

INDEPENDENT SCHOOL DISTRICT NO. 518

FINANCIAL STATEMENTS
AS OF JUNE 30, 2025

INDEPENDENT SCHOOL DISTRICT NO. 518

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INDEPENDENT SCHOOL DISTRICT NO. 518

SCHOOL DISTRICT OFFICIALS

JUNE 30, 2025

Mr. Adam Blume	December 31, 2026	Chairman
Ms. Erin Schutte	December 31, 2026	Vice-Chairman
Mr. Matt Widboom	December 31, 2028	Clerk
Ms. Lori Dudley	December 31, 2026	Treasurer
Ms. Darla Agard	December 31, 2028	Director
Mr. Ann Mills	December 31, 2028	Director
Mr. Eric Parish	December 31, 2028	Director
Mr. John Landgaard		Superintendent
Mr. Josh Noble		Assistant Superintendent

DREALAN KVILHAUG HOEFKER & CO., P.A.



Member
Division for CPA Firms AICPA

CERTIFIED PUBLIC ACCOUNTANTS

WAYNE W. DREALAN, CPA - RETIRED
ELLEN K. HOEFKER, MBA, CPA
GREG H. KVILHAUG, CPA, CFP

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CINDY M. PENNING, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 518
Worthington, 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 Independent School District No. 518 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 518 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.

Change in Accounting Principle

As described in Note 18 to the financial statements, in 2025, the District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress for other postemployment benefits plan and the schedules of proportionate share of net pension liability and employer contributions on pages 4-18, 86-88 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting

for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 statements 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dreelan Kuehling Hoefker & Co., P.A.

Worthington, Minnesota
November 12, 2025

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL HIGHLIGHTS

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

- Overall actual expenses in the Statement of Activities were more than \$69 million and over \$7 million less than revenues.
- The District's General Fund unassigned fund balance (under the governmental fund presentation) increased \$2,275,403 from the prior year as a result of increased enrollment, revenues and no large projects coming out of the general fund.
- The reconstruction phase two of the Middle School parking lot was completed.
- The District's Virtual Instruction by Excellence (VIBE) remains in operation.
- The remaining ESSER funds were expended for personnel and indoor air quality upgrades.
- All-day preschool programs expanded to 96 seats in the 2024-2025 school year.
- Interest rates remain high as another source of increased revenue.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts - Independent Auditor's Report, required supplementary information which includes the Management's Discussion and Analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Government-Wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health.

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

In the government-wide financial statements, the District's activities are shown in one category titled "governmental activities":

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

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

For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

- Some funds are required by State law and bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show proper utilization of certain revenues (e.g., federal grants).

The District maintains two kinds of funds:

- **Governmental funds** - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information on separate statements that explain the relationship (or differences) between them.
- **Fiduciary funds** - The District is the trustee, or fiduciary, for the District 518 Foundation Trust fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$71,011,342 on June 30, 2025. (See Table A-1.)

Table A-1
Independent School District No. 518
Net Position-Governmental Activities
As of June 30

	<u>2025</u>	<u>2024</u>	<u>Percentage Change</u>
Current and other assets	\$ 72,991,678	\$ 65,886,504	10.78%
Capital assets	<u>105,091,803</u>	<u>107,311,689</u>	(2.07%)
Total assets	<u>\$ 178,083,481</u>	<u>\$ 173,198,193</u>	2.82%
Deferred Outflows of Resources	<u>\$ 12,133,778</u>	<u>\$ 15,875,034</u>	(23.57%)
Long-term liabilities	\$ 89,275,617	\$ 91,054,807	(1.95%)
Other liabilities	<u>6,281,290</u>	<u>6,284,617</u>	(0.05%)
Total liabilities	<u>\$ 95,556,907</u>	<u>\$ 97,339,424</u>	(1.83%)
Deferred Inflows of Resources	<u>\$ 23,649,010</u>	<u>\$ 19,968,213</u>	18.43%
Net Position			
Net investment in capital assets	\$ 53,837,700	\$ 53,104,324	1.38%
Restricted	21,279,143	19,755,132	7.71%
Unrestricted	<u>(4,105,501)</u>	<u>(1,093,866)</u>	275.32%
Total net position	<u>\$ 71,011,342</u>	<u>\$ 71,765,590</u>	(1.05%)

The District's financial position decreased during the year due to the change in accounting principle (Note 18).

Changes in net position. The District's total revenues were \$76,884,301 for the year ended June 30, 2025. Property taxes and state formula aid accounted for 55.6% of total revenue for the year. (See Table A-2.) Another (3.6%) came from other general revenues combined with investment earnings and the remainder from program revenues.

The total cost of all programs and services was \$70,826,302. The District's expenses are predominantly related to educating and caring for students (84.0%).

Total revenues fell short of expenditures, decreasing net position \$752,248 from last year.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Changes in net position (continued)

Table A-2 is similar to the fund financial statements except it is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. It also includes depreciation expense and excludes capital asset purchase costs, debt issuance proceeds and the repayment of debt principal.

Table A-2
 Independent School District No. 518
 Change in Net Position
 For the Year Ended June 30

	<u>2025</u>	<u>2024</u>	<u>Percentage Change</u>
Revenues			
Program revenues			
Charges for services	\$ 1,486,482	\$ 1,563,589	(4.93%)
Operating grants and contributions	27,736,828	28,266,790	(1.87%)
Capital grants and contributions	2,117,171	1,778,477	19.04%
General revenues			
Property taxes	7,745,529	6,806,821	13.79%
State aid - formula grants	35,009,696	34,950,434	0.17%
Other	2,788,595	2,971,506	(6.16%)
Total revenues	<u>\$ 76,884,301</u>	<u>\$ 76,337,617</u>	0.72%
Expenses			
District and school administration	\$ 1,476,133	\$ 1,458,301	1.22%
District support services	1,796,316	1,802,812	(0.36%)
Regular instruction	35,568,354	32,440,471	9.64%
Exceptional instruction	9,507,484	8,585,234	10.74%
Vocational instruction	1,050,941	930,046	13.00%
Instructional support services	4,671,182	3,858,079	21.08%
Pupil support services	8,671,095	7,815,370	10.95%
Site, buildings and equipment	3,467,111	4,262,581	(18.66%)
Fiscal and other fixed cost programs	1,698,504	2,024,727	(16.11%)
Community education and services	2,919,182	2,754,511	5.98%
Total expenses	<u>\$ 70,826,302</u>	<u>\$ 65,932,132</u>	7.42%
Change in net position before special item	\$ 6,057,999	\$ 10,405,485	
Special items	<u>(68,063)</u>	<u>(307,603)</u>	(77.87%)
Change in net position	\$ 5,989,936	\$ 10,097,882	
Beginning net position	71,765,590	61,667,708	
Change in accounting principle (Note 18)	<u>(6,744,184)</u>	<u>-</u>	
Beginning net position, restated	<u>\$ 65,021,406</u>	<u>\$ 61,667,708</u>	
Net position - June 30	<u>\$ 71,011,342</u>	<u>\$ 71,765,590</u>	

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Figure A-3 Sources of Independent School District 518's Revenues for Fiscal Year 2025

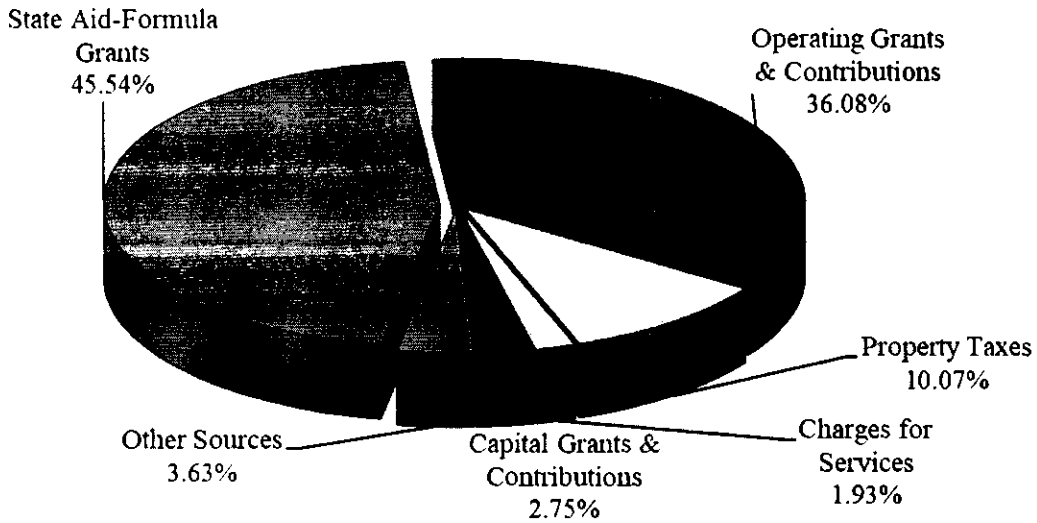
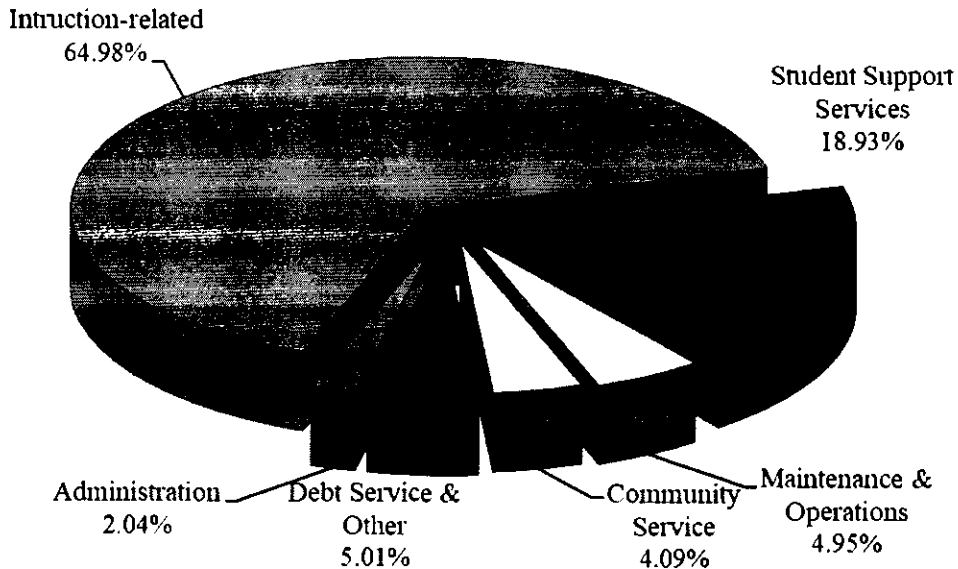


Figure A-4 Independent School District 518's Expenses for Fiscal Year 2025



- The cost of all governmental activities this year was \$70,826,302.
- Some of the cost was paid by the users of the District's programs \$1,486,482.
- The federal and state governments subsidized certain programs with grants and contributions (\$27,736,828 operating, \$2,117,171 capital).
- Most of the District's costs (\$37,803,955), however, were paid for by District taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$7,745,529 in property taxes, the remainder, \$35,009,696 with state aid based on the statewide education aid formula, and with investment earnings and other general revenues.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Table A-3
 Independent School District No. 518
 Net Cost of Governmental Activities
 For the Year Ended June 30

	<u>2025</u>		<u>2024</u>
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Net Cost of Services</u>
District and school administration	\$ 1,476,133	\$ 1,467,022	\$ 1,435,292
District support services	1,796,316	1,694,250	1,495,339
Regular instruction	35,568,354	22,265,230	18,058,491
Exceptional instruction	9,507,484	1,610,453	1,641,654
Vocational instruction	1,050,941	967,373	874,882
Instructional support services	4,671,182	3,550,799	2,778,122
Pupil support services	8,671,095	4,089,837	2,846,378
Site, buildings and equipment	3,467,111	1,272,260	2,471,028
Fiscal and other fixed cost programs	1,698,504	1,433,461	1,737,983
Community education and services	2,919,182	1,135,136	984,107
Total	<u>\$ 70,826,302</u>	<u>\$ 39,485,821</u>	<u>\$ 34,323,276</u>

The total cost of district services was \$70,826,302 compared to the prior year total cost of district services of \$65,932,132, an increase of \$4,894,170.

When program specific revenues are considered, the net service cost was \$39,485,821, which represents an increase of \$5,162,545 the prior year. The increase resulted from variations in the GASB 68 pension adjustments and an increase in salaries and benefits from 2024 to 2025.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$59,621,080 an increase of \$6,679,693 from the June 30, 2024, combined fund balance of \$52,941,387 a 12.6% increase.

Revenues for the District's governmental funds were \$76,502,285, while total expenditures were \$69,919,256.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

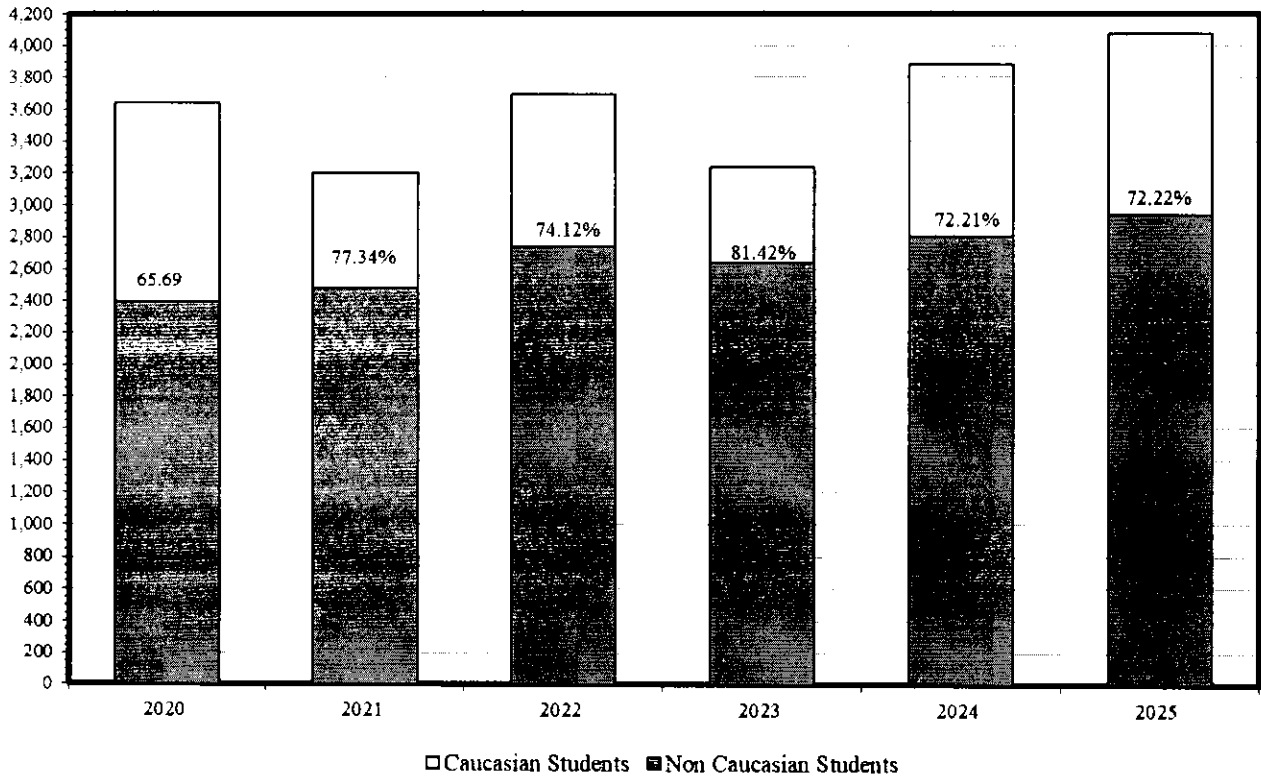
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund

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

The following graph shows the total number of students enrolled over the last six years.

Students (Average Daily Membership)



In fiscal year 2023 the enrollment decline resulted from the closure of the online program which was resumed in 2024, increasing enrollment by over 550 students. In fiscal year 2025 the online enrollment increased to 648 students.

