

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2025



CPAs | CONSULTANTS | WEALTH ADVISORS

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INDEPENDENT SCHOOL DISTRICT NO. 2149
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INTRODUCTORY SECTION

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2025**

| <u>Officer</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------|------------------|---------------------|
| Chad Barsness | Chairperson | December 31, 2028 |
| Ted Reichmann | Vice-Chairperson | December 31, 2026 |
| Angie Reichmann | Clerk | December 31, 2028 |
| Zach Lagred | Director | December 31, 2026 |
| Gordy Moeller | Director | December 31, 2028 |
| Amanda Ogdahl | Treasurer | December 31, 2026 |
| Justin Zavadil | Director | December 31, 2028 |

ADMINISTRATION

| | |
|-------------|---------------------------|
| Chip Rankin | Superintendent of Schools |
|-------------|---------------------------|

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Education
Minnewaska Area Schools
Independent School District No. 2149
Glenwood, 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. 2149 (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 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note 13 of the financial statements, net position was restated due to a change in accounting principle and a correction of an error. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, 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 budgetary comparison schedule – General Fund, budgetary comparison schedule – Food Service Fund, budgetary comparison schedule – Community Service Fund, schedule of changes in the District's OPEB liability and related ratios, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, and notes to the required supplementary information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by 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 GAAS, 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 budgetary comparison schedule – Debt Service Fund and the uniform financial accounting and reporting standards compliance table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the budgetary comparison schedule – Debt Service Fund and the uniform financial accounting and reporting standards compliance table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information


Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' 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.

Board of Education
Minnewaska Area Schools
Independent School District No. 2149

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 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.



CliftonLarsonAllen LLP

Alexandria, Minnesota
November 24, 2025

REQUIRED SUPPLEMENTARY INFORMATION

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

This section of Minnewaska Area Schools – Independent School District No. 2149's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025.

FINANCIAL HIGHLIGHTS

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

- Net position increased \$1,946,439, due to an increase in capital grants and contributions.
- Overall revenues in the statement of activities were \$28,885,215 and expenses were \$26,938,776.
- The General Fund balance increased \$124,866 due to increases in state aid.
- The Food Service Fund balance decreased \$28,203 due to an increases in salaries and benefits.
- The Community Service Fund balance decreased by \$65,652 due to increases in salaries and benefits and an increase in program costs.
- The Debt Service Fund balance decreased by \$47,946.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

District-Wide Statements

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

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

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

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

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

Fund Financial Statements

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

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

The District has two types 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 fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

- *Fiduciary fund* – The District is the trustee, or *fiduciary*, for assets that belong to others. The District is responsible for ensuring that the assets reported in that fund are used only for their intended purpose and by those to whom the assets belong. The District's fiduciary activity is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was \$11,881,877 on June 30, 2025. There was a net increase of \$1,946,439 over the net position of \$9,935,435, as restated, at June 30, 2024 primarily due to an increase in state and federal aid.

**Table A-1
Net Position**

| | Governmental Activities | | Percentage Change |
|----------------------------------|-------------------------|---------------------|----------------------|
| | 2025 | 2024 | |
| Current and Other Assets | \$ 11,351,556 | \$ 10,519,319 | 7.91 % |
| Capital and Noncurrent Assets | 28,848,666 | 27,145,749 | 6.27 |
| Total Assets | 40,200,222 | 37,665,068 | 6.73 |
| Deferred Outflows of Resources | 4,069,057 | 4,472,645 | (9.02) |
| Current Liabilities | 4,148,710 | 3,843,500 | 7.94 |
| Long-Term Liabilities | 19,073,130 | 23,050,666 | (17.26) |
| Total Liabilities | 23,221,840 | 26,894,166 | (13.65) |
| Deferred Inflows of Resources | 9,165,562 | 5,863,135 | 56.33 |
| Net Position: | | | |
| Net Investment in Capital Assets | 21,360,486 | 19,476,500 | 9.67 |
| Restricted | 1,532,865 | 1,550,181 | (1.12) |
| Unrestricted | (11,011,474) | (11,091,243) | (0.72) |
| Total Net Position | <u>\$ 11,881,877</u> | <u>\$ 9,935,438</u> | 19.59 |

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

A summary of the revenues and expenses is presented below and described in more detail following the table.

