest and other charges	459,828	459,868	40	459,880	(12)
Total Expenditures	<u>1,285,828</u>	<u>1,285,868</u>	<u>40</u>	<u>1,285,880</u>	<u>(12)</u>
Net Change in Fund Balances	81,503	81,463	(40)	68,388	(13,075)
Fund Balances, July 1	<u>187,348</u>	<u>187,348</u>	<u>187,348</u>	<u>187,348</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 268,851</u>	<u>\$ 268,811</u>	<u>\$ 187,308</u>	<u>\$ 255,736</u>	<u>\$ (13,075)</u>

Independent School District No. 2168
New Richland, Minnesota
Schedules of Tax Capacity, Tax Levy and Tax Rates
For the Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Tax Capacity		
Agricultural	\$ 12,219,912	\$ 12,159,938
Nonagricultural	<u>5,526,528</u>	<u>5,591,729</u>
Total	<u><u>\$ 17,746,440</u></u>	<u><u>\$ 17,751,667</u></u>
Tax Levy		
General	\$ 1,013,833	\$ 1,031,034
Community Service	124,304	132,839
Debt Service	<u>1,274,245</u>	<u>1,302,819</u>
Total	<u><u>\$ 2,412,382</u></u>	<u><u>\$ 2,466,692</u></u>
Tax Capacity Rates		
General	1.900	1.971
Community Service	0.658	0.722
Debt Service	<u>6.748</u>	<u>7.081</u>
Total	<u><u>9.306</u></u>	<u><u>9.774</u></u>

Fiscal Compliance Report - 6/30/2026
District: N.R.H.E.G. (2168-1)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$10,930,970	<u>\$10,930,981</u>	(\$11)	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$11,625,287	<u>\$11,625,290</u>	(\$3)	Total Expenditures	\$151,986	<u>\$151,985</u>	<u>\$1</u>
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$20,900	<u>\$20,900</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
Restricted / Reserved:				Restricted / Reserved:			
4.01 Student Activities	\$21,302	<u>\$21,302</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$538	<u>\$538</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	Restricted:			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$1</u>	(\$1)
4.12 Literacy Incentive Aid	\$4,423	<u>\$4,423</u>	<u>\$0</u>	Unassigned:			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.20 American Indian Education Aid	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$1,354,268	<u>\$1,354,255</u>	<u>\$13</u>
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$1,285,880	<u>\$1,285,868</u>	<u>\$12</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Non Spendable:			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$9,871	<u>\$9,871</u>	<u>\$0</u>	Restricted / Reserved:			
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	Restricted:			
4.39 English Learner	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$255,736	<u>\$255,735</u>	<u>\$1</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	Unassigned:			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.43 School Library Aid	\$0	<u>\$0</u>	<u>\$0</u>				
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	08 TRUST			
4.49 Safe Schools Levy	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$3,827	<u>\$3,828</u>	(\$1)
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$1,000	<u>\$1,000</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	Restricted / Reserved:			
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$119,206	<u>\$119,206</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$41,227	<u>\$41,225</u>	<u>\$2</u>				
4.71 Student Support Personnel Aid	\$0	<u>\$0</u>	<u>\$0</u>	18 CUSTODIAL			
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Restricted:				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Restricted / Reserved:			
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
Committed:				4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
Assigned:				20 INTERNAL SERVICE			
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Unassigned:				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$3,897,871	<u>\$3,897,878</u>	(\$7)	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
02 FOOD SERVICES				25 OPEB REVOCABLE TRUST			
				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
				86 Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>

Total Revenue	\$891,489	<u>\$891,488</u>	<u>\$1</u>
Total Expenditures	\$824,629	<u>\$824,628</u>	<u>\$1</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$11,639	<u>\$11,639</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$268,704	<u>\$268,703</u>	<u>\$1</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

04 COMMUNITY SERVICE

Total Revenue	\$561,778	<u>\$561,775</u>	<u>\$3</u>
Total Expenditures	\$615,967	<u>\$615,964</u>	<u>\$3</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$6,759	<u>\$6,759</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$48,273	<u>\$48,272</u>	<u>\$1</u>
4.32 E.C.F.E	\$88,052	<u>\$88,053</u>	<u>(\$1)</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$11,804	<u>\$11,804</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$16,765	<u>\$16,765</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
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45 OPEB IRREVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2168
NEW RICHLAND, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2168, New Richland, Minnesota, (the District) as of and for the year ended June 30, 2026, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2026.

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

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



Abdo
Mankato, Minnesota
September 24, 2026

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

Members of the School Board
Independent School District No. 2168
New Richland, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2168, New Richland, Minnesota, (the District), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 24, 2026.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2026-001 and 2026-002 to be a significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the District's compliance with those requirements. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards* or statutes set forth by the State of Minnesota.

Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's responses was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Abdo
Mankato, Minnesota
September 24, 2026



Independent School District No. 2168

New Richland, Minnesota

Schedule of Findings and Responses

For the Year Ended June 30, 2026

<u>Finding</u>	<u>Description</u>
2026-001	Segregation of Duties
<i>Condition:</i>	During our audit, we found that the District has a limited segregation of duties related to many aspects of its accounting systems.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	Specific situations include: cash receipts, cash disbursements and payroll. The Business and Finance Manager has responsibility over all areas of authorization, custody of assets, recording and reconciling activity. While there is some review of transactions by the Board and Superintendent, there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential could go undetected.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
<i>Recommendation:</i>	Under these circumstances the most effective controls lie in 1) managements knowledge of the District's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the District evaluate its controls and make any changes considered necessary. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management Response:</i>	The District will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

Independent School District No. 2168
New Richland, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2026

<u>Finding</u>	<u>Description</u>
2026-002	Financial Report Preparation
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	The District is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of school districts. Each year, the District has a presentation from our auditor to the Board of Education after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight by management and School Board to monitor the deficiency.

New Richland-Hartland-Ellendale-Geneva Public Schools

Independent School District No. 2168



District Office

306 Ash Avenue South
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Michael Meihak, Superintendent

Secondary School

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(507)465-3205

Fax (507)465-8633

David Bunn, Principal

Elementary School

600 School Street
Ellendale, MN 56026
(507)684-3181

Fax (507)684-2108

Nicholas Jurrens, Principal

Empowering students with knowledge and skills to succeed

2026-001 Segregation of Duties

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:

The District reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas with the limited staff available.

3. Official Responsible for Ensuring CAP:

Michael Meihak, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

Continuous

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

Michael Meihak
Superintendent

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Independent School District No. 2168



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2026-002 Financial Statement Preparations

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:

The District will have the auditor prepare the financial statements. The District is relying on oversight of management and Board to monitor the deficiency.

3. Official Responsible for Ensuring CAP:

Michael Meihak, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

Continuous

5. Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

Michael Meihak
Superintendent