Based on the District's birth to age 5 census counts and enrollment projections, we anticipate small seat based enrollment decreases the next few years due to graduating classes larger than kindergarten enrollments.

The chart above includes the on-line program students for the 2020 through 2022 years, and 2024 and 2025. Without those students being represented in the calculation the non-Caucasian student population increases to 84.38 percent for seat-based students.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund (continued)

The following schedule presents a summary of General Fund revenues (including operating, pupil transportation, and capital expenditure accounts).

	<u>Year Ended</u> <u>June 30, 2024</u>	<u>Year Ended</u> <u>June 30, 2025</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Local sources				
Property taxes	\$ 3,904,931	\$ 5,437,687	\$ 1,532,756	39.25%
Interest earnings	1,860,373	2,028,720	168,347	9.05%
Other	1,918,185	1,926,913	8,728	0.46%
State sources	53,759,237	56,040,372	2,281,135	4.24%
Federal sources	<u>4,415,603</u>	<u>1,639,156</u>	<u>(2,776,447)</u>	<u>(62.88%)</u>
Total revenues	\$ 65,858,329	\$ 67,072,848	\$ 1,214,519	1.84%
Other financing sources				
Land and equipment sales	50	-	(50)	(100.00%)
Lease of right-to-use assets	-	-	-	NA
Insurance claim payments	<u>262,272</u>	<u>96,664</u>	<u>(165,608)</u>	<u>(63.14%)</u>
Total	<u>\$ 66,120,651</u>	<u>\$ 67,169,512</u>	<u>\$ 1,048,861</u>	<u>1.59%</u>

Total General Fund revenue and other financing sources increased by \$1,048,861 or 1.59% from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue including excess levy referendum and the property tax shift involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on revenue.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund (continued)

The following schedule presents a summary of General Fund Expenditures (including operating, pupil transportation, and capital expenditure accounts).

	<u>Year Ended</u> <u>June 30, 2024</u>	<u>Year Ended</u> <u>June 30, 2025</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Salaries	\$ 30,778,708	\$ 32,048,860	\$ 1,270,152	4.13%
Benefits	9,776,178	10,537,081	760,903	7.78%
Purchased Services	11,449,080	11,783,535	334,455	2.92%
Supplies, Materials and Equipment	6,412,376	5,073,492	(1,338,884)	(20.88%)
Other	366,193	181,404	(184,789)	(50.46%)
Total	<u>\$ 58,782,535</u>	<u>\$ 59,624,372</u>	<u>\$ 841,837</u>	1.43%

Total General Fund expenditures increase of \$841,837 or 1.43% from the previous year. The larger increase was due to salary and benefits.

In fiscal 2025, salaries increased 4.13% with the addition of staff to meet the needs of increased enrollment. Employee benefits increased by 7.78%. The District continues to investigate cost containment measures to minimize the effect of rising insurance premiums on the District's employee compensation packages.

In 2024-2025, General Fund revenues exceeded expenditures and other financing sources by \$7,545,139. After deducting statutory restrictions and assigned fund balances, the unassigned fund balance increased from \$13,515,615 at June 30, 2024, to \$15,791,017 at June 30, 2025.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

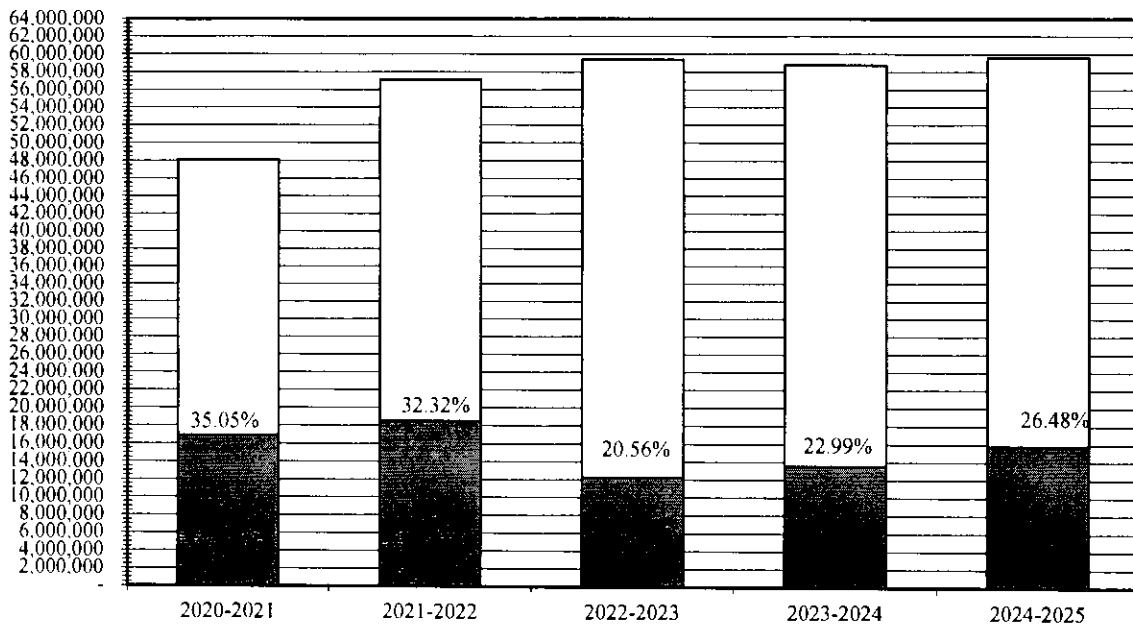
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund (continued)

The following graph shows the General Fund unassigned fund balance as a percentage of expenditures.

**General Fund Unassigned Fund Balance as a
Percent of Expenditures**

The graph above is the single best measure of overall financial health. The unassigned fund balance of \$15,791,017 at June 30, 2025, represents 26.48% of annual expenditures or thirteen weeks of operations. Given the current state funding legislation and other economic conditions, the District will continue to monitor its spending and fund balances closely.



	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
Unassigned fund balance	\$ 16,856,634	\$ 18,458,205	\$ 12,209,091	13,515,615	\$ 15,791,017
% Increase (decrease)	23.64%	9.50%	(33.86%)	10.70%	16.84%
Expenditures	\$ 48,097,733	\$ 57,107,612	\$ 59,385,577	58,782,535	\$ 59,624,373
% Increase (decrease)	6.53%	19.29%	3.99%	(1.02%)	1.43%

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget. The budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants, debt refunding, and budgeting for clearing, resale, and gifts.
- Increases in appropriations for significant unbudgeted costs.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue	\$ 64,496,000	\$ 66,164,184	\$ 1,668,184	2.59%
Expenditure	\$ 63,000,700	\$ 62,763,833	\$ (236,867)	(0.38%)
Other financing sources (uses)	\$ 50,000	\$ 96,664	\$ 46,664	93.33%

While the District's final budget for the general fund anticipated that revenues and other financing sources would exceed expenditures and other financing uses by \$3,497,015, the actual results for the year show that revenues and other financing sources would exceed expenditures and other financing uses by \$7,545,139.

- Actual revenues were \$908,664 more than expected, a variance of 1.4%, due to local and state source revenues being more than expected.
- The actual expenditures were \$3,139,460 under budget or a 5.27% variance. Of this amount the regular instruction and capital outlay accounted for 71.34% of the variance.

Other Governmental Funds

The Food Service Fund expenditures and other financing exceeded revenues and other financing source uses by \$189,082 compared to a budgeted decrease of \$342,458. The Food Service fund balance decreased to \$966,180 or 27.7% of annual operating expenditures. The State of Minnesota legislation that mandated free breakfast and lunch for all students began in 2023-2024. Increased free and reduced lunch eligibility helps the Food Service fund to continue to operate on a sound financial basis.

The Community Service Fund expenditures exceeded revenues by \$67,203 leaving a year-end fund balance of \$1,084,117 or 52.9% of annual expenditures.

The Debt Service Fund expenditures and other financing sources exceeded revenues and other financing uses by \$617,423 compared to a budgeted decrease of \$798,573. The fund balance decreased to \$9,422,648 at June 30, 2025, and is available for meeting future debt service obligations.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of June 2025, the District had invested \$150,422,803 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (See Table A-4). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Depreciation expense of capital assets for the year was \$5,391,825.

The purchase of technology, parking lot replacement, and custodial equipment were among the capital asset additions for the year. Disposals included obsolete technology and equipment no longer usable for District purposes.

Table A-4
Independent School District No. 518
Capital Assets

	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>
Land	\$ 5,169,797	\$ 5,169,797	\$ -
Land improvements	17,663,369	15,967,778	1,695,591
Buildings	107,106,505	107,116,783	(10,278)
Equipment	19,453,717	19,565,724	(112,007)
Vehicles	924,915	729,071	195,844
Construction in progress	104,500	-	104,500
Less accumulated depreciation	<u>(45,331,000)</u>	<u>(41,386,809)</u>	<u>(3,944,191)</u>
Total	<u>\$ 105,091,803</u>	<u>\$ 107,162,344</u>	<u>\$ (2,070,541)</u>
Depreciation expense	<u>\$ 5,391,825</u>	<u>\$ 5,451,057</u>	<u>\$ (59,232)</u>

Construction - Next Five Years

In coordination with the City of Worthington, Nobles County, Minnesota West Community and Technical College, and other partners; the District is assessing community needs for athletic facilities and grounds. The District has committed up to \$5 million for a new ice arena if construction begins before 2029.

Routine maintenance such as replacement of roofs, parking lots and building repairs will be funded through the General Fund using Long-Term Facility Maintenance revenue when appropriate.

The District is considering options for classroom additions and remodeling at the high school to occur within the next three years.

The District will also be partnering with the City of Worthington to provide new softball fields located near the old West Elementary building.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-Term Liabilities

At year-end, the District had \$51,455,000 in general obligation bonds and certificates of participation payable outstanding.

- The District retired \$2,945,000 of outstanding bonds and other long-term debt during 2024-2025.

The District's general obligation bonds carry a rating of AA1.

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15% of the market value of all taxable property within the District's corporate limits. Our outstanding debt of \$51,455,000 is significantly below this limit which is currently \$1,463,420,100.

FACTORS BEARING ON THE DISTRICT'S FUTURE

To meet these financial challenges, the District will continue to utilize the Site Based Budgeting process. This process has been successful in the past and will improve our allocation of resources according to District priorities. The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

The District continues to strive to meet Adequate Yearly Progress (AYP) as required by statute. Between 2024 and 2025, District 518 made gains in meeting AYP in some buildings and student groups while failing to meet AYP in areas such as Special Education, Free and Reduced and Limited English Proficiency in certain buildings. Areas considered to not be meeting AYP will be targeted for additional assistance in an effort to bring all groups and subgroups into compliance. The implementation of the READ act and LETRS training will provide resources to meet these goals.

New legislation and regulations along with rising costs and inadequate funding increases will be evaluated as the District strives to maintain financial stability.

The District's Community Service fund, Early Childhood Program, was awarded a Pathways II continuation grant in the amount of \$139,117 and a School Readiness Plus grant of approximately \$200,000 for fiscal year 2026.

INDEPENDENT SCHOOL DISTRICT NO. 518
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administration Building:

Independent School District No. 518
1117 Marine Avenue
Worthington, Minnesota 56187-1610
(507) 372-2172

INDEPENDENT SCHOOL DISTRICT NO. 518

STATEMENT OF NET POSITION

JUNE 30, 2025

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 52,329,309
Cash and investments held by trustee	8,845,144
Receivables-	
Current property taxes	3,641,299
Delinquent property taxes	45,622
Other school districts and governmental units	220,784
Department of Education	3,902,114
Federal government	992,866
Accounts and interest receivable	532,850
Lease Receivable	-
Inventory	228,691
Prepaid items	243,584
Restricted assets - temporarily restricted-	
Cash and investments for debt service	1,808,518
Cash and investments for construction	200,897
Capital assets (net of accumulated depreciation)-	
Land	5,169,797
Land improvements	12,928,957
Buildings	78,404,209
Equipment	8,110,757
Vehicles	373,582
Construction in progress	104,500
Right to use assets (net of accumulated amortization)	-
Total assets	<u>\$ 178,083,481</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Related to OPEB	\$ 224,176
Related to Pensions	<u>11,909,602</u>
Total deferred outflows of resources	<u>\$ 12,133,778</u>
Total assets and deferred outflows of resources	<u><u>\$ 190,217,259</u></u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2025

	<u>Governmental Activities</u>
LIABILITIES:	
Accounts payable	\$ 497,667
Salaries payable	1,930,057
Accrued payroll taxes and other payroll deductions	2,186,943
Construction contract payable	-
Accrued interest payable	696,609
Due to other school districts and governmental units	952,330
Unearned revenue	17,684
Long-term liabilities-	
Due within one year	5,123,624
Due within one year lease liability	-
Due in more than one year	<u>84,151,993</u>
Total liabilities	<u>\$ 95,556,907</u>
DEFERRED INFLOWS OF RESOURCES:	
Property taxes levied for subsequent year's expenditures	\$ 7,740,295
Long-term lease receivable	-
Related to OPEB	404,971
Related to pensions	<u>15,503,744</u>
Total deferred inflows of resources	<u>\$ 23,649,010</u>
NET POSITION:	
Net investment in capital assets	\$ 53,837,700
Restricted for-	
Debt service	9,422,648
Food service	966,180
Community service	1,084,117
Medical Assistance	456,185
Capital projects	923,425
Area learning center	63,385
Long Term Facility Maintenance	1,578,594
Other purposes	6,784,609
Unrestricted	<u>(4,105,501)</u>
Total net position	<u>\$ 71,011,342</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 190,217,259</u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<u>Governmental Activities</u>			
Instruction-			
Regular instruction	\$ 35,568,354	\$ 759,356	\$ 12,543,768
Exceptional instruction	9,507,484	360,524	7,536,507
Vocational instruction	1,050,941	-	83,568
Total instruction	<u>\$ 46,126,779</u>	<u>\$ 1,119,880</u>	<u>\$ 20,163,843</u>
Support services-			
Instructional support services	\$ 4,671,182	\$ 56,406	\$ 1,063,977
Pupil support services	8,671,095	110,619	4,470,639
District and school administration	1,476,133	1,700	7,411
District support services	1,796,316	87,821	14,245
Site, buildings and equipment	1,769,897	-	342,723
Community education and services	2,919,182	110,056	1,673,990
Fiscal and other fixed cost programs	1,698,504	-	-
Depreciation and amortization expense - unallocated	1,697,214	-	-
Total support services	<u>\$ 24,699,523</u>	<u>\$ 366,602</u>	<u>\$ 7,572,985</u>
Total governmental activities	<u>\$ 70,826,302</u>	<u>\$ 1,486,482</u>	<u>\$ 27,736,828</u>

The accompanying notes are an integral part of these financial statements.