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

| | Governmental Activities for the Fiscal Year Ended June 30, | | Total Percent Change |
|--|---|---------------------|----------------------------|
| | <u>2025</u> | <u>2024</u> | |
| Revenues | | | |
| <u>Program Revenues</u> | | | |
| Charges for Services | \$ 1,880,643 | \$ 1,830,978 | 2.71 % |
| Operating Grants and Contributions | 9,357,453 | 9,170,553 | 2.04 |
| Capital Grants and Contributions | 1,713,658 | 1,370,032 | 25.08 |
| <u>General Revenues</u> | | | |
| Property Taxes | 4,264,127 | 4,225,274 | 0.92 |
| Unrestricted State Aid | 11,087,083 | 11,032,561 | 0.49 |
| Investment Earnings | 113,590 | 106,686 | 6.47 |
| Other | 468,661 | 354,551 | 32.18 |
| Total Revenues | <u>28,885,215</u> | <u>28,090,635</u> | 2.83 |
| Expenses | | | |
| Administration | 1,149,150 | 1,108,290 | 3.69 |
| District Support Services | 708,933 | 842,629 | (15.87) |
| Regular Instruction | 10,507,901 | 10,514,303 | (0.06) |
| Vocational Education Instruction | 333,502 | 291,362 | 14.46 |
| Special Education Instruction | 6,913,580 | 6,678,589 | 3.52 |
| Instructional Support Services | 567,460 | 718,351 | (21.01) |
| Pupil Support Services | 1,915,032 | 1,993,433 | (3.93) |
| Sites and Buildings | 1,793,987 | 1,741,304 | 3.03 |
| Fiscal and Other Fixed Cost Programs | 170,670 | 160,496 | 6.34 |
| Food Service | 1,355,111 | 1,236,619 | 9.58 |
| Community Service | 1,363,276 | 931,314 | 46.38 |
| Interest and Fiscal Charges on Long-Term Liabilities | 160,174 | 182,669 | (12.31) |
| Total Expenses | <u>26,938,776</u> | <u>26,399,359</u> | 2.04 |
| Change in Net Position | 1,946,439 | 1,691,276 | |
| Net Position - Beginning | <u>9,935,438</u> | <u>8,244,162</u> | |
| Net Position - Ending | <u>\$ 11,881,877</u> | <u>\$ 9,935,438</u> | |

The increase in expenses is primarily due to an increase in salaries and benefits.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The cost of all *governmental* activities this year was \$26,938,776.

- Some of the cost was paid by the users of the District's programs (\$1,880,643).
- The federal and state governments subsidized certain programs with grants and contributions (\$11,071,111).
- Most of the District's costs, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$4,264,127 in property taxes, \$11,087,083 of state and federal aid and \$582,251 in investment earnings and other general revenues.

Figure A-1 Sources of District Revenues for Fiscal 2025

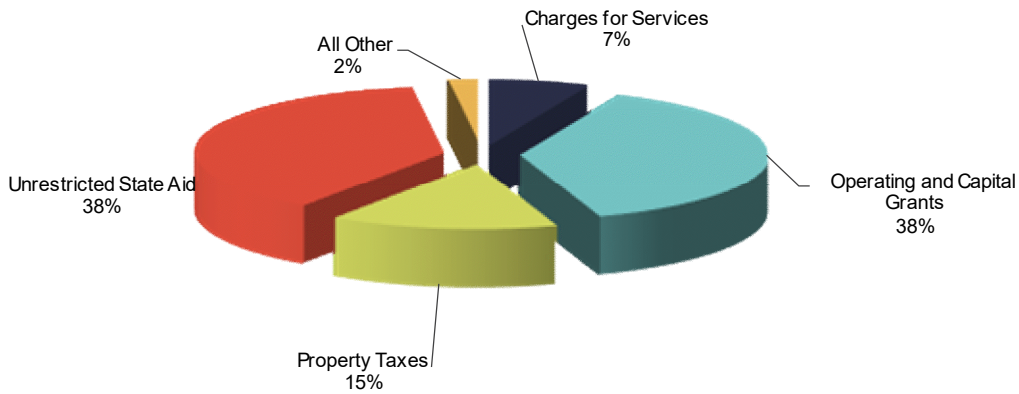
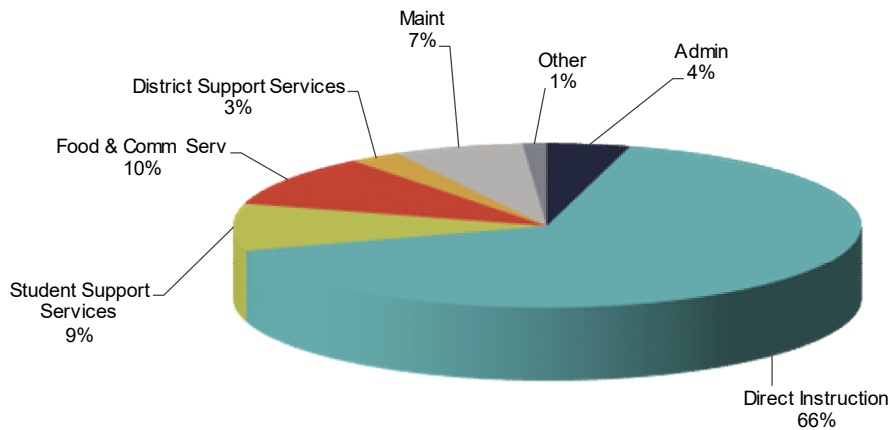


Figure A-2 District Expenses for Fiscal 2025



**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Typically, the District does not include in an analysis of all governmental activities a breakout of expenses as depicted in Figure A-2. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the district, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The above graph, by pooling all expenditures, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District and that analysis would show that 66% of those resources are spent on instruction.

**Table A-3
Cost and Net Cost of Services**

| | Total Cost of Services | | Percentage Change | Net Cost of Services | | Percentage Change |
|----------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2025 | 2024 | | 2025 | 2024 | |
| Administration | \$ 1,149,150 | \$ 1,108,290 | 3.69 % | \$ 880,937 | \$ 531,361 | 65.79 % |
| District Support Services | 708,933 | 842,629 | (15.87) | 680,068 | 816,518 | (16.71) |
| Regular Instruction | 10,507,901 | 10,514,303 | (0.06) | 8,570,872 | 8,619,619 | (0.57) |
| Vocational Education Instruction | 333,502 | 291,362 | 14.46 | 329,326 | 288,542 | 14.13 |
| Special Education Instruction | 6,913,580 | 6,678,589 | 3.52 | 66,787 | 259,777 | (74.29) |
| Instructional Support Services | 567,460 | 718,351 | (21.01) | 551,467 | 658,619 | (16.27) |
| Pupil Support Services | 1,915,032 | 1,993,433 | (3.93) | 1,902,438 | 1,980,217 | (3.93) |
| Sites and Buildings | 1,793,987 | 1,741,304 | 3.03 | 287,964 | 1,706,740 | (83.13) |
| Fiscal and Other Fixed | | | | | | |
| Cost Programs | 170,670 | 160,496 | 6.34 | 170,670 | 160,496 | 6.34 |
| Food Service | 1,355,111 | 1,236,619 | 9.58 | 51,384 | (183,333) | (128.03) |
| Community Service | 1,363,276 | 931,314 | 46.38 | 334,935 | 245,183 | 36.61 |
| Interest and Fiscal Charges on | | | | | | |
| Long-Term Liabilities | 160,174 | 182,669 | (12.31) | 160,174 | 182,669 | (12.31) |
| Total | <u>\$ 26,938,776</u> | <u>\$ 26,399,359</u> | 2.04 | <u>\$ 13,987,022</u> | <u>\$ 15,266,408</u> | (8.38) |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$3,816,815. This is a decrease of \$16,935 or approximately 0.4% of last year's ending fund balance of \$3,833,750.

Revenues for the District's governmental funds were \$27,228,243 while total expenditures were \$27,248,198.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

GENERAL FUND

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

Approximately 92% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model providing approximately 57% of personnel expenditures. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

Enrollment is a critical factor in determining revenue with approximately 79% of General Fund revenue being determined by enrollment. The following chart shows the average daily membership (ADM) over the last five years, with a slight increase from the prior year to the current year.

**Table A-4
Five-Year Enrollment Trend
Average Daily Membership (ADM)**

| Grade | 2021 | 2022 | 2023 | 2024 | 2025 |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| Early Childhood | 17 | 18 | 24 | 19 | 22 |
| Kdgt. | 83 | 82 | 94 | 81 | 61 |
| 1-3 | 265 | 273 | 261 | 261 | 257 |
| 4-6 | 297 | 290 | 297 | 302 | 296 |
| 7-12 | 597 | 626 | 621 | 627 | 629 |
| Total K-12 ADM | 1,259 | 1,289 | 1,297 | 1,290 | 1,265 |
| ADM Change | (17) | 30 | 8 | (7) | (25) |
| Percent Change | -1.3% | 2.4% | 0.6% | -0.5% | -1.9% |

The following schedule presents a summary of General Fund revenues.

**Table A-5
General Fund Revenues**

| | Year Ended | | Change | |
|----------------------------|----------------------|----------------------|------------------------|---------|
| | June 30, 2025 | June 30, 2024 | Increase (Decrease) | Percent |
| Local Sources: | | | | |
| Property Taxes | \$ 3,051,140 | \$ 2,879,003 | \$ 172,137 | 6.0 % |
| Earnings on Investments | 69,493 | 67,682 | 1,811 | 2.7 |
| Other | 1,209,119 | 1,356,309 | (147,190) | (10.9) |
| State Sources | 18,211,182 | 17,594,694 | 616,488 | 3.5 |
| Federal Sources | 625,833 | 1,148,276 | (522,443) | (45.5) |
| Total General Fund Revenue | <u>\$ 23,166,767</u> | <u>\$ 23,045,964</u> | <u>\$ 120,803</u> | 0.5 |

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

GENERAL FUND (CONTINUED)

Total General Fund revenues increased by \$120,803 or 0.5% over the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involve an equalized mix of property tax and state aid revenue.

The following schedule presents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

| | Year Ended | | Change | |
|------------------------|----------------------|----------------------|------------------------|---------|
| | June 30, 2025 | June 30, 2024 | Increase (Decrease) | Percent |
| Salaries | \$ 13,156,962 | \$ 13,412,583 | \$ (255,621) | (1.9)% |
| Employee Benefits | 4,008,240 | 3,747,221 | 261,019 | 7.0 |
| Purchased Services | 3,729,632 | 3,933,935 | (204,303) | (5.2) |
| Supplies and Materials | 942,267 | 1,161,621 | (219,354) | (18.9) |
| Capital Expenditures | 917,531 | 1,333,076 | (415,545) | (31.2) |
| Other Expenditures | 290,289 | 264,840 | 25,449 | 9.6 |
| Total Expenditures | <u>\$ 23,044,921</u> | <u>\$ 23,853,276</u> | <u>\$ (808,355)</u> | (3.4) |

Total General Fund expenditures decreased \$808,355 or 3.4% from the previous year. The decrease is due to an decrease in capital expenditures.