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Total Governmental Activities</u>
\$ -	\$ (22,265,230)
-	(1,610,453)
-	(967,373)
\$ -	\$ (24,843,056)
\$ -	\$ (3,550,799)
-	(4,089,837)
-	(1,467,022)
-	(1,694,250)
1,852,128	424,954
-	(1,135,136)
265,043	(1,433,461)
-	(1,697,214)
\$ 2,117,171	\$ (14,642,765)
\$ 2,117,171	\$ (39,485,821)

INDEPENDENT SCHOOL DISTRICT NO. 518
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

General Revenue

Taxes-

Property taxes, levied for general purposes	\$ 3,587,921
Property taxes, levied for debt service	2,154,623
Property taxes, levied for specific purpose-	
Integration collaborative	404,272
Vocational programs	176,029
Capital projects	1,029,043
Community Service	156,951
Safe Schools	136,405
Other local taxes	100,285
Property tax replacement aid	158,482
State aid not restricted to specific purpose-	
General Education aid	33,772,875
Other state aids	1,078,339
Interest and investment earnings	2,673,429
Other local revenue	<u>115,166</u>

Subtotal, general revenues \$ 45,543,820

Excess of revenues over expenses before
special items \$ 6,057,999

Special Items

Sale or disposal of surplus property and equipment \$ (68,063)

Subtotal, special items \$ (68,063)

Total general revenues and special items \$ 45,475,757

Change in net position \$ 5,989,936

NET POSITION, Beginning of year \$ 71,765,590

Change in accounting principle (Note 18) (6,744,184)

NET POSITION, Beginning of year, restated \$ 65,021,406

NET POSITION, End of year \$ 71,011,342

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

BALANCE SHEETS

GOVERNMENTAL FUNDS

JUNE 30, 2025

	<u>General</u>	<u>Food Service</u>
ASSETS:		
Cash and investments	\$ 50,786,709	\$ 486,947
Cash and investments held by trustee	-	-
Receivables-		
Current property taxes	2,447,155	-
Delinquent property taxes	33,507	-
Accounts and interest receivable	511,473	810
Lease receivable	-	-
Due from Other school districts and governmental units	110,948	-
Due from Department of Education-		
General education aid	3,209,570	-
Special education aid	317,441	-
Other education aid	179,064	-
State school lunch aid	-	-
Market value credit aid	1,414	-
Disparity aid	2,491	-
Due from Federal government-		
Federal title programs	618,468	-
School lunch program	-	374,398
Inventory	99,311	129,380
Prepaid items	232,251	-
	<u>58,549,802</u>	<u>991,535</u>
Total assets	\$	\$
LIABILITIES:		
Salaries payable	\$ 1,930,057	\$ -
Accrued payroll taxes and other payroll deductions	2,186,943	-
Accounts payable	478,845	7,671
Construction contract payable	-	-
Due to other school districts and governmental units	896,501	-
Unearned revenue	-	17,684
	<u>5,492,346</u>	<u>25,355</u>
Total liabilities	\$	\$
DEFERRED INFLOWS OF RESOURCES:		
Property taxes levied for subsequent year's expenditures	\$ 5,076,711	\$ -
Unavailable revenue - delinquent taxes	33,507	-
Long-term lease receivable	-	-
	<u>5,110,218</u>	<u>-</u>
Total deferred inflows of resources	\$	\$

The accompanying notes are an integral part of these financial statements.

Community Service	Capital Projects- Building Construction	Debt Service	Total Governmental Funds
\$ 1,055,653	\$ 200,897	\$ 1,808,518	\$ 54,338,724
-	-	8,845,144	8,845,144
78,718	-	1,115,426	3,641,299
810	-	11,305	45,622
20,567	-	-	532,850
-	-	-	-
109,836	-	-	220,784
-	-	-	3,209,570
-	-	-	317,441
50,350	-	134,338	363,752
-	-	-	-
-	-	2,615	4,029
225	-	4,606	7,322
-	-	-	618,468
-	-	-	374,398
-	-	-	228,691
11,333	-	-	243,584
<u>\$ 1,327,492</u>	<u>\$ 200,897</u>	<u>\$ 11,921,952</u>	<u>\$ 72,991,678</u>
\$ -	\$ -	\$ -	\$ 1,930,057
-	-	-	2,186,943
11,151	-	-	497,667
-	-	-	-
55,829	-	-	952,330
-	-	-	17,684
<u>\$ 66,980</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,584,681</u>
\$ 175,585	\$ -	\$ 2,487,999	\$ 7,740,295
810	-	11,305	45,622
-	-	-	-
<u>\$ 176,395</u>	<u>\$ -</u>	<u>\$ 2,499,304</u>	<u>\$ 7,785,917</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

BALANCE SHEETS (CONTINUED)

GOVERNMENTAL FUNDS

JUNE 30, 2025

	<u>General</u>	<u>Food Service</u>
FUND BALANCES:		
Nonspendable for-		
Nonspendable amounts	\$ 331,562	\$ 129,380
Restricted for-		
Operating capital	\$ 923,425	\$ -
Medical assistance	456,185	-
Long term facility maintenance	1,578,594	-
Gifted and talented	85,460	-
Learning center	63,385	-
Learning & Development	13,824	-
Staff development	207,568	-
Student activities	226,987	-
Literacy Incentive Aid	220,459	-
Literacy Aid	145,015	-
Teacher Comp Read Act	141,139	-
Basic skills	6,257,298	-
Food service	-	836,800
Community education	-	-
Adult basic education	-	-
School readiness	-	-
Early childhood family education	-	-
Refunding	-	-
Debt service	-	-
Restricted for other purposes	-	-
Total restricted fund balances	<u>\$ 10,319,339</u>	<u>\$ 836,800</u>
Assigned for-		
Projects	\$ 21,500,000	\$ -
Studio 3	5,320	-
Total assigned fund balances	<u>\$ 21,505,320</u>	<u>\$ -</u>
Unassigned	<u>\$ 15,791,017</u>	<u>\$ -</u>
Total fund balances	<u>\$ 47,947,238</u>	<u>\$ 966,180</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 58,549,802</u>	<u>\$ 991,535</u>

The accompanying notes are an integral part of these financial statements.

Community Service	Capital Projects- Building Construction	Debt Service	Total Governmental Funds
\$ 11,333	\$ -	\$ -	\$ 472,275
\$ -	\$ -	\$ -	\$ 923,425
-	-	-	456,185
-	-	-	1,578,594
-	-	-	85,460
-	-	-	63,385
-	-	-	13,824
-	-	-	207,568
-	-	-	226,987
-	-	-	220,459
-	-	-	145,015
-	-	-	141,139
-	-	-	6,257,298
-	-	-	836,800
191,185	-	-	191,185
749,029	-	-	749,029
2,209	-	-	2,209
128,883	-	-	128,883
-	-	8,257,855	8,257,855
-	-	1,164,793	1,164,793
1,478	200,897	-	202,375
\$ 1,072,784	\$ 200,897	\$ 9,422,648	\$ 21,852,468
\$ -	\$ -	\$ -	\$ 21,500,000
-	-	-	5,320
\$ -	\$ -	\$ -	\$ 21,505,320
\$ -	\$ -	\$ -	\$ 15,791,017
\$ 1,084,117	\$ 200,897	\$ 9,422,648	\$ 59,621,080
\$ 1,327,492	\$ 200,897	\$ 11,921,952	\$ 72,991,678

INDEPENDENT SCHOOL DISTRICT NO. 518

RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS

TO THE STATEMENT OF NET POSITION

JUNE 30, 2025

Total fund balances - governmental funds	\$	59,621,080
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the funds		
Land		5,169,797
Construction in progress		104,500
Land improvements, net of accumulated depreciation		12,928,957
Buildings, net of accumulated depreciation		78,404,209
Equipment and vehicles, net of accumulated depreciation		8,484,339
Right to use assets used in governmental funds are not financial resources and therefore are not reported as assets in the funds		
Right of use assets, net of accumulated amortization		-
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions		11,909,602
Deferred Inflows of Resources Related to Pensions		(15,503,744)
Deferred Outflows of Resources Related to OPEB		224,176
Deferred Inflows of Resources Related to OPEB		(404,971)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Bonds principal payable		(53,498,958)
Pension Benefits Payable		(25,772,184)
Net OPEB Liability		(1,343,512)
Right of use assets liability		-
Accrued compensated absences payable		(8,660,962)
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 deferred in the funds.		
		45,622
Governmental funds do not report a liability for accrued interest until due and payable.		
		(696,609)
Total net position - governmental activities	\$	<u>71,011,342</u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	<u>General</u>	<u>Food Service</u>
REVENUES:		
Local property tax levies	\$ 5,437,687	\$ -
Other local and county revenues	3,854,697	35,111
Revenues from state sources	56,040,372	793,065
Revenues from federal sources	1,639,156	2,362,010
Sales and other conversion of assets	100,936	110,618
Total revenues	<u>\$ 67,072,848</u>	<u>\$ 3,300,804</u>
EXPENDITURES:		
Current expenditures-		
District and school administration	\$ 1,417,848	\$ -
District support services	1,765,799	-
Regular instruction	29,050,198	-
Vocational instruction	931,353	-
Exceptional instruction	9,202,546	-
Community education and services	803,741	-
Instructional support services	4,025,918	-
Pupil support services	5,071,343	3,489,886
Site and building services	3,929,647	-
Fiscal and other fixed cost programs	88,936	-
Capital outlay	3,337,044	-
Debt service-		
Principal	-	-
Interest and other financing costs	-	-
Total expenditures	<u>\$ 59,624,373</u>	<u>\$ 3,489,886</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 7,448,475</u>	<u>\$ (189,082)</u>
OTHER FINANCING SOURCES (USES):		
Sale of Capital Assets	\$ -	\$ -
Insurance claim payments	96,664	-
Total other financing sources (uses)	<u>\$ 96,664</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ 7,545,139</u>	<u>\$ (189,082)</u>
FUND BALANCE, Beginning of year	40,402,099	1,155,262
FUND BALANCE, End of year	<u><u>\$ 47,947,238</u></u>	<u><u>\$ 966,180</u></u>

The accompanying notes are an integral part of these financial statements.

Community Service	Capital Projects- Building Construction	Debt Service	Total Governmental Funds
\$ 156,951	\$ -	\$ 2,154,624	\$ 7,749,262
272,360	8,262	567,282	4,737,712
1,506,228	-	1,415,591	59,755,256
47,335	-	-	4,048,501
-	-	-	211,554
<u>\$ 1,982,874</u>	<u>\$ 8,262</u>	<u>\$ 4,137,497</u>	<u>\$ 76,502,285</u>
\$ -	\$ -	\$ -	\$ 1,417,848
-	-	-	1,765,799
-	-	-	29,050,198
-	-	-	931,353
-	-	-	9,202,546
2,022,322	-	-	2,826,063
-	-	-	4,025,918
27,755	-	-	8,588,984
-	-	-	3,929,647
-	-	-	88,936
-	-	-	3,337,044
-	-	2,945,000	2,945,000
-	-	1,809,920	1,809,920
<u>\$ 2,050,077</u>	<u>\$ -</u>	<u>\$ 4,754,920</u>	<u>\$ 69,919,256</u>
<u>\$ (67,203)</u>	<u>\$ 8,262</u>	<u>\$ (617,423)</u>	<u>\$ 6,583,029</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	96,664
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,664</u>
\$ (67,203)	\$ 8,262	\$ (617,423)	\$ 6,679,693
1,151,320	192,635	10,040,071	52,941,387
<u>\$ 1,084,117</u>	<u>\$ 200,897</u>	<u>\$ 9,422,648</u>	<u>\$ 59,621,080</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Total net changes in fund balances - governmental funds \$ 6,679,693

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets
are allocated over the estimated useful lives as depreciation
expense.

Capital outlays	3,240,001
Depreciation expense	(5,391,825)

Repayment of debt principal is an expenditure in the governmental
funds, but the repayment reduces the long term liabilities in the
statement of net assets. 2,945,000

Interest on long-term debt in the statement of activities differs
from the amount reported in the governmental funds because
interest is recognized as an expenditure when it is due, and
thus requires the use of current financial resources.
In the statement of activities, however, interest expense is
is recognized as the interest accrues, regardless of
when it is due. 53,506

INDEPENDENT SCHOOL DISTRICT NO. 518
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

In the Statement of Activities, certain operating expenses - pension, other post-employment benefits and compensated absences-are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Pensions	\$ 348,826
Compensated absences	(1,790,328)
Other post employment benefits	(169,988)

In the statement of activities, only the loss on disposal of capital assets is reported. However, in the governmental funds, proceeds from the disposal increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the disposed assets. (68,063)

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 deferred in the funds. (3,732)

Governmental funds report debt premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported net of debt in the Government-wide financial statements. 146,846

Change in net position - governmental activities \$ 5,989,936

INDEPENDENT SCHOOL DISTRICT NO. 518

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUE:				
Local property tax levies	\$ 5,649,274	\$ 5,152,259	\$ 5,437,687	\$ 285,428
Other local and county revenues	3,310,336	3,637,544	3,854,697	217,153
Revenues from state sources	53,836,285	56,356,639	56,040,372	(316,267)
Revenues from federal sources	1,632,112	925,836	1,639,156	713,320
Sales and other conversion of assets	67,993	91,906	100,936	9,030
Total revenues	<u>\$ 64,496,000</u>	<u>\$ 66,164,184</u>	<u>\$ 67,072,848</u>	<u>\$ 908,664</u>
EXPENDITURES:				
Current expenditures-				
District and school administration	\$ 1,065,843	\$ 1,537,175	\$ 1,417,848	\$ 119,327
District support services	1,923,767	1,920,767	1,765,799	154,968
Regular instruction	29,429,323	29,169,786	29,050,198	119,588
Vocational instruction	991,705	991,705	931,353	60,352
Exceptional instruction	9,601,385	9,601,385	9,202,546	398,839
Community education and services	628,430	628,430	803,741	(175,311)
Instructional support services	4,146,437	4,146,437	4,025,918	120,519
Pupil support services	4,970,385	4,913,223	5,071,343	(158,120)
Site and building services	4,119,580	4,131,080	3,929,647	201,433
Fiscal and other fixed cost programs	-	-	88,936	(88,936)
Capital outlay	6,123,845	5,723,845	3,337,044	2,386,801
Total expenditures	<u>\$ 63,000,700</u>	<u>\$ 62,763,833</u>	<u>\$ 59,624,373</u>	<u>\$ 3,139,460</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ 1,495,300</u>	<u>\$ 3,400,351</u>	<u>\$ 7,448,475</u>	<u>\$ 4,048,124</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	\$ -	\$ -	\$ -	\$ -
Insurance Claim Payments	50,000	96,664	96,664	-
Total other financing sources (uses)	<u>\$ 50,000</u>	<u>\$ 96,664</u>	<u>\$ 96,664</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ 1,545,300</u>	<u>\$ 3,497,015</u>	<u>\$ 7,448,475</u>	<u>\$ 4,048,124</u>
FUND BALANCE, Beginning of year	<u>40,402,099</u>	<u>40,402,099</u>	<u>40,402,099</u>	<u>-</u>
FUND BALANCE, End of year	<u>\$ 41,947,399</u>	<u>\$ 43,899,114</u>	<u>\$ 47,850,574</u>	<u>\$ 4,048,124</u>

The accompanying notes are an integral part of these financial statements.

Food Service Fund				Community Service Fund			
Budgeted Amounts		Actual	Variance with Final Budget	Budgeted Amounts		Actual	Variance with Final Budget
Original	Final			Original	Final		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 156,703	\$ 156,951	\$ 248
4,437	4,437	35,111	30,674	176,803	236,842	272,360	35,518
833,678	833,678	793,065	(40,613)	1,331,835	1,508,953	1,506,228	(2,725)
2,083,017	2,332,159	2,362,010	29,851	891,315	47,335	47,335	-
109,868	109,868	110,618	750	-	-	-	-
<u>\$ 3,031,000</u>	<u>\$ 3,280,142</u>	<u>\$ 3,300,804</u>	<u>\$ 20,662</u>	<u>\$ 2,399,953</u>	<u>\$ 1,949,833</u>	<u>\$ 1,982,874</u>	<u>\$ 33,041</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,300,120	2,137,405	2,022,322	115,083
-	-	-	-	-	-	-	-
3,450,000	3,622,600	3,489,886	132,714	41,582	20,895	27,755	(6,860)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,450,000</u>	<u>\$ 3,622,600</u>	<u>\$ 3,489,886</u>	<u>\$ 132,714</u>	<u>\$ 2,341,702</u>	<u>\$ 2,158,300</u>	<u>\$ 2,050,077</u>	<u>\$ 108,223</u>
<u>\$ (419,000)</u>	<u>\$ (342,458)</u>	<u>\$ (189,082)</u>	<u>\$ 153,376</u>	<u>\$ 58,251</u>	<u>\$ (208,467)</u>	<u>\$ (67,203)</u>	<u>\$ 141,264</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ (419,000)</u>	<u>\$ (342,458)</u>	<u>\$ (189,082)</u>	<u>\$ 153,376</u>	<u>\$ 58,251</u>	<u>\$ (208,467)</u>	<u>\$ (67,203)</u>	<u>\$ 141,264</u>
1,155,262	1,155,262	1,155,262	-	1,151,320	1,151,320	1,151,320	-
<u>\$ 736,262</u>	<u>\$ 812,804</u>	<u>\$ 966,180</u>	<u>\$ 153,376</u>	<u>\$ 1,209,571</u>	<u>\$ 942,853</u>	<u>\$ 1,084,117</u>	<u>\$ 141,264</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025

ASSETS

	<u>Private Purpose Trust Funds</u>
ASSETS:	
Cash and investments	\$ 167,923
Receivables-	
Accounts receivable	<u>-</u>
Total assets	<u>\$ 167,923</u>

LIABILITIES AND NET POSITION

LIABILITIES:	
Accounts payable	\$ <u>-</u>
Total liabilities	\$ <u>-</u>
NET POSITION:	
Held in trust	\$ <u><u>167,923</u></u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Private Purpose Trust Funds</u>
ADDITIONS:	
Other local and county revenues-	
Interest income	\$ 8,949
Other local revenues	<u>14,311</u>
Total additions	<u>\$ 23,260</u>
DEDUCTIONS:	
Pupil support services	<u>\$ 104,151</u>
Total deductions	<u>\$ 104,151</u>
Change in net position	\$ (80,891)
NET POSITION, Beginning of year	<u>248,814</u>
NET POSITION, End of year	<u><u>\$ 167,923</u></u>

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Presentation-

Independent School District No. 518 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a seven-member school board elected by voters of the District to serve four year terms. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

b. Financial Reporting Entity-

Independent School District No. 518 is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the district.