General Fund Budgetary Highlights

Actual results differed from budget as follows:

- The District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$235,648, actual revenues exceeded actual expenditures by \$121,846.
- Overall, actual revenues were \$932,255 less than budgeted, representing approximately a 3.9% variation from budgeted revenues.
- The actual expenditures for the current year were \$1,289,749 less than budgeted, representing a 5.3% variation from budgeted expenditures.
- The General Fund's unassigned fund balance increased \$7,639 from the prior year.

DEBT SERVICE FUNDS

The Debt Service Fund revenues were less than expenditures by \$47,946. The remaining fund balance of \$351,419 at June 30, 2025 is restricted for future debt service obligations.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

OTHER MAJOR FUNDS

The Food Service Fund had fund balance of \$595,888, a decrease of \$28,203, which was due to an increase in salaries and benefits.

The Community Service Fund had fund balance of \$228,527, a decrease of \$65,652, which was due to an increase in salaries and benefits and an increase in program costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Through 2025, the District has invested \$59,903,831 in a broad range of capital assets, including: various construction on roofing, doors, lighting, copiers, and servers. (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation/amortization expense for the year was \$1,689,846.

**Table A-7
The District's Capital Assets**

| | 2025 | 2024 | Percentage Change |
|---|----------------------|----------------------|----------------------|
| Land | \$ 440,802 | \$ 403,002 | 9.4 % |
| Construction In Progress | 1,473,421 | 143,035 | 930.1 |
| Land Improvements | 6,884,716 | 6,839,982 | 0.7 |
| Buildings and Improvements | 46,489,214 | 44,860,002 | 3.6 |
| Equipment | 4,406,811 | 3,930,512 | 12.1 |
| Right-to-Use Assets | 54,795 | 51,775 | 5.8 |
| Subscription-Based Information Technology | 154,072 | 154,072 | - |
| Less: Accumulated Depreciation/Amortization | <u>(31,055,165)</u> | <u>(29,336,631)</u> | 5.9 |
| Total | <u>\$ 28,848,666</u> | <u>\$ 27,045,749</u> | 6.7 |

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year-end, the District had \$7,130,000 in general obligation bonds outstanding – a decrease of 15.2% from last year – as shown in Note 5 to the financial statements.

**Table A-8
The District's Long-Term Liabilities**

| | <u>2025</u> | <u>2024</u> | <u>Percentage Change</u> |
|-------------------------------|---------------------|---------------------|------------------------------|
| General Obligation Bonds | \$ 7,130,000 | \$ 8,410,000 | (15.22)% |
| Net Bond Premium and Discount | 119,810 | 154,287 | (22.35) |
| Finance Purchase Agreements | 222,828 | 305,261 | (27.00) |
| Lease/SBITA Liability | 15,542 | 38,313 | (59.43) |
| Vacation Payable | 52,812 | 4,635 | 1039.42 |
| Compensated Absences | 707,714 | 47,196 | 1399.52 |
| Total | <u>\$ 8,248,706</u> | <u>\$ 8,959,692</u> | (7.94) |
| Long-Term Liabilities: | | | |
| Due Within One Year | \$ 1,637,405 | \$ 1,387,797 | |
| Due in More Than One Year | 6,611,301 | 7,571,895 | |
| Total | <u>\$ 8,248,706</u> | <u>\$ 8,959,692</u> | |

FACTORS BEARING ON THE DISTRICT'S FUTURE

Historically, the District has had stable and consistent enrollment trends. In the annual operating budget, the majority of the District's revenue comes from the state of Minnesota, giving the District \$7,281 per student for general education aid. The District supplements as needed from its local taxpayers. Both revenue bases have been consistent and appropriate for growing and maintaining a healthy fund balance.

The District budgets appropriately to its revenue projections and can rely on its fund balance to handle unplanned expenses, fast increases in expenditures, or temporary hold backs/reductions in aid. The District has capacity, if needed, to pursue referendum options to make long-term improvements in the District and the District's operating budget. The District is committed to being fiscally responsible in its planning to provide the students and community with the educational opportunities they need to unlock their potential.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District #2149, 25122 State Highway 28, Glenwood, MN 56334.

BASIC FINANCIAL STATEMENTS

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
STATEMENT OF NET POSITION
JUNE 30, 2025**