Accounting principles generally accepted in the United States of America (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities.

c. Basic Financial Statement Presentation-

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c. Basic Financial Statement Presentation (continued)-

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

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the Government-wide financial statements.

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, investment trust, private-purpose trust, and agency. Since by definition, fiduciary fund assets are being held for the benefit of a third-party and cannot be used for activities or obligations of the District, these funds are excluded from the district-wide statements.

d. Measurement Focus and Basis of Accounting-

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d. Measurement Focus and Basis of Accounting (continued)-

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month period of availability is generally used for other fund revenue.
2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

The District reports unearned revenue on its statement of net position and balance sheet. Unearned revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the District has legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and balance sheet and revenue is recognized.

Private Purpose Trust Funds are reported using the economic resources measurement focus. All fiduciary funds use the accrual basis of accounting as described earlier in these notes.

Description of Funds-

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report are as follows:

Major Governmental Funds-

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d. Measurement Focus and Basis of Accounting (continued)-

Description of Funds (continued)-

Major Governmental Funds (continued)-

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues recorded in this fund include meal sales to pupils along with state and federal reimbursements for meals.

Community Service Special Revenue Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, or other similar services. Revenues recorded in this fund include property taxes restricted for Community Service purposes and tuition and fees charged for Community Education.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. The Fund was established for building construction activity authorized by specific bond issues.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond debt service, except for refunding bond issues, for which a separate refunding bond trust account has been established.

Fiduciary Fund Types-

Private Purpose Trust Fund – The Foundation Private Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties.

e. Deferred Outflows/Inflows of Resources-

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows related to pension activity reported in the government-wide statement of net position. A deferred outflow relating to pension activity results from the difference between actual and expected economic experience, changes in actuarial assumptions and employer contributions subsequent to the measurement date. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

e. Deferred Outflows/Inflows of Resources (continued)-

In addition to liabilities, the Statement of Financial position and fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. Property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide statement of net position and the governmental funds balance sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in both the government-wide financial statements and governmental fund financial statements in the year for which they are levied. Deferred inflows related to pension and OPEB activity as a result of the net difference between projected and actual earnings on plan investments and changes in proportionate share.

f. Budgeting-

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

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to the budgeted amounts must be approved by the School Board. Individual amendments were not material in relation to the original appropriations.

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

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

At the end of each fiscal year, if the General Fund has a net unassigned deficit balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which includes certain restrictions specified in Minnesota statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of Education.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

g. Cash and Investments-

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Earnings from the investments of the Private Purpose Trust Funds are allocated directly to those funds/accounts.

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Investments in external investment pools operated in a manner consistent with the SEC's Rule 2a7 of the Investment Act of 1940 are valued at the pool's share price.

h. Accounts Receivable-

Accounts receivable represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are delinquent property taxes receivable.

i. Inventories-

Inventories are recorded using the purchase method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

j. Prepaid Items-

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

k. Property Taxes-

Property tax levies are established by the School Board in December each year and are certified to the County by December 28, for collection the following calendar year. Those taxes become a lien against properties on January 1. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to the Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through the state credits which are included in revenue from state sources in the financial statements.

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2023, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2024. The remaining portion of the levy will be recognized when measurable and available.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2024 are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

l. Capital Assets-

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

m. Long-Term Obligations-

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

n. Vacation Pay-

Under the terms of contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Vacation pay is accrued when incurred in the district-wide and all fiduciary fund financial statements. Vacation pay is accrued in governmental fund financial statements only when it has matured due to employee termination or similar circumstances.

o. Sick Pay-

Substantially all District employees are eligible for sick leave, which is accrued at varying rates according to their specific master agreements and contracts. Teachers and administrators receive 15 days upfront annually and can accumulate a maximum of 150 days, while all other eligible staff accrue pay based on hours worked, as specified in their contracts, with a maximum limit of 120 days. The District follows State guidelines for eligible conditions of payment, and generally, unused sick leave is not paid out upon an employee's termination; however, for the rare instances where contracts require it, the balance enters into the calculation of early retirement incentive payments for some employees upon termination.

p. Other Postemployment Health Care Benefits-

In addition to retirement benefits, the District provides post-retirement medical insurance benefits to teachers, administrators, principals, food service workers, custodians and clerical employees, in accordance with their respective master employment agreements. The eligibility for, amount of, duration of, and District's contribution to the cost of the benefits provided varies by contract and date of retirement.

q. Restricted Assets-

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

r. Fund Balance-

In the fund financial statements, governmental funds report fund balances in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have purpose constraints placed upon them by laws, regulations, creditors, grantors, or other external parties and are considered available only for the purpose for which they were received.

Committed – resources that are constrained for specific purposes that are internally imposed by the District at its highest level of decision making authority, the Board of Education. With an affirmative vote of its members, the Board of Education may create, modify, or rescind funds for which resources are committed to the established purpose of that fund.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for the intended purpose.

Unassigned – residual fund balance within the general fund that is in spendable form and is not restricted, committed, or assigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

The school district will strive to maintain a minimum unassigned general fund balance of 10% percent of the annual budget at the end of the fiscal year.

s. Risk Management-

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2024.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

t. Net Position-

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

u. Use of Estimates-

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

v. Functional Allocation of Expenses-

The costs of various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

w. Pensions-

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

a. Excess of Expenditures Over Budget-

No Funds had expenses that were over budget for the year ended June 30, 2025.

b. Revenues Under Budget-

No Funds had revenues that were under budgets for the year ended June 30, 2025.

3. DEPOSITS AND INVESTMENTS:

a. Deposits-

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

Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. Government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the 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.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2025, none of the District's bank balance of \$433,001 was exposed to custodial credit risk. No amounts were uninsured or under collateralized.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (Continued):

b. Investments-

The District may also invest idle funds as authorized by Minnesota Statutes, as follows: direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are 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; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States' banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase 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.

The District's investments are potentially subject to various risks including the following:

- **Custodial credit risk** – The risk that in the event of a failure of the counterparty to an investment transaction (typically a broker) the government would not be able to recover the value of the investment or collateral securities.
- **Credit risk** – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The District has no internal policies that limit deposits on investment choices or address these potential risks beyond the statutory limitations described above.

- **Concentration risk** – Investing 5 percent or more of the District's portfolio in the securities of a single issuer.
- **Interest rate risk** – The risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk).

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (Continued):

b. Investments (continued)-

The following table presents the District's investment balances at June 30, 2025 and information relating to potential investment risks:

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

	<u>Credit Risk</u>		<u>Concentration</u>	<u>Interest</u>	<u>Carrying</u>
	<u>Credit</u>	<u>Rating</u>	<u>Risk</u>	<u>Rate Risk</u>	
	<u>Rating</u>	<u>Agency</u>	<u>Over 5%</u>	<u>Maturity</u>	<u>Value</u>
			<u>of Portfolio</u>	<u>Date</u>	
Governmental Agencies	N/A	N/A	32.6%	N/A	\$ 8,880,431
Investment pools/mutual funds					
Minnesota School District					
Liquid Asset Fund Plus	AAAm	S & P	0.3%	N/A	89,130
Minnesota School District					
Liquid Asset Fund Plus					
MAX Series	AAAm	S & P	67.1%	N/A	<u>18,309,471</u>
Total investments					\$ <u>27,279,032</u>
Nonparticipating certificates of deposits and MSDLAF term investments					36,414,254
Deposits					<u>(340,505)</u>
Total cash and investments					\$ <u><u>63,352,781</u></u>

N/A - Not applicable

Cash and investments are included on the basic financial statements as follows:

Cash and temporary investments-statements of net position	\$ 52,329,309
Cash and investments for debt service-restricted-statements of net position	1,808,518
Cash and investments held by trustee-statements of net position	8,845,144
Cash and investments for construction-restricted-statements of net position	200,897
Cash and temporary investments-statement of fiduciary net position	<u>167,923</u>
	\$ <u><u>63,352,781</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (Continued):

c. Fair Value Measurements-

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with the standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded of the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in the active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

Assets of the District measured at fair value on a recurring basis:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Municipal Bonds	\$ -	\$ 8,880,431	\$ -	\$ 8,880,431
Mutual Funds	18,398,601	-	-	18,398,601
Equities	<u>36,073,749</u>	<u>-</u>	<u>-</u>	<u>36,073,749</u>
Total	<u>\$ 54,472,350</u>	<u>\$ 8,880,431</u>	<u>\$ -</u>	<u>\$ 63,352,781</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS:

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

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 5,169,797	\$ -	\$ -	\$ 5,169,797
Construction in progress	-	104,500	-	104,500
Total capital assets, not depreciated	<u>\$ 5,169,797</u>	<u>\$ 104,500</u>	<u>\$ -</u>	<u>\$ 5,274,297</u>
Capital Assets, depreciated:				
Land improvements	\$ 15,967,778	\$ 1,695,591	\$ -	\$ 17,663,369
Buildings	107,116,783	43,388	(53,666)	107,106,505
Equipment and vehicles	<u>20,294,795</u>	<u>1,396,522</u>	<u>(1,312,685)</u>	<u>20,378,632</u>
Total capital assets, depreciated	<u>\$ 143,379,356</u>	<u>\$ 3,135,501</u>	<u>\$ (1,366,351)</u>	<u>\$ 145,148,507</u>
Less accumulated depreciation for:				
Land improvements	\$ (3,913,209)	\$ (821,203)	\$ -	\$ (4,734,412)
Buildings	(25,913,867)	(2,812,797)	24,368	(28,702,296)
Equipment and vehicles	<u>(11,410,388)</u>	<u>(1,757,825)</u>	<u>1,273,920</u>	<u>(11,894,293)</u>
Total accumulated depreciation	<u>\$ (41,237,464)</u>	<u>\$ (5,391,825)</u>	<u>\$ 1,298,288</u>	<u>\$ (45,331,000)</u>
Net capital assets, depreciated	<u>102,141,892</u>	<u>(2,256,324)</u>	<u>(68,063)</u>	<u>99,817,507</u>
Total capital assets, net	<u>\$ 107,311,689</u>	<u>\$ (2,151,824)</u>	<u>\$ (68,063)</u>	<u>\$ 105,091,803</u>

Depreciation expense of \$5,391,825 for the year ended June 30, 2025, was charged to the following governmental functions:

Governmental Activities:

Administration	\$ 12,776
District support services	14,851
Regular instruction	1,514,375
Vocational instruction	16,432
Exceptional instruction	15,196
Community Service	26,423
Instructional support services	68,322
Pupil support services	166,852
Food service	65,360
Site, buildings and equipment	1,794,024
Unallocated	<u>1,697,214</u>
	<u>\$ 5,391,825</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. RIGHT TO USE LEASED ASSETS:

Right to use asset activity for the year ended June 30, 2025, was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Leased right-to-use assets	\$ 149,346	\$ -	\$ -	\$ 149,346
Accumulated amortization	149,346	-	-	149,346
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

6. LONG-TERM LIABILITIES:

a. General Obligation School Building Bonds and Certificates of Participation-

The District currently has the following General Obligation School Building Bonds and Certificates of Participation outstanding:

Issue	Issue Date	Interest Rates	Final Maturity	Principal Outstanding
General Obligation Refunding Alternative Facilities Bonds	6/2/2016	2.00%-2.25%	2/1/2030	\$ 2,245,000
General Obligation School Building Bonds	12/20/2019	2.00%-4.00%	2/1/2040	9,490,000
General Obligation Refunding School Building Bonds	12/20/2019	2.20%-3.45%	2/1/2041	8,585,000
General Obligation School Building Bonds	1/31/2020	3.00%-5.00%	2/1/2040	22,595,000
Certificates of Participation	8/30/2017	4.00%	2/1/2045	<u>8,540,000</u>
Total general obligation bonds				<u>\$ 51,455,000</u>

Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal to 105% of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

The General Obligation School Building Bonds and Certificates of Participation require semiannual payments of principal and/or interest from the date the bonds were issued.

In August 2017, the District issued \$10,340,000 of Certificates of Participation, Series 2017A. The proceeds of this issue and interest earned thereon will be used to construct a new building housing the Area Learning Center and provide a permanent facility for Gymnastics participation. These Certificates of Participation are under an advance refunding that converts them to a voter approved school building issue with the semiannual payments being made from the escrow funds to their call date of February 1, 2026.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. LONG-TERM LIABILITIES (Continued):

a. General Obligation School Building Bonds and Certificates of Participation (continued)-

In November 2019, the voters of the District approved the issuance of three bond issues. The first was to refund the 2017A Certificates of Participation in the amount of \$10,065,000. The second was to construct a new two grade intermediate school in the amount of \$26,005,000. The third was to expand the new intermediate school to three grades in the amount of \$10,000,000.

b. Bond Premiums-

Bond premiums are amortized using the straight line method over the life of the bonds.

<u>Issue</u>	<u>Issue Date</u>	<u>Bond Premium</u>	<u>Final Maturity</u>	<u>2025 Amortization</u>
General Obligation Refunding School Building Bonds	11/1/2013	\$ 424,863	2/1/2024	\$ -
General Obligation Refunding Alternative Facilities Bonds	6/2/2016	133,309	2/1/2030	9,754
General Obligation School Building Bonds	12/20/2019	181,644	2/1/2040	9,045
General Obligation School Building Bonds	1/31/2020	<u>2,560,939</u>	2/1/2040	<u>128,047</u>
Total current year amortization		<u>\$ 3,300,755</u>		<u>\$ 146,846</u>

c. Minimum Debt Payments-

Minimum annual principal and interest payments to maturity for general obligation school building bonds, capital leases and special assessments payable are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation School Building Bonds</u>		<u>Certificates of Participation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 2,770,000	1,359,839	290,000	330,600
2027	2,880,000	1,248,181	305,000	319,000
2028	2,985,000	1,151,262	320,000	306,800
2029	3,080,000	1,050,379	335,000	294,000
2030	3,180,000	951,896	345,000	280,600
2031-2035	11,745,000	3,504,103	1,895,000	1,220,150
2036-2040	13,590,000	1,669,274	2,790,000	834,600
2041-2045	<u>2,685,000</u>	<u>92,632</u>	<u>2,260,000</u>	<u>341,400</u>
	<u>\$ 42,915,000</u>	<u>\$ 11,027,568</u>	<u>\$ 8,540,000</u>	<u>\$ 3,927,150</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. LONG-TERM LIABILITIES (Continued):

d. Special Assessments Payable-

Special Assessments payable represents the outstanding liability relating to various improvements made to district property financed through municipalities. The annual assessment levies consisting of principal and interest at various rates will be paid for by the General Fund. As of June 30, 2025, there were no assessments payable.

e. Changes in Long-Term Liabilities-

Compensated absences payable consists of vacations and sick leave, to the extent that the employee's right to receive payment for future absences is attributable to services already rendered, the rights accumulate and vest, payments are probable, and the amount can be reasonably estimated. The liability includes salary-related payments (e.g., the employer's share of FICA and Medicare taxes) to the extent they are directly associated with accrued leave. The accrued leave liability for compensated absences is included in accrued expenses on the balance sheet.