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash and Investments | \$ 5,669,245 |
| Receivables: | |
| Property Taxes | 2,740,160 |
| Interest | 41,205 |
| Other Governments | 2,500,306 |
| Lease | 137,789 |
| Other | 226,783 |
| Prepaid Items | 14,093 |
| Inventory | 21,975 |
| Capital Assets: | |
| Land and Construction in Progress | 1,914,223 |
| Other Capital Assets, Net of Depreciation/Amortization | 26,934,443 |
| Total Assets | 40,200,222 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension Related | 3,903,033 |
| Other Postemployment Benefits Related | 166,024 |
| Total Deferred Outflows of Resources | 4,069,057 |
| LIABILITIES | |
| Salaries and Payroll Deductions Payable | 2,041,096 |
| Accounts and Contracts Payable | 168,234 |
| Accrued Interest | 74,969 |
| Due to Other Governmental Units | 103,436 |
| Unearned Revenue | 14,677 |
| Long-Term Liabilities: | |
| Portion Due Within One Year | 1,637,405 |
| Portion Due in More Than One Year | 6,611,301 |
| Other Postemployment Benefit Liability Due Within One Year | 108,893 |
| Other Postemployment Benefit Liability | 1,615,759 |
| Net Pension Liability | 10,846,070 |
| Total Liabilities | 23,221,840 |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension Related | 3,690,157 |
| Other Postemployment Benefits Related | 297,831 |
| Property Taxes Levied for Subsequent Year | 5,047,804 |
| Leases | 129,770 |
| Total Deferred Inflows of Resources | 9,165,562 |
| NET POSITION | |
| Net Investment in Capital Assets | 21,360,486 |
| Restricted for: | |
| Operating Capital Purposes | 23,378 |
| State-Mandates Restrictions | 398,134 |
| Food Service | 595,888 |
| Community Service | 229,578 |
| Debt Service | 285,887 |
| Unrestricted | (11,011,474) |
| Total Net Position | \$ 11,881,877 |

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

| Functions | Expenses | Program Revenues | | | Net (Expense) |
|--|----------------------|---------------------|------------------------------------|----------------------------------|-------------------------------------|
| | | Charges for Service | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| | | | | | Total Governmental Activities |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Administration | \$ 1,149,150 | \$ - | \$ 268,213 | \$ - | \$ (880,937) |
| District Support Services | 708,933 | - | - | 28,865 | (680,068) |
| Regular Instruction | 10,507,901 | 434,335 | 1,301,972 | 200,722 | (8,570,872) |
| Vocational Education Instruction | 333,502 | - | 4,176 | - | (329,326) |
| Special Education Instruction | 6,913,580 | 392,056 | 6,454,737 | - | (66,787) |
| Instructional Support Services | 567,460 | - | 11,488 | 4,505 | (551,467) |
| Pupil Support Services | 1,915,032 | - | 12,088 | 506 | (1,902,438) |
| Sites and Buildings | 1,793,987 | 26,938 | 25 | 1,479,060 | (287,964) |
| Fiscal and Other Fixed Cost Programs | 170,670 | - | - | - | (170,670) |
| Food Service | 1,355,111 | 193,153 | 1,110,574 | - | (51,384) |
| Community Service | 1,363,276 | 834,161 | 194,180 | - | (334,935) |
| Interest and Fiscal Charges on Long-Term Liabilities | 160,174 | - | - | - | (160,174) |
| Total School District | <u>\$ 26,938,776</u> | <u>\$ 1,880,643</u> | <u>\$ 9,357,453</u> | <u>\$ 1,713,658</u> | <u>(13,987,022)</u> |
| GENERAL REVENUES | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | | 3,055,359 |
| Community Service | | | | | 153,730 |
| Debt Service | | | | | 1,055,038 |
| State Aid Not Restricted to Specific Purposes | | | | | 11,087,083 |
| Earnings on Investments | | | | | 113,590 |
| Miscellaneous | | | | | 468,661 |
| Total General Revenues | | | | | <u>15,933,461</u> |
| CHANGE IN NET POSITION | | | | | |
| | | | | | 1,946,439 |
| Net Position - Beginning of Year | | | | | 9,380,412 |
| Restatement, See Note 13 | | | | | 555,026 |
| Net Position - Beginning of Year, as Restated | | | | | <u>9,935,438</u> |
| NET POSITION - END OF YEAR | | | | | |
| | | | | | <u>\$ 11,881,877</u> |