	<u>June 30,</u> <u>2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2025</u>	<u>Due Within</u> <u>One Year</u>
General obligation school building bonds	\$ 45,580,000	\$ -	\$ 2,665,000	\$ 42,915,000	\$ 2,770,000
Bond premium	2,190,804	-	146,846	2,043,958	146,846
Certificates of Participation	8,820,000	-	280,000	8,540,000	290,000
Compensated Absences	<u>126,450</u>	<u>8,660,962</u>	<u>126,450</u>	<u>8,660,962</u>	<u>1,790,328</u>
	<u>\$ 56,717,254</u>	<u>\$ 8,660,962</u>	<u>\$ 3,218,296</u>	<u>\$ 62,159,920</u>	<u>\$ 4,997,174</u>

8. LEASES:

a. Short-term Leases-

The District leases the Memorial Auditorium facility for District programs through June 30, 2025. Rental expense for the year ended June 30, 2025, for this short term lease was 36,500.

b. Long-term Leases-

The District entered an agreement to lease copiers commencing July 1, 2022. Under the terms of the leases, the District pays a monthly equipment lease fee. In addition, the District also pays a maintenance cost fee that is based on an estimate of the number of copies produced. Periodically, a reconciliation of the actual copy count versus estimates is done and any overage is billed separately. The maintenance cost is treated as an ordinary operating cost.

At June 30, 2025, the District recognizes a right-to-use asset value that has been fully amortized and has no remaining lease liability. During the 2025 fiscal year, the District recorded \$0 in amortization expense for the right-to-use assets. This amortization expense was unallocated on the Statement of Activities.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. LEASES (Continued):

b. Long-term Leases (continued)-

	June 30, 2024			June 30, 2025
Right-to-use assets	Balance	Additions	Deletions	Balance
Copiers	\$ 81,581	\$ -	\$ -	\$ 81,581
Building Lease	67,764	-	-	67,764
	\$ 149,345	\$ -	\$ -	\$ 149,345
Accumulated amortization	June 30, 2024			June 30, 2025
	Balance	Additions	Deletions	Balance
Copiers	\$ 81,581	\$ -	\$ -	\$ 81,581
Building Lease	67,764	-	-	67,764
	\$ 149,345	\$ -	\$ -	\$ 149,345
Net right-to-use assets				\$ -

Leased asset payment schedule

For the year ending June 30,	Principal	Interest	Total
2025	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -

9. INTERFUND BALANCES AND OPERATING TRANSFERS:

The District has an interfund balance of \$297,923 at June 30, 2025. This balance is located in the English Learner fund and the unassigned fund .

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. RESTRICTED FUND BALANCES:

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. A description of deficit balance restrictions is included herein since the District has specific statutory authority to levy taxes for such deficits.

Restricted, Committed, and Assigned fund balances at June 30, 2025, are as follows:

Restricted for Staff Development-

Represents available resources to be used for future staff development activities. The fund balance as of June 30, 2025, is \$207,568.

Restricted for Area Learning Center-

Represents available resources to be used for students attending the area learning center. The fund balance as of June 30, 2025, is \$63,385.

Restricted for Learning and Development-

Represents available resources to be used to reduce the pupil to staff ratio. The fund balance as of June 30, 2025, is \$13,824.

Restricted for Operating Capital-

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund. The fund balance as of June 30, 2025, is \$923,425.

Restricted for Gifted and Talented-

Represents available resources from state aid to be used for gifted and talented programming in accordance with funding made available for that purpose. The fund balance as of June 30, 2025, is \$85,460.

Restricted for Long-Term Facility Maintenance-

Represents available resources from the levy or aid to be used for future long-term facility maintenance projects. The fund balance as of June 30, 2025, is \$1,578,594.

Restricted for Student Activities-

Represents available resources from local revenues to be used for student led activity groups. The fund balance as of June 30, 2025, is \$226,987.

Restricted for Medical Assistance-

Represents available resources from medical assistance funding to be used for programming in accordance with that funding. The fund balance as of June 30, 2025, is \$456,185.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. RESTRICTED FUND BALANCES (Continued):

Restricted for Literacy Aid-

Represents available resources for use in maintaining safe schools in accordance with that funding. The fund balance as of June 30, 2025, is \$145,015.

Restricted for Basic Skills Programs-

Represents available resources to be used in providing services to students lacking basic skills. The fund balance as of June 30, 2025, is \$6,257,298.

Restricted for Literacy Incentive Aid-

Represents accumulated resources available to provide stipends for staff receiving training in literacy curriculum in accordance with funding made available for that purpose. The fund balance as of June 30, 2025, is \$220,459.

Restricted for Teacher Comp Read Act-

Represents accumulated resources for stipends, hourly wages, or reimbursement for eligible trainings. The fund balance as of June 30, 2025, is \$141,139.

Restricted for Food Service-

Represents available resources to be used in providing food services to students. The fund balance as of June 30, 2025, is \$836,800.

Restricted for Community Education-

Represents accumulated resources available to provide general community education programming. The fund balance as of June 30, 2025, is \$191,185.

Restricted for Adult Basic Education-

Represents accumulated resources available to provide adult basic education services. The fund balance as of June 30, 2025, is \$749,029.

Restricted for School Readiness-

Represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose. The fund balance as of June 30, 2025, is \$2,209.

Restricted for Early Childhood Family Education-

Represents accumulated resources available to provide early childhood family education programming in accordance with funding made available for that purpose. The fund balance as of June 30, 2025, is \$128,883.

Restricted for Other Programs-

Represents that amount that can be spent only for specific purposes stipulated by constitutional, external resource providers, or through enabling legislation. The fund balance as of June 30, 2025, is \$202,375.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. RESTRICTED FUND BALANCES (Continued):

Restricted for Debt Service-

Represents available resources from the debt service levy available only for payment of outstanding debt and related expenses. The fund balance as of June 30, 2025, is \$1,164,793.

Restricted for Bond Refunding-

Represents available resources to be used for bond refunding. The fund balance as of June 30, 2025, is \$8,257,855.

Assigned for Cable 3-

Represents amounts committed for the Cable 3 TV Studio operations, but not restricted. The fund balance as of June 30, 2025, is \$5,320.

Assigned for Projects-

Represents amounts assigned for projects, but are not restricted or committed. The fund balance as of June 30, 2025, is \$21,500,000.

11. POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN:

a. Plan Description-

The District provides a single-employer defined benefit healthcare plan which allows retirees and their spouses to participate in that plan through contractual arrangement. The plan offers medical coverage that is administered through the Sanford Health Insurance Plan. It is the District's policy to periodically review those medical coverages and obtain requests for proposals in order to provide the most favorable benefits and premiums for the District employees and retirees. No assets are accumulated in a trust.

Post-Employment Medical Plan – All eligible retirees of the District have the option to continue their medical coverage into retirement. Retirees pay the full district premium rate for the coverage and dependent coverage if elected. When the retiree is eligible for coverage under Medicare, the District plan allows continued participation as a healthcare plan secondary to that Medicare coverage.

There are 474 active participants and 8 retired participants. The plan does not issue a publicly available financial report.

b. Contributions-

Retirees and their spouses contribute to the health care plan at the same rate as active District employees. This results in the retirees receiving an implicit rate subsidy. The required contributions are based on projected pay-as-you-go financing requirements.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (Continued):

c. Actuarial Methods and Assumptions-

The total OPEB liability was determined by an actuarial valuation as of June 30, 2025, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

<u>Key Methods and Assumptions Used in Valuation of Total OPEB Liability</u>	
Salary increases	3.00%
Inflation	3.00%
Healthcare cost trend increases	8.00% As of July 1, 2025, decreasing to an ultimate rate of 4.50% over 14 years.
Mortality Assumptions	General Employees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 Teachers: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2021 Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021

d. Total OPEB Liability-

As of June 30, 2025, the actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$1,343,512.

	<u>Total OPEB Liability</u>
Balance at July 1, 2024	\$ <u>1,325,064</u>
Changes for the year	
Service cost	\$ 92,643
Interest cost	58,328
Changes of assumptions	26,019
Employer contributions	(65,182)
Differences between expected and actual experience	<u>(93,360)</u>
Net changes	\$ <u>18,448</u>
Balance at July 1, 2025	\$ <u>1,343,512</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (Continued):

e. OPEB Liability Sensitivity–

The following presents the District’s total OPEB liability calculated using the discount rate of 5.20% as well as the liability measured using 1% higher and 1% lower than the current discount rate.

Net OPEB Liability (Asset)		
1% decrease (4.20%)	Current (5.20%)	1% increase (6.20%)
\$ 1,454,854	\$ 1,343,512	\$ 1,240,770

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

Net OPEB Liability (Asset)		
1% decrease (7.00%)	Current (8.00%)	1% increase (9.00%)
decreasing to (3.50%)	decreasing to (4.50%)	decreasing to (5.50%)
\$ 1,188,836	\$ 1,343,512	\$ 1,528,262

f. OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB-

For the year ended June 30, 2025, the District recognized OPEB expense of \$123,254. At June 30, 2025, the district reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (402,251)
Changes in actuarial assumptions	224,176	(2,720)
	\$ 224,176	\$ (404,971)

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (Continued):

f. OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)-

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

Year Ended June 30:		
2026	\$	(27,717)
2027		(27,717)
2028		(24,027)
2029		(21,237)
2030		(26,370)
Thereafter		(53,727)

12. DEFINED BENEFIT PENSION PLANS:

Substantially all employees of the District are required by state law to belong to cost sharing, multiple employer, defined benefit pension plans administered by Teachers Retirement Association (TRA) and Public Employees Retirement Association (PERA), all of which are established and administered in accordance with Minnesota Statutes. TRA's and PERA's defined benefit pension plans are tax qualified plans under section 401(a) of the Internal Revenue Code.

a. Summary of Significant Accounting Policies-

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This 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 in 2015.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. DEFINED BENEFIT PENSION PLANS (Continued):

b. Plan Descriptions-

1. Teachers Retirement Association (TRA)-

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by St. Paul, or the Minnesota State colleges and universities) are required to be TRA members. Educators first employed by the Minnesota State may elect TRA coverage or coverage through the Defined Contribution Plan (DCR) administered by the State of Minnesota.

2. Public Employees Retirement Association (PERA)-

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Retirement Plan covers certain full time and part-time employees of the District. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. DEFINED BENEFIT PENSION PLANS Continued):

c. Benefits Provided-

TRA and PERA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

TRA: Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is currently 1.0%. This rate will increase by 0.1% each year starting July 1, 2024, through July 1, 2028, when the rate increase be capped at 1.5%.

PERA: 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.

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

1. TRA benefits-

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 Statutes and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age and a formula multiplier based on years of credit at termination of service.

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. Members first employed **after June 30, 1989** receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. DEFINED BENEFIT PENSION PLANS (Continued):

c. Benefits Provided (continued)-

1. TRA benefits (continued)-

With these provisions-

- a. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- b. 3.0 percent per year early retirement reduction factors for all years under normal retirement age.
- c. Unreduced benefits for early retirement under a Rule of 90 provision (age plus allowable service equals 90 or more).

or

Tier II	Step Rate Formula	Percentage
Basic	Service years prior to July 1, 2006	2.7 percent per year
	All years after July 1, 2006	2.7 percent per year
Coordinated	Service years prior to July 1, 2006	1.7 percent per year
	All years after July 1, 2006	1.9 percent per year

Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to the individuals who reach age 62 and have 30 or more years of service credit.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree-no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which 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.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. DEFINED BENEFIT PENSION PLANS (Continued):

c. Benefits Provided (continued)-

2. PERA benefits-

General Employees Plan 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 PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. Members retiring under Rule of 90 are exempt from the delay to normal retirement.

For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

d. Contributions-

1. TRA contributions-

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. Rates for each fiscal year were:

	Ending June 30, 2024		Ending June 30, 2025	
	Employee	Employer	Employee	Employer
Basic	11.25%	12.75%	11.25%	16.39%
Coordinated	7.75%	8.75%	7.75%	8.75%

The District contributions for the plan's year ended June 30, 2025, were \$1,938,936 equal to the required contributions as set by State Statute.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. DEFINED BENEFIT PENSION PLANS (Continued):

d. Contributions (continued)-

2. PERA contributions-

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025. In fiscal year 2025, the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the PERA for the plan's fiscal year ended June 30, 2025, were \$775,569. The District's contributions were equal to the required contributions for each year as set by state statute.

e. Pension Costs-

1. TRA pension costs-

At June 30, 2025, the District reported a liability of \$21,255,204 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to the total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.3202% at the end of the measurement period and 0.3345% for the beginning of the year.

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

District's proportionate share of the net pension liability	\$21,255,204
State's proportionate share of the net pension liability associated with the district	\$1,390,264

There was no change in actuarial assumptions that affected the measurement of the total pension liability since the prior measurement date. The long-term rate of return is 7.0%. In addition, the employee contribution rate remained at 8.00% as of June 30, 2025. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

For the year ended June 30, 2025, the District recognized pension expense of \$1,473,871. It also recognized \$(17,007) as pension expense for the support provided by direct aid.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. DEFINED BENEFIT PENSION PLANS (Continued):

e. Pension Costs (continued)-

1. TRA pension costs (continued)-

At June 30, 2025, the District reported its proportionate share of TRA's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 857,534	\$ -
Difference between projected and actual investment earnings	-	3,628,301
Changes in actuarial assumptions	-	2,534,741
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	983,867	-
Prior year Contributions	(1,785,450)	-
Current Year Amortization of prior year amount	(4,297,272)	(3,280,337)
Contributions paid to TRA subsequent to the measurement date	1,962,908	-
Change in Deferred Outflows and Inflows for the year ended June 30, 2025	\$ (2,278,413)	\$ 2,882,705
Balance at June 30, 2024	11,348,567	8,402,015
Balance at June 30, 2025	\$ 9,070,154	\$ 11,284,720

The \$1,785,450 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2026	(\$957,628)
2027	\$ 2,123,408
2028	(\$1,289,215)
2029	(\$897,124)

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. DEFINED BENEFIT PENSION PLANS (Continued):

e. Pension Costs (continued)-

2. PERA pension costs-

At June 30, 2025, the District reported a liability of \$4,516,981 for its proportionate share of the PERA's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million in 2009. 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 \$116,800. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the District's proportion share was 0.0095 percent which was an increase of 0.1222% percent from its proportion measured as of June 30, 2024.

For the year ended June 30, 2025, the District recognized pension expense of \$775,569 for its proportionate share of PERA's pension expense. In addition, the District recognized an additional \$3,131 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the PERA General Employees Fund.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED BENEFIT PENSION PLANS (Continued):

e. Pension Costs (continued)-

2. PERA pension costs (continued)-

At June 30, 2025, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 284,112	\$ -
Changes in actuarial assumptions	-	461,156
Difference between projected and actual investment earnings	-	1,384,798
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	192,164	-
Prior year Contributions	(701,686)	-
Current Year Amortization of prior year amount	(2,000,387)	(1,453,551)
Contributions paid to PERA subsequent to the measurement date	775,923	-
Change in Deferred Outflows and Inflows for the year ended June 30, 2025	\$ (1,449,874)	\$ 392,403
Balance at June 30, 2024	4,289,322	3,826,621
Balance at June 30, 2025	\$ 2,839,448	\$ 4,219,024

The \$701,686 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, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2026	\$74,491
2027	\$31,639
2028	(\$476,321)

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED BENEFIT PENSION PLANS (Continued):

f. Actuarial Assumptions-

The total pension liability in the June 30, 2024, actuarial valuation was determined using the entry age normal actuarial cost method and using the following actuarial assumptions.

<u>Assumptions</u>	<u>General Employees Fund</u>	<u>TRA</u>
Inflation	2.25% per year	2.50%
Active Member Payroll Growth	3.00% per year	2.85%
Investment Rate of Return	7.00%	7.00%

Actuarial Salary increases were based on a service –related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 (TRA) Pub-2010 General Employees Mortality tables (PERA) for males and females, as appropriate, with slight adjustment for PERA’s experience.

Actuarial assumptions used in the June 30, 2024, valuation were based on the results of actuarial experience studies. The most recent four year experience study was completed in 2020.