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025**

| | Major Funds | | | | Total Governmental Funds |
|--|---------------------|-------------------|----------------------|---------------------|--------------------------------|
| | General | Food Service | Community Service | Debt Service | |
| ASSETS | | | | | |
| Cash and Investments | \$ 3,707,139 | \$ 596,901 | \$ 418,645 | \$ 946,560 | \$ 5,669,245 |
| Receivables: | | | | | |
| Current Property Taxes | 1,724,102 | - | 70,764 | 915,570 | 2,710,436 |
| Delinquent Property Taxes | 19,236 | - | 1,051 | 9,437 | 29,724 |
| Due from Minnesota Department of Education | 2,412,446 | - | 8,680 | 36,256 | 2,457,382 |
| Due from Federal through Minnesota Department of Education | 42,924 | - | - | - | 42,924 |
| Interest Receivable | 41,205 | - | - | - | 41,205 |
| Other Receivables | 204,458 | 4,740 | 17,585 | - | 226,783 |
| Leases | 137,789 | - | - | - | 137,789 |
| Prepaid Items | 13,828 | 265 | - | - | 14,093 |
| Inventory | - | 21,975 | - | - | 21,975 |
| Total Assets | \$ 8,303,127 | \$ 623,881 | \$ 516,725 | \$ 1,907,823 | \$ 11,351,556 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Salaries and Payroll Deductions Payable | \$ 1,917,262 | \$ 2,827 | \$ 120,563 | \$ - | \$ 2,040,652 |
| Accounts Payable | 137,859 | 10,489 | 19,886 | - | 168,234 |
| Due to Other Governmental Units | 103,454 | - | 426 | - | 103,880 |
| Unearned Revenue | - | 14,677 | - | - | 14,677 |
| Total Liabilities | 2,158,575 | 27,993 | 140,875 | - | 2,327,443 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Property Taxes Levied for Subsequent Year | 3,354,565 | - | 146,272 | 1,546,967 | 5,047,804 |
| Unavailable Revenue - Delinquent Taxes | 19,236 | - | 1,051 | 9,437 | 29,724 |
| Leases | 129,770 | - | - | - | 129,770 |
| Total Deferred Inflows of Resources | 3,503,571 | - | 147,323 | 1,556,404 | 5,207,298 |
| FUND BALANCE | | | | | |
| Nonspendable: | | | | | |
| Prepaid Items | 13,828 | 265 | - | - | 14,093 |
| Inventory | - | 21,975 | - | - | 21,975 |
| Restricted: | | | | | |
| Community Education | - | - | 137,814 | - | 137,814 |
| Operating Capital | 23,378 | - | - | - | 23,378 |
| Literacy Incentive Aid | 131,201 | - | - | - | 131,201 |
| Safe Schools - Crime | 10,651 | - | - | - | 10,651 |
| Early Childhood and Family Educations Programs | - | - | 1,774 | - | 1,774 |
| School Readiness | - | - | 66,821 | - | 66,821 |
| Gifted and Talented | 363 | - | - | - | 363 |
| Student Activities | 158,567 | - | - | - | 158,567 |
| Staff Development | 11,906 | - | - | - | 11,906 |
| Unfunded Severance | 35,341 | - | - | - | 35,341 |
| Literacy Aid | 46,839 | - | - | - | 46,839 |
| Teacher Comp Read Act | 3,266 | - | - | - | 3,266 |
| Other Restricted | - | 573,648 | 22,118 | 351,419 | 947,185 |
| Assigned | | | | | |
| Other Assigned | 38,645 | - | - | - | 38,645 |
| Unassigned | 2,166,996 | - | - | - | 2,166,996 |
| Total Fund Balances | 2,640,981 | 595,888 | 228,527 | 351,419 | 3,816,815 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 8,303,127 | \$ 623,881 | \$ 516,725 | \$ 1,907,823 | \$ 11,351,556 |

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total Fund Balance for Governmental Funds \$ 3,816,815

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

| | |
|---|------------|
| Land | 440,802 |
| Construction in Progress | 1,473,421 |
| Land Improvements, Net of Accumulated Depreciation | 3,564,546 |
| Buildings and Improvements, Net of Accumulated Depreciation | 21,691,455 |
| Equipment, Net of Accumulated Depreciation | 1,574,804 |
| Right-to-Use Asset, Net of Accumulated Amortization | 14,064 |
| Subscription Asset, Net of Accumulated Amortization | 89,574 |

The District's OPEB liability and related deferred inflows and outflows are recorded only on the statement of net position.

Balances at year-end are:

| | |
|---|-------------|
| OPEB Liability | (1,724,652) |
| Deferred Inflows of Resources - OPEB Related | (297,831) |
| Deferred Outflows of Resources - OPEB Related | 166,024 |

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.

29,724

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

(74,969)

The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position.

Balances at year-end are:

| | |
|--|--------------|
| Net Pension Liability | (10,846,070) |
| Deferred Inflows of Resources - Pension Related | (3,690,157) |
| Deferred Outflows of Resources - Pension Related | 3,903,033 |

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

Balances at year-end are:

| | |
|---|-------------|
| Bonds Payable | (7,130,000) |
| Unamortized Discounts (Premiums) | (119,810) |
| Obligations Under Lease/SBITA Liability | (15,542) |
| Finance Purchase Agreement | (222,828) |
| Compensated Absences | (707,714) |
| Vacation Payable | (52,812) |