The following are changes in actuarial assumptions for TRA. Postretirement benefit cost of living adjustments are now assumed to be 1.0% for January, 2023, then increasing by 0.1% each year up to a maximum of 1.5% annually on January 1, 2028. Beginning July 1, 2024, the Normal Retirement Age (NRA) for active and eligible Tier II members will be 65. The employer contribution rate will be increased July 1, 2025 from 8.75% to 9.5%. In addition, the employee contribution rate will increase from 7.75% to 8% on July 1, 2025. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

The following changes in actuarial assumptions for PERA occurred in 2023. The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023. A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024. The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. DEFINED BENEFIT PENSION PLANS (Continued):

f. Actuarial Assumptions (continued)-

The long-term expected rate of return on pension plan investments is 7.0% for both PERA and TRA. The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	33.5%	5.10%
International Stocks	16.5%	5.30%
Bonds	25%	0.75%
Alternative Assets	25%	5.90%
Total	<u>100%</u>	

g. Discount Rate-

The discount rate used to measure the total pension liability was 7.00% for both TRA and PERA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

h. Pension Liability Sensitivity-

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

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. DEFINED BENEFIT PENSION PLANS (Continued):

	<u>1% Decrease in</u> <u>Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in</u> <u>Discount Rate</u>
TRA Discount Rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	\$ 42,164,160	\$ 21,255,204	\$ 13,561,367
PERA Discount Rate	6.00%	7.00%	8.00%
District's proportionate share of the PERA's net pension liability	\$ 11,633,579	\$ 4,516,981	\$ 2,416,059

i. Pension Plan Fiduciary Net Position-

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org. Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association
60 Empire Drive, Suite 400
St. Paul, MN 55103-4000
(651) 296-2409 or (800) 657-3669

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. The report may be obtained on the internet at www.mnpera.org.

13. DEFINED CONTRIBUTION PENSION PLAN:

School board members of the District are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by (PERA). The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. DEFINED CONTRIBUTION PENSION PLAN (Continued):

Total contributions made by the District during fiscal year 2025 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$1,545	\$1,545	5.0%	5.0%	5.0%

14. JOINT VENTURES:

a. Nobles County Integration Collaborative (NCIC)-

Independent School District No. 518-Worthington, Independent School District No. 511-Adrian, Independent School District No. 514-Ellsworth, Independent School District No. 505-Fulda, Independent School District No. 330 Heron Lake-Okabena and Independent School District No. 2907-Round Lake-Brewster, entered into a joint powers agreement for the purpose of implementing the Nobles County Multi-District Integration Plan which was drafted by the Nobles County Multi-District Integration Council and submitted to the State of Minnesota in January, 2001. The member districts shall transfer to the Board the initial integration and achievement funds as established at the conception of the agreement. Grants received from private foundations, corporate donations, regional, state and federal grants relating to the implementation of the plan will be used in addition to the member districts' transfers to finance the program. Any surplus is returned to member districts at the end of the fiscal year; therefore, no material surplus or deficit exists or is anticipated. Independent School District No. 518-Worthington was named the fiscal agent for the Collaborative.

15. RELATED PARTY TRANSACTIONS:

During the normal course of business, the District purchases goods and services from employees of the District and sells goods and services to employees of the District. The amounts of such transactions are not material to the financial statements.

A Lease of farmland to a partnership with a board member as a partner for fiscal years 2022 through 2024 was awarded through an open request for proposals process. This lease has been concluded and the school district farms this land.

16. COMMITMENTS AND CONTINGENCIES:

a. Grants and Aids-

The District receives significant financial assistance from numerous federal, state and local government agencies in the form of grants and aid. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. 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.

b. Legal Claims-

The District has the usual and customary types of miscellaneous legal claims pending at year end, mostly of a minor nature and usually covered by insurance carried for that purpose.

INDEPENDENT SCHOOL DISTRICT NO. 518
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

17. TAX ABATEMENTS:

The District has entered into tax abatement agreements which meet the criteria for disclosure under Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures. The District's authority to enter into these agreements comes from Minnesota Statute 469.1813 Subd.2.b.2 that limits the abatement amount to the amount of tax increase resulting from valuation increases. The District entered into these agreements for the purpose of economic development.

Under each agreement, the District and developer agree on an amount of the development cost to be reimbursed to the developer by the District through tax revenues levied as a result of the additional taxable value of the property generated by the development (tax abatement). A "pay-as-you-go" note is established for this amount, on which the District makes payments for a fixed period of time from the tax revenues generated.

One agreement coordinated by the City of Worthington was awarded by the City of Worthington on May 24, 2010, for a property located at 511 10th Street in compliance with the guidelines. The abatement of all combined governmental units is \$80,000 or 15 years, whichever occurs first. As of June 30, 2025, the District had rebated \$13,321 of which \$839 was paid during the fiscal year then ended.

The District has entered into a tax abatement agreement titled the Nobles Home Initiative (NHI), with the City of Worthington and Nobles County under Minnesota State Statute 469.1813 Subdivision 8. This program is intended to encourage the construction of new owner occupied and rental residential housing units. Eligible projects may receive up to 100% tax abatement of the District's share of increased real estate taxes resulting from the newly constructed housing unit, for a period of five years. During the fiscal year ended June 30, 2025, taxes were abated for thirty-eight eligible properties within the District's corporate limits in the amount of \$19,639.

18. GASB STANDARDS IMPLEMENTED DURING FISCAL YEAR 2025:

GASB Statement No. 101, Compensated Absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2025

	2025		Variance with Final Budget
	Final Budget	Actual	
REVENUES:			
Local property tax levies-			
Current levy	\$ 5,051,974	\$ 5,337,402	\$ 285,428
County apportionment	38,527	38,527	-
Other tax receipts	61,758	61,758	-
Total local property tax levies	<u>\$ 5,152,259</u>	<u>\$ 5,437,687</u>	<u>\$ 285,428</u>
Other local and county revenues-			
Tuition revenue from other school districts	\$ 325,000	\$ 391,859	\$ 66,859
Tuition and fees from patrons	395,555	180,681	(214,874)
Interest income	2,000,000	2,028,720	28,720
Other local revenue	916,989	1,253,437	336,448
Total other local and county revenues	<u>\$ 3,637,544</u>	<u>\$ 3,854,697</u>	<u>\$ 217,153</u>
Revenues from state sources-			
Endowment fund apportionment	\$ 200,000	\$ 263,794	\$ 63,794
Department of Education aids-			
General education aid	43,820,203	45,692,174	1,871,971
Special education	7,000,000	7,243,560	243,560
Vocational and other education	5,297,102	2,814,847	(2,482,255)
Other appropriations by the state for replacement of local taxes-			
Market value aid	14,131	14,142	11
Disparity reduction aid and other	25,203	25,244	41
State special funding for pensions	-	(13,389)	(13,389)
Total revenues from state sources	<u>\$ 56,356,639</u>	<u>\$ 56,040,372</u>	<u>\$ (316,267)</u>
Revenues from federal sources-			
Federal aids through Minnesota			
Department of Education	\$ 726,529	\$ 1,344,545	\$ 618,016
Federal aids through SWWC cooperative	199,307	294,611	95,304
Total revenues from federal sources	<u>\$ 925,836</u>	<u>\$ 1,639,156</u>	<u>\$ 713,320</u>
Sales and other conversion of assets-			
Sales of materials and supplies	\$ 91,906	\$ 100,936	\$ 9,030
Total revenues	<u>\$ 66,164,184</u>	<u>\$ 67,072,848</u>	<u>\$ 908,664</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2025

	2025		
	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:			
District and school administration-			
School board expenses-			
Per diem	\$ 46,587	\$ 47,915	\$ (1,328)
Employee benefits	12,690	14,296	(1,606)
Travel	6,500	5,685	815
Other	60,500	40,766	19,734
General administration-			
Superintendent salary	203,000	230,225	(27,225)
Administrative support salaries	52,000	52,000	-
Employee benefits	82,655	78,769	3,886
Travel and other	7,400	12,419	(5,019)
Building administration-			
Salaries	635,318	636,930	(1,612)
Employee benefits	310,851	248,316	62,535
Travel	800	1,165	(365)
Purchased services	33,505	24,660	8,845
Supplies and materials	29,209	16,646	12,563
Other	56,160	8,056	48,104
Capital outlay	-	-	-
Total district and school administration	\$ 1,537,175	\$ 1,417,848	\$ 119,327
District support services-			
District business services-			
Director of finance and personnel salary	\$ 71,355	\$ 71,322	\$ 33
Administrative support salaries	217,559	209,046	8,513
Employee benefits	112,058	82,122	29,936
Travel	7,900	6,734	1,166
Purchased services	185,100	126,320	58,780
Supplies and materials	8,000	7,882	118
Other	4,200	1,503	2,697

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2025

	2025		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES (Continued):			
District support services (continued)-			
Other support services-			
Salaries	\$ 731,149	\$ 729,996	\$ 1,153
Employee benefits	281,781	226,320	55,461
Travel	4,050	6,354	(2,304)
Contracted services-			
Printing and publishing	28,630	21,069	7,561
Legal	1,650	2,000	(350)
Data processing	232,500	236,683	(4,183)
Other	23,435	24,305	(870)
Supplies and materials	11,400	14,143	(2,743)
Total district support services	<u>\$ 1,920,767</u>	<u>\$ 1,765,799</u>	<u>\$ 154,968</u>
Regular instruction-			
Salaries-			
Secondary teachers	\$ 7,310,752	\$ 7,387,115	\$ (76,363)
Elementary teachers	6,398,762	6,504,316	(105,554)
Kindergarten teachers	991,473	1,011,391	(19,918)
Education aides	1,807,013	1,724,561	82,452
Other	519,035	490,971	28,064
Employee benefits	5,579,214	5,746,935	(167,721)
Contracted Substitutes	613,833	679,147	(65,314)
Contracted Education	35,000	75,379	(40,379)
Travel	17,342	10,632	6,710
Tuition to other schools	2,437,990	2,357,719	80,271
Pupil transportation	220,310	224,186	(3,876)
Purchased services	834,730	755,284	79,446
General supplies and materials	203,762	175,633	28,129
Instructional software	222,249	215,385	6,864
Instructional supplies and materials	220,947	176,811	44,136
Textbooks	13,900	11,078	2,822
Other	401,602	145,315	256,287
Capital outlay	328,786	310,094	18,692

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2025

	2025		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES (Continued):			
Regular instruction (continued)-			
Student activities -			
Salaries	\$ 604,339	\$ 597,284	\$ 7,055
Employee benefits	147,216	140,184	7,032
Purchased services	77,220	87,044	(9,824)
Travel	71,285	79,400	(8,115)
Utilities	12,550	7,994	4,556
Pupil transportation	192,750	194,829	(2,079)
General supplies and materials	215,127	222,824	(7,697)
Equipment purchased	2,500	5,841	(3,341)
Other	18,885	22,940	(4,055)
Capital outlay	74,957	81,461	(6,504)
Total regular instruction	<u>\$ 29,573,529</u>	<u>\$ 29,441,753</u>	<u>\$ 131,776</u>
Vocational instruction-			
Salaries	\$ 598,718	\$ 612,463	\$ (13,745)
Employee benefits	178,987	190,227	(11,240)
Travel	1,700	1,821	(121)
Purchased services	16,850	13,881	2,969
Pupil transportation	22,350	22,702	(352)
General supplies and materials	4,400	838	3,562
Instructional supplies and materials	58,700	89,861	(31,161)
Other	110,000	(440)	110,440
Capital outlay	100,000	104,578	(4,578)
Total vocational instruction	<u>\$ 1,091,705</u>	<u>\$ 1,035,931</u>	<u>\$ 55,774</u>
Exceptional instruction-			
Salaries-			
Teachers	\$ 3,258,040	\$ 3,292,150	\$ (34,110)
Psychologists	91,800	92,066	(266)
Aides	2,568,930	2,371,036	197,894
Office	229,110	222,509	6,601
Employee benefits	2,043,372	1,982,525	60,847
Travel	37,800	33,221	4,579
Professional services	266,242	284,090	(17,848)

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2025

	2025		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES (Continued):			
Exceptional instruction (continued)-			
Tuition to other schools	\$ 766,093	\$ 670,821	\$ 95,272
Other purchased services	18,910	19,121	(211)
General supplies and materials	60,475	55,682	4,793
Instructional supplies and materials	67,990	67,438	552
Other	192,623	111,887	80,736
Total exceptional instruction	<u>\$ 9,601,385</u>	<u>\$ 9,202,546</u>	<u>\$ 398,839</u>
Community education and services-			
Salaries	\$ 374,854	\$ 515,996	\$ (141,142)
Employee benefits	131,476	176,637	(45,161)
Pupil transportation	100,000	75,756	24,244
General supplies and materials	2,100	2,094	6
Instructional supplies and materials	6,000	6,040	(40)
Other	14,000	27,218	(13,218)
Total community education and services	<u>\$ 628,430</u>	<u>\$ 803,741</u>	<u>\$ (175,311)</u>
Instructional support services-			
Salaries-			
Assistant principal	\$ 462,245	\$ 474,037	\$ (11,792)
Media	354,700	332,562	22,138
Technology	375,900	386,419	(10,519)
Curriculum development	213,891	179,312	34,579
Staff development	353,254	298,697	54,557
Secretarial and other	676,000	675,366	634
Employee benefits	865,034	799,613	65,421
Travel	69,908	80,170	(10,262)
Professional services	25,850	59,866	(34,016)
Other purchased services	379,750	327,799	51,951
General supplies and materials	189,118	236,873	(47,755)
Instructional supplies and materials	28,487	45,785	(17,298)
Other	152,300	129,419	22,881
Capital outlay	500,000	501,902	(1,902)
Total instructional support services	<u>\$ 4,646,437</u>	<u>\$ 4,527,820</u>	<u>\$ 118,617</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2025

	2025		
	Final Budget	Actual	Variance with Final Budget
EXPENDITURES (Continued):			
Pupil support services-			
Guidance and counseling-			
Salaries	\$ 677,291	\$ 715,346	\$ (38,055)
Employee benefits	204,392	226,098	(21,706)
Supplies and materials	1,950	(3,667)	5,617
Health services-			
Salaries	-	-	-
Employee benefits	-	-	-
Travel	-	-	-
Purchased services	172,250	126,930	45,320
General supplies and materials	-	-	-
Capital outlay	-	-	-
Capital outlay	-	-	-
Social and Psychological services-			
Salaries	186,341	187,238	(897)
Employee benefits	49,569	58,775	(9,206)
Purchased services	7,800	12,668	(4,868)
General supplies and materials	500	54	446
Violence prevention-			
Purchased services	137,000	160,091	(23,091)
Supplies and materials	23,530	21,448	2,082
Transportation-			
Salaries	427,100	404,871	22,229
Employee benefits	71,525	79,684	(8,159)
Supplies and materials	1,500	-	1,500
Contracted services and public carriers	1,581,000	1,776,520	(195,520)
Other	68,875	69,414	(539)
Nobles County Integration Collaborative	1,237,200	1,236,014	1,186
Other support services-			
Supplies and materials	-	-	-
Other	65,400	(141)	65,541
Total pupil support services	\$ 4,913,223	\$ 5,071,343	\$ (158,120)

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2025

	2025		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES (Continued):			
Site, buildings and equipment-			
Plant operations and maintenance-			
Salaries	\$ 1,716,600	\$ 1,595,722	\$ 120,878
Employee benefits	570,130	486,581	83,549
Repairs and maintenance service	345,000	385,182	(40,182)
Fuel for buildings	218,100	188,194	29,906
Utilities, except for fuel for buildings	984,650	966,977	17,673
Custodial supplies and materials	254,950	312,739	(57,789)
Other	41,650	(5,748)	47,398
Capital outlay-			
Operating capital	777,982	281,577	496,405
Long-term facility maintenance	3,202,218	1,555,081	1,647,137
Projects using unrestricted funds	739,902	502,351	237,551
Total site, buildings and equipment	<u>\$ 8,851,182</u>	<u>\$ 6,268,656</u>	<u>\$ 2,582,526</u>
Fiscal and other fixed cost programs-			
Fixed charges-			
Insurance and Judgements	\$ -	\$ 88,936	\$ (88,936)
Total fiscal and other fixed cost programs	<u>\$ -</u>	<u>\$ 88,936</u>	<u>\$ (88,936)</u>
Total expenditures	<u>\$ 62,763,833</u>	<u>\$ 59,624,373</u>	<u>\$ 3,139,460</u>
Excess (deficit) of revenues over expenditures	<u>\$ 3,400,351</u>	<u>\$ 7,448,475</u>	<u>\$ 4,048,124</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2025

	2025		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
OTHER FINANCING SOURCES (USES):			
Other financing sources			
Interfund Transfer	\$ -	\$ -	\$ -
Insurance claim payments	<u>96,664</u>	<u>96,664</u>	<u>-</u>
Total other financing sources	<u>\$ 96,664</u>	<u>\$ 96,664</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ 96,664</u>	<u>\$ 96,664</u>	<u>\$ -</u>
Net change in fund balances	<u>\$ 3,497,015</u>	<u>\$ 7,545,139</u>	<u>\$ 4,048,124</u>
FUND BALANCE, Beginning of year		<u>40,402,099</u>	
FUND BALANCE, Beginning of year (restated)		<u>\$ 40,402,099</u>	
FUND BALANCE, End of year		<u>\$ 47,947,238</u>	

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOOD SERVICE SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2025

	2025		Variance with Final Budget
	Final Budget	Actual	
REVENUES:			
Local sales and other revenues-			
Meals sold	\$ 109,868	\$ 110,618	\$ 750
Other local revenues	4,437	35,111	30,674
Total local sales and other revenues	<u>\$ 114,305</u>	<u>\$ 145,729</u>	<u>\$ 31,424</u>
State sources-			
State lunch and breakfast program aid	\$ 833,678	\$ 793,065	\$ (40,613)
Total state sources	<u>\$ 833,678</u>	<u>\$ 793,065</u>	<u>\$ (40,613)</u>
Federal sources-			
Regular lunch and breakfast	\$ 826,939	\$ 858,750	\$ 31,811
Free and reduced	1,284,000	1,208,931	(75,069)
Summer food program	36,230	104,200	67,970
Commodity rebates	-	-	-
Commodities used	184,990	190,129	5,139
Total federal sources	<u>\$ 2,332,159</u>	<u>\$ 2,362,010</u>	<u>\$ 29,851</u>
Total revenues	<u>\$ 3,280,142</u>	<u>\$ 3,300,804</u>	<u>\$ 20,662</u>
EXPENDITURES:			
Pupil support services-			
Salaries	\$ 1,334,495	\$ 1,316,094	\$ 18,401
Employee benefits	562,652	526,917	35,735
Repairs and maintenance	44,200	41,566	2,634
Other purchased services	76,910	74,751	2,159
General supplies and materials	86,600	79,568	7,032
Food	1,456,340	1,393,076	63,264
Equipment purchased	44,933	41,566	3,367
Other	16,470	16,348	122
Total pupil support services	<u>\$ 3,622,600</u>	<u>\$ 3,489,886</u>	<u>\$ 132,714</u>
Total expenditures	<u>\$ 3,622,600</u>	<u>\$ 3,489,886</u>	<u>\$ 132,714</u>
Net change in fund balances	<u>\$ (342,458)</u>	<u>\$ (189,082)</u>	<u>\$ 153,376</u>
FUND BALANCE, Beginning of year		1,155,262	
FUND BALANCE, End of year		<u>\$ 966,180</u>	

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

COMMUNITY SERVICES SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2025

	2025		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Local property tax levies-			
Current levy	\$ -	\$ -	\$ -
Other tax receipts	<u>156,703</u>	<u>156,951</u>	<u>248</u>
Total local property tax levies	<u>\$ 156,703</u>	<u>\$ 156,951</u>	<u>\$ 248</u>
Other local and county revenues-			
Tuition and fees from patrons	\$ 216,742	\$ 213,769	\$ (2,973)
Other local revenues	<u>20,100</u>	<u>58,591</u>	<u>38,491</u>
Total other local and county revenues	<u>\$ 236,842</u>	<u>\$ 272,360</u>	<u>\$ 35,518</u>
Revenues from state sources-			
State aids from Department of Education-			
Vocational and other education	\$ 1,506,717	\$ 1,504,471	\$ (2,246)
Other appropriations by the state for replacement of local taxes-			
Disparity and other	2,236	2,245	9
State special funding for pensions	<u>-</u>	<u>(488)</u>	<u>(488)</u>
Total revenues from state sources	<u>\$ 1,508,953</u>	<u>\$ 1,506,228</u>	<u>\$ (2,725)</u>
Revenues from federal sources-			
Federal aids through Minnesota Department of Education	<u>\$ 47,335</u>	<u>\$ 47,335</u>	<u>\$ -</u>
Total revenues from federal sources	<u>\$ 47,335</u>	<u>\$ 47,335</u>	<u>\$ -</u>
Total revenues	<u>\$ 1,949,833</u>	<u>\$ 1,982,874</u>	<u>\$ 33,041</u>

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (CONTINUED)

COMMUNITY SERVICES SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2025

	2025		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES:			
Community education and services-			
Civic activities and general	\$ 290,803	\$ 266,777	\$ 24,026
Early Childhood Family Education	392,933	358,589	34,344
Pathways Early Learning	85,595	82,076	3,519
School readiness	330,965	311,928	19,037
Preschool screening	24,745	21,401	3,344
Parent involvement	44,823	40,840	3,983
Youth programs	26,267	25,584	683
Adult education programs	930,974	907,772	23,202
Non-public school assistance-			
Textbooks and standardized tests	<u>10,300</u>	<u>7,355</u>	<u>2,945</u>
Total community education and services	<u>\$ 2,137,405</u>	<u>\$ 2,022,322</u>	<u>\$ 115,083</u>
Pupil support services-			
Non-public school health services-	\$ 14,900	\$ 21,644	\$ (6,744)
Non-public counseling and career guidance	<u>5,995</u>	<u>6,111</u>	<u>(116)</u>
Total pupil support services	<u>\$ 20,895</u>	<u>\$ 27,755</u>	<u>\$ (6,860)</u>
Total expenditures	<u>\$ 2,158,300</u>	<u>\$ 2,050,077</u>	<u>\$ 108,223</u>
Net change in fund balances	<u>\$ (208,467)</u>	<u>\$ (67,203)</u>	<u>\$ 141,264</u>
FUND BALANCE, Beginning of year		<u>1,151,320</u>	
FUND BALANCE, End of year		<u>\$ 1,084,117</u>	

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

FOR THE YEAR ENDED JUNE 30, 2025

	2025		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Other local and county revenues-			
Interest income	\$ <u>7,200</u>	\$ <u>8,262</u>	\$ <u>1,062</u>
Total revenues	\$ <u>7,200</u>	\$ <u>8,262</u>	\$ <u>1,062</u>
EXPENDITURES:			
Site, buildings and equipment-			
Buildings	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total site, buildings and equipment	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Excess (deficit) of revenues over expenditures	\$ <u>7,200</u>	\$ <u>8,262</u>	\$ <u>1,062</u>
Net change in fund balances	\$ <u><u>7,200</u></u>	\$ <u>8,262</u>	\$ <u><u>1,062</u></u>
FUND BALANCE, Beginning of year		<u>192,635</u>	
FUND BALANCE, End of year		\$ <u><u>200,897</u></u>	

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2025

	2025		
	Final Budget	Actual	Variance with Final Budget
REVENUES:			
Local property tax levies	\$ 2,056,026	\$ 2,154,624	\$ 98,598
Other local and county revenues-			
Interest income	\$ 497,173	\$ 567,282	\$ 70,109
Revenues from state sources-			
Department of Education aids-			
Long term facility maintenance aid	\$ 255,039	\$ 265,043	\$ 10,004
Other appropriations by the state for replacement of local taxes-			
School Building Bond Ag Credit	1,078,001	1,078,339	338
Homestead and agricultural credit aid	26,137	26,148	11
Disparity and other	46,051	46,061	10
Total revenues from state sources	\$ 1,405,228	\$ 1,415,591	\$ 10,363
Total revenues	\$ 3,958,427	\$ 4,137,497	\$ 179,070
EXPENDITURES:			
Debt redemption-			
Principal payment on bonds	\$ 2,945,000	\$ 2,945,000	\$ -
Interest expense	1,808,222	1,808,220	2
Other expense	3,778	1,700	2,078
Total debt redemption	\$ 4,757,000	\$ 4,754,920	\$ 2,080
Total expenditures	\$ 4,757,000	\$ 4,754,920	\$ 2,080
Excess (deficit) of revenues over expenditures	\$ (798,573)	\$ (617,423)	\$ 181,150
Net change in fund balances	\$ (798,573)	\$ (617,423)	\$ 181,150
FUND BALANCE, Beginning of year		10,040,071	
FUND BALANCE, End of year		\$ 9,422,648	

INDEPENDENT SCHOOL DISTRICT NO. 518

SCHEDULES OF FIDUCIARY NET POSITION

TRUST FUND

JUNE 30, 2025

	<u>Private Purpose Trust Fund 2025</u>
ASSETS:	
Cash and investments	\$ 167,923
Receivables-	
Accounts receivable	<u>-</u>
Total assets	<u>\$ 167,923</u>
LIABILITIES:	
Accounts payable	<u>\$ -</u>
Total liabilities	\$ -
NET POSITION:	
Held in trust	<u>167,923</u>
Total liabilities and net position	<u>\$ 167,923</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULES OF CHANGES IN FIDUCIARY NET POSITION
BUDGET AND ACTUAL
TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>2025</u>		
	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
ADDITIONS:			
Other local and county revenues-			
Interest income	\$ -	\$ 8,949	\$ 8,949
Other local revenues	<u>12,287</u>	<u>14,311</u>	<u>2,024</u>
Total other local and county revenues	<u>\$ 12,287</u>	<u>\$ 23,260</u>	<u>\$ 10,973</u>
Total revenues	<u>\$ 12,287</u>	<u>\$ 23,260</u>	<u>\$ 10,973</u>
DEDUCTIONS:			
Other pupil support	<u>\$ 124,000</u>	<u>\$ 104,151</u>	<u>\$ 19,849</u>
Total expenditures	<u>\$ 124,000</u>	<u>\$ 104,151</u>	<u>\$ 19,849</u>
Change in net position	<u>\$ (111,713)</u>	<u>\$ (80,891)</u>	<u>\$ 30,822</u>
NET POSITION, Beginning of year		<u>248,814</u>	
NET POSITION, End of year		<u>\$ 167,923</u>	

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULES OF CHANGES IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2025

	Balance				Balance
	June 30, 2024	Additions	Transfers	Retirements	June 30, 2025
CAPITAL ASSETS:					
Land	\$ 5,169,797	\$ -	\$ -	\$ -	\$ 5,169,797
Land improvements	15,967,778	1,695,591	-	-	17,663,369
Buildings	107,116,783	43,388	-	(53,666)	107,106,505
Equipment	19,565,724	1,200,678	-	(1,312,685)	19,453,717
Vehicles	729,071	195,844	-	-	924,915
Construction in progress	-	104,500	-	-	104,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets	\$ <u>148,549,153</u>	\$ <u>3,240,001</u>	\$ <u>-</u>	\$ <u>(1,366,351)</u>	\$ <u>150,422,803</u>
 CAPITAL ASSETS BY SOURCE:					
General and special revenue funds	\$ 95,077,317	\$ 3,219,732	\$ -	\$ (1,312,685)	\$ 96,984,364
General obligation bonds	51,757,313	-	-	(53,666)	51,703,647
Capital leases	-	-	-	-	-
Federal grants	1,714,523	20,269	-	-	1,734,792
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets by source	\$ <u>148,549,153</u>	\$ <u>3,240,001</u>	\$ <u>-</u>	\$ <u>(1,366,351)</u>	\$ <u>150,422,803</u>
 CAPITAL ASSETS BY FUNCTION AND ACTIVITY:					
Administration	\$ 389,540	\$ -	\$ -	\$ (212,481)	\$ 177,059
Instruction	19,567,149	697,269	-	(893,602)	19,370,816
Instructional support services	1,119,815	-	-	(17,787)	1,102,028
Pupil support services	802,839	195,843	-	(6,807)	991,875
Food service	1,256,126	47,229	-	(2,126)	1,301,229
Community education and services	220,800	-	-	(3,483)	217,317
Site, buildings and equipment	125,192,884	2,299,660	-	(230,065)	127,262,479
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets by function and activity	\$ <u>148,549,153</u>	\$ <u>3,240,001</u>	\$ <u>-</u>	\$ <u>(1,366,351)</u>	\$ <u>150,422,803</u>

INDEPENDENT SCHOOL DISTRICT NO. 518
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
OTHER POST- EMPLOYMENT BENEFITS PLAN

JUNE 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, AND 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2016	\$ -	\$ 818,958	\$ (818,958)	0.0%	\$ 17,815,124	4.6%
06/30/2017	\$ -	\$ 1,039,901	\$(1,039,901)	0.0%	\$ 20,189,269	5.2%
06/30/2018	\$ -	\$ 956,941	\$ (956,941)	0.0%	\$ 21,196,900	4.5%
06/30/2019	\$ -	\$ 986,795	\$ (986,795)	0.0%	\$ 23,627,036	4.2%
06/30/2020	\$ -	\$ 1,133,084	\$(1,133,084)	0.0%	\$ 23,371,394	4.8%
06/30/2021	\$ -	\$ 1,071,342	\$(1,071,342)	0.0%	\$ 27,260,883	3.9%
06/30/2022	\$ -	\$ 1,283,881	\$(1,283,881)	0.0%	\$ 26,713,127	4.8%
06/30/2023	\$ -	\$ 1,315,099	\$(1,315,099)	0.0%	\$ 27,924,218	4.7%
06/30/2024	\$ -	\$ 1,325,064	\$ 1,325,064	0.0%	\$ 30,098,571	4.4%
06/30/2025	\$ -	\$ 1,343,512	\$ (1,343,512)	0.0%	\$ 35,354,124	3.8%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2016	\$ -	0.00%
2017	-	0.00%
2018	-	0.00%
2019	-	0.00%
2020	-	0.00%
2021	-	0.00%
2022	-	0.00%
2023	-	0.00%
2024	-	0.00%
2025	-	0.00%

INDEPENDENT SCHOOL DISTRICT NO. 518

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Actuarial Valuation Date June 30,	Plan	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered- Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	TRA	0.2885%	\$ 17,846,578	\$ 15,031,466	118.73%	76.80%
	PERA	0.0949%	4,918,211	5,716,654	86.03%	78.20%
2016	TRA	0.2983%	\$ 71,151,667	\$ 15,874,765	448.21%	44.88%
	PERA	0.0954%	7,746,007	6,082,483	127.35%	68.90%
2017	TRA	0.3077%	\$ 61,422,502	\$ 16,563,453	370.83%	51.57%
	PERA	0.0992%	6,332,863	6,920,561	91.51%	75.90%
2018	TRA	0.3132%	\$ 19,671,892	\$ 17,306,040	113.67%	78.07%
	PERA	0.0990%	5,492,114	6,639,046	82.72%	79.53%
2019	TRA	0.3141%	\$ 20,020,800	\$ 17,832,322	112.27%	78.21%
	PERA	0.0968%	5,351,855	7,516,133	71.20%	80.20%
2020	TRA	0.3169%	\$ 23,412,997	\$ 18,413,914	127.15%	75.48%
	PERA	0.1050%	6,295,230	7,564,053	83.23%	79.10%
2021	TRA	0.3197%	\$ 13,991,028	\$ 19,133,838	73.12%	86.63%
	PERA	0.1042%	4,449,807	7,518,750	59.18%	87.00%
2022	TRA	0.3508%	\$ 26,152,400	\$ 20,190,695	129.53%	76.17%
	PERA	0.1081%	8,561,556	8,105,187	105.63%	76.70%
2023	TRA	0.3202%	\$ 26,436,429	\$ 22,503,827	117.48%	76.42%
	PERA	0.1176%	6,576,060	10,385,125	63.32%	83.10%
2024	TRA	0.3345%	\$ 21,255,204	\$24,009,605	88.53%	82.07%
	PERA	0.1222%	4,516,981	\$10,946,744	41.26%	89.10%