Total Net Position of Governmental Activities

\$ 11,881,877

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025**

| | Major Funds | | | | Total Governmental Funds |
|--|---------------------|-------------------|----------------------|-------------------|--------------------------------|
| | General | Food Service | Community Service | Debt Service | |
| REVENUES | | | | | |
| Local Sources: | | | | | |
| Property Taxes | \$ 3,051,140 | \$ - | \$ 153,730 | \$ 1,055,038 | \$ 4,259,908 |
| Earnings on Investments | 69,493 | 14,642 | 10,413 | 19,042 | 113,590 |
| Other | 1,209,119 | 201,692 | 939,635 | - | 2,350,446 |
| State Sources | 18,211,182 | 633,046 | 181,210 | 363,446 | 19,388,884 |
| Federal Sources | 625,833 | 477,528 | 12,054 | - | 1,115,415 |
| Total Revenues | <u>23,166,767</u> | <u>1,326,908</u> | <u>1,297,042</u> | <u>1,437,526</u> | <u>27,228,243</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Administration | 1,111,146 | - | - | - | 1,111,146 |
| District Support Services | 610,185 | - | - | - | 610,185 |
| Regular Instruction | 8,932,368 | - | - | - | 8,932,368 |
| Vocational Education Instruction | 329,774 | - | - | - | 329,774 |
| Special Education Instruction | 6,924,986 | - | - | - | 6,924,986 |
| Instructional Support Services | 377,069 | - | - | - | 377,069 |
| Pupil Support Services | 1,983,442 | - | - | - | 1,983,442 |
| Sites and Buildings | 1,567,830 | - | - | - | 1,567,830 |
| Fiscal and Other Fixed Cost Programs | 170,670 | - | - | - | 170,670 |
| Food Service | - | 1,293,018 | - | - | 1,293,018 |
| Community Service | - | - | 1,362,694 | - | 1,362,694 |
| Capital Outlay | 915,650 | 62,093 | - | - | 977,743 |
| Debt Service: | | | | | |
| Principal | 108,224 | - | - | 1,280,000 | 1,388,224 |
| Interest and Fiscal Charges | 13,577 | - | - | 204,525 | 218,102 |
| Paying Agent Fees and Other | - | - | - | 947 | 947 |
| Total Expenditures | <u>23,044,921</u> | <u>1,355,111</u> | <u>1,362,694</u> | <u>1,485,472</u> | <u>27,248,198</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 121,846 | (28,203) | (65,652) | (47,946) | (19,955) |
| OTHER FINANCING SOURCES | | | | | |
| Lease/SBITA Liability Proceeds | <u>3,020</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,020</u> |
| NET CHANGE IN FUND BALANCES | 124,866 | (28,203) | (65,652) | (47,946) | (16,935) |
| Fund Balances - Beginning of Year | <u>2,516,115</u> | <u>624,091</u> | <u>294,179</u> | <u>399,365</u> | <u>3,833,750</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 2,640,981</u> | <u>\$ 595,888</u> | <u>\$ 228,527</u> | <u>\$ 351,419</u> | <u>\$ 3,816,815</u> |

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balance-Total Governmental Funds \$ (16,935)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation/amortization expense.

| | |
|-----------------------------------|-------------|
| Capital Outlays | 2,154,151 |
| Depreciation/Amortization Expense | (1,689,846) |

Some capital asset additions are financed through finance purchase agreements. In governmental funds, a finance purchase arrangement is considered a source of financing, but in the statement of net position, the finance obligation is reported as a liability. Repayment of finance purchase principal is an expenditure in the governmental funds, but repayment reduces the finance obligation in the statement of net position.

| | |
|---|--------|
| Principal Payments - Finance Purchase Agreement | 82,433 |
|---|--------|

Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

238,067

Payment of OPEB benefits are recognized as expenditures on the fund level while the change in the OPEB liability and related deferred inflows and outflows of resources are recognized in the statement of net position.

(148,610)

In the statement of activities, compensated absences and severance payable are measured on the accrual basis. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

(25,109)

The governmental funds report bond proceeds and other long-term liabilities as financing sources, while repayment of principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items as follows:

| | |
|---|-----------|
| Repayment of Bond Principal | 1,280,000 |
| Change in Accrued Interest Expense - General Obligation Bonds | 10,821 |
| Amortization of Bond Premium and Discount | 34,477 |
| Repayment of Lease/SBITA Liability | 25,791 |
| Lease/SBITA Liability Proceeds | (3,020) |

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 reported as deferred inflows of resources in the funds.

4,219

Change in Net Position of Governmental Activities

\$ 1,946,439

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025**

| | Minnewaska Central Square Custodial Fund |
|-------------------------------|---|
| | |
| ASSETS | |
| Cash and Cash Equivalents | \$ 10 |
| Accounts Receivable | 550,229 |
| Total Assets | 550,239 |
| LIABILITIES | |
| Accounts Payable | 550,239 |
| NET POSITION | |
| Restricted for Central Square | \$ - |

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025**

| | Minnewaska Central Square Custodial Fund |
|-----------------------------------|---|
| | |
| ADDITIONS | |
| Intergovernmental | \$ 1,473,421 |
| DEDUCTIONS | |
| Payments to Other Entities | 1,473,421 |
| CHANGE IN NET POSITION | - |
| Net Position - Beginning of Year | - |
| NET POSITION - END OF YEAR | \$ - |

See accompanying Notes to Financial Statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 2149 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. 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

The District is an instrumentality of the state of Minnesota established to function as an education institution. The elected School Board (the 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.

U.S. GAAP require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate 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. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

C. Basic Financial Statement Presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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 is available. Depreciation/amortization expense that can be specifically identified by function are 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 district-wide financial statements.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amount advance recognized in accordance with a statutory "tax shift" described later in these notes. Grant 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:

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. "Measurable" 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 the accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenue 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 availability period 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.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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 each fund included in this report is 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 and pupil transportation activities of the district, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements and state aids.

Community Service Special Revenue Fund – The Community Service Fund is used to account for service provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state credits.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and payment of general long-term obligation bond principal, interest, and related costs.

Fiduciary Fund

Minnewaska Central Square Custodial Fund – The Minnewaska Central Square Custodial Fund is used to account for the resources held by the District in a custodial capacity which are to be used for the construction of the Central Square Cultural and Civic Center in the City of Glenwood.