INDEPENDENT SCHOOL DISTRICT NO. 518
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

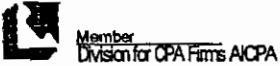
Fiscal Year Ending June 30,	Plan	Contributions in Relation to the			Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
		Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
2016	TRA	\$ 1,176,217	\$ 1,176,217	\$ -	\$ 15,874,765	7.41%
	PERA	447,914	447,914	-	6,082,483	7.36%
2017	TRA	\$ 1,251,475	\$ 1,251,475	\$ -	\$ 16,686,333	7.50%
	PERA	479,931	479,931	-	6,540,992	7.34%
2018	TRA	\$ 1,310,538	\$ 1,310,538	\$ -	\$ 17,473,840	7.50%
	PERA	503,541	503,541	-	6,920,561	7.28%
2019	TRA	\$ 1,308,540	\$ 1,308,540	\$ -	\$ 17,306,040	7.56%
	PERA	512,016	512,016	-	6,920,561	7.40%
2020	TRA	\$ 1,380,385	\$ 1,380,385	\$ -	\$ 17,832,322	7.74%
	PERA	563,710	563,710	-	7,516,133	7.50%
2021	TRA	\$ 1,484,522	\$ 1,484,522	\$ -	\$ 18,413,914	8.06%
	PERA	567,304	567,304	-	7,564,053	7.50%
2022	TRA	\$ 1,575,484	\$ 1,575,484	\$ -	\$ 19,133,838	8.23%
	PERA	568,366	568,366	-	7,518,750	7.56%
2023	TRA	\$ 1,687,320	\$ 1,687,320	\$ -	\$ 20,190,695	8.36%
	PERA	607,889	607,889	-	8,105,187	7.50%
2024	TRA	\$ 1,785,450	\$ 1,785,450	\$ -	\$ 22,503,827	7.93%
	PERA	701,686	701,686	-	10,385,125	6.76%
2025	TRA	\$ 1,938,936	\$ 1,938,936	\$ -	\$24,009,605	8.08%
	PERA	775,569	775,569	-	\$ 10,946,744	7.08%

INDEPENDENT SCHOOL DISTRICT NO. 518
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
FOR PENSION PLANS NOT ADMINISTERED THROUGH A TRUST

TOTAL OPEB LIABILITY	<u>2025</u>
Service Cost	\$ 92,643
Interest	58,328
Differences between expected and actual experience	(93,360)
Changes in assumption or other inputs	26,019
Benefit payments	<u>(65,182)</u>
Net change in total OPEB liability	\$ 18,448
Total OPEB Liability-beginning	<u>1,325,064</u>
Total OPEB Liability-ending	<u>\$ 1,343,512</u>
Covered-employee payroll	\$ 35,354,124
Total OPEB liability as a percentage of covered-employee payroll	3.8%

DREALAN KVILHAUG HOEFKER & CO., P.A.

CERTIFIED PUBLIC ACCOUNTANTS



AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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ELLEN K. HOEFKER, MBA, CPA
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CINDY M. PENNING, CPA

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

To the Board of Education
Independent School District No. 518
Worthington, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 518 (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dreelan Kvilhaug Hojker : Co., P.A.

Worthington, Minnesota
November 12, 2025

DREALAN KVILHAUG HOEFKER & CO., P.A.



Member
Division for CPA Firms AICPA

CERTIFIED PUBLIC ACCOUNTANTS

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CINDY M. PENNING, CPA

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

To the Board of Education
Independent School District No. 518
Worthington, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 518's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Independent School District No. 518 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a

combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Doreen Kvilhaug Hoefke & Co., P.A.

Worthington, Minnesota
November 12, 2025

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program</u> or Cluster Title	Assistance Listing <u>Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture:		
Pass-through program from Minnesota Department of Education-		
Nutrition Cluster:		
School Breakfast	10.553*	\$ 494,786
School Lunch	10.555*	1,443,698
After School Snack	10.555*	14,053
Commodities Distribution (Note B)	10.555*	188,672
Special Milk Program	10.556*	187
Summer Food Service program	10.559*	104,200
Fresh Fruits and Vegetables	10.582*	<u>99,160</u>
Total Child Nutrition Cluster		\$ <u>2,344,756</u>
Total U.S. Department of Agriculture		\$ <u>2,344,756</u>
U.S. Department of Education:		
Pass-through programs from Minnesota Department of Education-		
Adult Education-Basic Grants to States	84.002	\$ <u>26,869</u>
Title I Grants to Local Educational Agencies	84.010	\$ <u>585,268</u>
English Language Acquisition State Grants	84.365	\$ <u>171,889</u>
Supporting Effective Instruction State Grants	84.367	\$ <u>101,537</u>
Student Support and Academic Enrichment Program	84.424	\$ <u>25,845</u>
Education Stabilization Fund:		
American Rescue Plan- Elementary and Secondary School Emergency Relief	84.425U*	\$ 404,600
American Rescue Plan- Elementary and Secondary School Emergency Relief	84.425U*	<u>18,406</u>
Total Education Stabilization Fund Cluster		\$ <u>423,006</u>
Special Education Cluster:		
Special Education	84.027	\$ 177,114
Special Education Coordinated Early Intervening Services	84.027	106,261
Special Education Preschool Grants	84.173	<u>14,578</u>
Total Special Education Cluster		\$ <u>297,953</u>
McKinney-Vento Education for Homeless Children and Youth	94.196A	\$ <u>37,000</u>
Total U.S. Department of Education		\$ <u>1,669,367</u>
Total expenditures of Federal Awards		\$ <u><u>4,014,123</u></u>

* Denotes major program

The notes to the schedule of expenditures of federal awards are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A-BASIS OF PRESENTATION:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Independent School District No. 518 under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Independent School District No. 518, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Independent School District No. 518.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Independent School District No. 518 has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C-OTHER UNIFORM GUIDANCE INFORMATION:

For the year ended June 30, 2025, Independent School District No. 518 had no expenditures in the form of no sub-recipients, no federally provided insurance in effect, and no loans or loan guarantees outstanding.

NOTE D-COMMODITY DISTRIBUTION:

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

NOTE E-PROGRAM NUMBERS

The individual grant identification numbers assigned by the pass-through agencies are unknown.

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

A. SUMMARY OF AUDIT RESULTS:

1. The auditor’s report expresses an unmodified opinion on the financial statements of Independent School District No. 518.
2. Significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. There were no instances of noncompliance material to the financial statements of Independent School District No. 518, which would be required to be reported in accordance with *Government Auditing Standards*, that were disclosed during the audit.
4. Significant deficiencies relating to the audit of the major federal awards programs are reported in the Schedule of Findings and Questioned Costs.
5. The auditor’s report on compliance for the major federal award programs for Independent School District No. 518 expresses an unmodified opinion on all major federal programs.
6. Audit findings relative to the major federal award programs for Independent School District No. 518 are reported in Part C of this Schedule.
7. The programs tested as major programs include:

School Breakfast	10.553*
School Lunch	10.555*
After School Snack	10.555*
Commodities Distribution (Note B)	10.555*
Special Milk Program	10.556*
Summer Food Service program	10.559*
Fresh Fruits and Vegetables	10.582*
American Rescue Plan- Elementary and Secondary School Emergency Relief	84.425U*
American Rescue Plan- Elementary and Secondary School Emergency Relief	84.425U*

8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Independent School District No. 518 was determined to be a low-risk auditee.

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS:

None

C. FINDINGS AND QUESTIONED COSTS – Relating to Federal Awards:

Current Year: None

Prior Year: None

DREALAN KVILHAUG HOEFKER & CO., P.A.



Member
Division for CPA Firms AICPA

CERTIFIED PUBLIC ACCOUNTANTS

WAYNE W. DREALAN, CPA · RETIRED
ELLEN K. HOEFKER, MBA, CPA
GREG H. KVILHAUG, CPA, CFP

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

CINDY M. PENNING, CPA

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE WITH MINNESOTA STATE LAWS AND REGULATIONS

To the Board of Education
Independent School District No. 518
Worthington, 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 Independent School District No. 518, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 518 failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions insofar as they relate to accounting matters.

The purpose of this report is 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.

Drealan Kvilhaug Hoefker & Co., P.A.

Worthington, Minnesota
November 12, 2025

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INDEPENDENT SCHOOL DISTRICT NO. 518

LEGAL COMPLIANCE

SCHEDULE OF FINDINGS AND RESPONSES ON COMPLIANCE WITH MINNESOTA
STATUTES

FOR THE YEAR ENDED JUNE 30, 2025

CURRENT AUDIT

FINDINGS:

None

INDEPENDENT SCHOOL DISTRICT NO. 518
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2025

CURRENT AUDIT

<u>Finding</u>	<u>Description</u>
2025-001	Student Activity Statement of Purpose
<i>Condition:</i>	During our audit, it came to our attention that the District did not have Statement of Purpose form for the Cheerleaders activity group.
<i>Criteria:</i>	UFARS Chapter 14 requires the District to have a Statement of Purpose form in place for all student activity groups.
<i>Cause:</i>	The District did not have a Statement of Purpose form for the Cheerleaders group.
<i>Effect:</i>	The District is out of compliance with UFARS requirements.
<i>Recommendation:</i>	We recommend that the District develops a policy for all groups to fill out a form at the beginning of each school year.

Management Response:

The District is aware of the situation and plans to implement procedures to ensure Statement of Purpose forms are completed for each student activity.



Worthington ISD 518

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2025-001 Student Activity Statement of Purpose

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 plans to implement procedures to ensure Statement of Activity forms are put in place.

3. Official Response for Ensuring CAP:

Ryan Swanson, District Accountant, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

June 30, 2026

5. Plan to Monitor Completion of CAP:

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

INDEPENDENT SCHOOL DISTRICT NO. 518

SUPPLEMENTARY INFORMATION

AS OF JUNE 30, 2025

INDEPENDENT SCHOOL DISTRICT NO. 518

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE

June 30, 2025

	AUDIT	UFARS	Difference		AUDIT	UFARS	Difference
01 GENERAL FUND							
Total Revenue	\$ 67,072,848	\$ 67,072,848	\$ -	06 BUILDING CONSTRUCTION			
Total Expenditures	59,624,372	59,624,372	-	Total Revenue	\$ 8,262	\$ 8,262	\$ -
Nonspendable:				Total Expenditures	-	-	-
4 60 Nonspendable Fund Balance	331,562	331,562	-	Nonspendable:			
Restricted/Reserved:				4 60 Nonspendable Fund Balance	-	-	-
4 01 Student Activities	226,987	226,987	-	Restricted/Reserved:			
4 02 Scholarships	-	-	-	4 07 Capital Projects Levy	-	-	-
4 03 Staff Development	207,568	207,568	-	4 13 Funded by COP/FP	-	-	-
4 07 Capital Projects Levy	-	-	-	4 67 LTFM	-	-	-
4 08 Cooperative Revenue	-	-	-	Restricted:			
4 12 Literacy Incentive Aid	220,459	220,459	-	4 64 Restricted Fund Balance	200,897	200,897	-
4 14 Operating Debt	-	-	-	Unassigned:			
4 16 Levy Reduction	-	-	-	4 63 Unassigned Fund Balance	-	-	-
4 17 Taconite Building Maint	-	-	-				
4 20 American Indian Education Aid	-	-	-	07 DEBT SERVICE			
4 24 Operating Capital	923,425	923,425	-	Total Revenue	4,137,497	4,137,497	-
4 26 \$25 Taconite	-	-	-	Total Expenditures	4,754,920	4,754,920	-
4 27 Disabled Accessibility	-	-	-	Nonspendable:			
4 28 Learning & Development	13,824	13,824	-	4 60 Non Spendable Fund Balance	-	-	-
4 34 Area Learning Center	63,385	63,385	-	Restricted/Reserved:			
4 35 Contracted Alt. Programs	-	-	-	4 25 Bond Refundings	8,257,855	8,257,855	-
4 36 State Approved Alt. Program	-	-	-	4 33 Maximum Effort Loan Aid	-	-	-
4 38 Gifted & Talented	85,460	85,460	-	4 51 QZAB Payments	-	-	-
4 39 English Learner	-	-	-	4 67 LTFM	-	-	-
4 40 Teacher Development and Eval	-	-	-	Restricted:			
4 41 Basic Skills Programs	6,257,298	6,257,298	-	4 64 Restricted Fund Balance	1,164,793	1,164,793	-
4 43 School Library Aid	-	-	-	Unassigned:			
4 48 Achievement and Integration	-	-	-	4 63 Unassigned Fund Balance	-	-	-
4 49 Safe Schools Levy	-	-	-				
4 51 QZAB Payments	-	-	-	08 TRUST			
4 52 OPEB Liab Not In Trust	-	-	-	Total Revenue	23,260	23,260	-
4 53 Unfunded Sev & Retirement	-	-	-	Total Expenditures	104,151	104,151	-
4 59 Basic Skills Extended Time	-	-	-	Restricted/Reserved:			
4 56 Literacy Aid	145,015	145,015	-	4 01 Student Activities	-	-	-
4 57 Teacher Comp Read Act	141,139	141,139	-	4 02 Scholarships	-	-	-
4 67 LTFM	1,578,594	1,578,594	-	4 22 Net Assets	167,923	167,923	-
4 71 Student Support Personnel Aid	-	-	-				
4 72 Medical Assistance	456,185	456,185	-	18 CUSTODIAL FUND			
Restricted:				Total Revenue	-	-	-
4 64 Restricted Fund Balance	-	-	-	Total Expenditures	-	-	-
4 75 Title VII - Impact Aid	-	-	-	Restricted/Reserved:			
4 76 PILT	-	-	-	4 01 Student Activities	-	-	-
Committed:				4 02 Scholarships	-	-	-
4 18 Committed For Separation	-	-	-	4 48 Achievement & Integration	-	-	-
4 61 Committed Fund Balance	-	-	-	4 64 Restricted Fund Balance	-	-	-
Assigned:							
4 62 Assigned Fund Balance	21,505,320	21,505,320	-	20 INTERNAL SERVICE			
Unassigned:				Total Revenue	-	-	-
4 22 Unassigned Fund Balance	15,791,018	15,791,018	-	Total Expenditures	-	-	-
				4 22 Net Assets	-	-	-
02 FOOD SERVICE							
Total Revenue	3,300,804	3,300,804	-	FUND			
Total Expenditures	3,489,886	3,489,886	-	Total Revenue	-	-	-
Nonspendable:				Total Expenditures	-	-	-
4 60 Nonspendable Fund Balance	129,380	129,380	-	4 22 Net Assets	-	-	-
Restricted/Reserved:							
4 52 OPEB Liab not in Trust	-	-	-	45 OPEB IRREVOCABLE			
Restricted:				Total Revenue	-	-	-
4 64 Restricted Fund Balance	836,800	836,800	-	Total Expenditures	-	-	-
Unassigned:				4 22 Net Assets	-	-	-
4 63 Unassigned Fund Balance	-	-	-				
				47 OPEB DEBT SERVICE			
04 COMMUNITY SERVICE				Total Revenue	-	-	-
Total Revenue	1,982,874	1,982,874	-	Total Expenditures	-	-	-
Total Expenditures	2,050,077	2,050,077	-	Nonspendable:			
Nonspendable:				4 60 Nonspendable Fund Balance	-	-	-
4 60 Nonspendable Fund Balance	11,333	11,333	-	Restricted:			
Restricted/Reserved:				4 25 Bond Refundings	-	-	-
4 26 \$25 Taconite	-	-	-	4 64 Restricted Fund Balance	-	-	-
4 31 Community Education	191,185	191,185	-	Unassigned:			
4 32 E.C.F.E	128,883	128,883	-	4 63 Unassigned Fund Balance	-	-	-
4 40 Teacher Development and Evaluation	-	-	-				
4 44 School Readiness	2,209	2,209	-				
4 47 Adult Basic Education	749,029	749,029	-				
4 52 OPEB Liab Not In Trust	-	-	-				
Restricted							
1 64 Restricted Fund Balance	1,478	1,478	-				
Unassigned:							
4 63 Unassigned Fund Balance	-	-	-				