E. 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 Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 or within one week of the acceptance of the final audit by the Board each year. Reported budgeted amounts represent the amended budget as adopted by the Board. Legal budgetary control is at the fund level.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the 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 Board action. Revisions to budgeted amounts must be approved by the Board.

Total fund expenditures in excess of the budget require approval of the 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.

F. 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.

G. Accounts Receivable

Represents amounts receivable from individuals, other governments, and firms. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivable not expected to be collected within one year are current property taxes receivable.

H. Property Taxes

Property tax levies are established by the Board in December each year and are certified to the County for collection the following calendar year. 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 District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property Taxes (Continued)

In accordance with state law, the current tax shift consists of an amount equal to 31% of the operating referendum levy (frozen at \$105,652) advance recognized as revenue each year with no corresponding state aid adjustment. Certain other portions of the District's 2024 Pay 2025 levy, normally revenue for the 2025-26 fiscal year, are also advance recognized as June 30, 2025, as required by state statute to match revenue with the same fiscal year as the related expenditures.

Taxes that 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 has been provided as such amounts are not expected to be material. 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, 2025, are included in "Property Taxes Levied for Subsequent Years" to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

I. Capital Assets

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

Capital assets are recorded in the district-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Asset (Continued)

Subscription-based information technology arrangements (SBITA) assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

J. Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period. The District will not recognize the related outflow until a future event occurs.

K. 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 amortized over the life of the bonds using the straight line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

L. Accrued Employee Benefits

Vacation Pay

Certain employees are allowed to accrue vacation days at varying amounts each year and accumulate within limits. In the event of termination, the employees are eligible for reimbursement of any unused accumulated leave. Vacation pay is charged to operations when taken by the employee of the District. Outstanding vacation pay is recorded as a liability in the district-wide financial statements.

Compensated Absences Payable

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Other Postemployment Benefits Liability

Under the terms of certain collectively bargained employment contracts, including the teachers' contract, the District is required to pay the health insurance premiums for retired employees until they reach the age of 65. For employees meeting certain length of service experience requirements, the amount to be paid is equal to the same insurance premium benefit as a full-time employee. See Note 9 for further information.

N. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

O. Pensions

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

P. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has legal claim to them.

Q. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long term receivables, and corpus on any permanent fund. Nonspendable portions of fund balance are related to prepaid items. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education.

The Board of Education passed a resolution authorizing the Superintendent and Board of Education to assign fund balances and its intended uses. Unassigned fund balances are considered the remaining amounts. 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.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Balance (Continued)

It is also the District's policy to strive to maintain a minimum unassigned general fund balance of three months of operating expenditures.

R. Net Position

Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources in the district-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balance of any debt used to build or acquire the capital assets. Net position is reported as restricted in the district-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, it is the District's policy to use restricted first, then unrestricted net position.

S. Adoption of New Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

The District adopted the requirements of the guidance effective June 30, 2024, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in a restatement.

T. Use of Estimates

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 CASH AND CASH EQUIVALENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with Minnesota Statutes the District maintains deposits at financial institutions which are authorized by the School District's Board.

Minnesota Statutes require that all 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 corporate surety bonds.

The District's deposits in banks at June 30, 2025 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

The District may 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 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better, revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.

The District has no investments meeting the descriptions above.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 CAPITAL ASSETS

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

| | Beginning Balance, As Restated | Increases | Decreases | Ending Balance |
|--|--------------------------------------|-------------------|---------------------|----------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 440,802 | \$ - | \$ - | \$ 440,802 |
| Construction in Progress | 143,035 | 1,473,421 | (143,035) | 1,473,421 |
| Total Capital Assets, Not Being Depreciated | 583,837 | 1,473,421 | (143,035) | 1,914,223 |
| Capital Assets, Being Depreciated | | | | |
| Land Improvements | 6,839,982 | 44,734 | - | 6,884,716 |
| Buildings and Improvements | 46,189,502 | 299,712 | - | 46,489,214 |
| Equipment | 3,930,512 | 476,299 | - | 4,406,811 |
| Total Capital Assets, Being Depreciated | 56,959,996 | 820,745 | - | 57,780,741 |
| Accumulated Depreciation for | | | | |
| Land Improvements | (3,030,431) | (289,739) | - | (3,320,170) |
| Buildings and Improvements | (23,682,846) | (1,114,913) | - | (24,797,759) |
| Equipment | (2,587,159) | (244,848) | - | (2,832,007) |
| Total Accumulated Depreciation | (29,300,436) | (1,649,500) | - | (30,949,936) |
| Total Capital Assets, Being Depreciated, Net | 27,659,560 | (828,755) | - | 26,830,805 |
| Right-to-Use Assets | | | | |
| Equipment | 51,775 | 3,020 | - | 54,795 |
| Less: Accumulated Amortization | | | | |
| Equipment | (28,404) | (12,327) | - | (40,731) |
| Total Right-to-use Assets, Net | 23,371 | (9,307) | - | 14,064 |
| Subscription Based Information Technology | | | | |
| Subscription Asset | 154,072 | - | - | 154,072 |
| Less: Accumulated Amortization | | | | |
| Subscription Asset | (36,479) | (28,019) | - | (64,498) |
| Total Subscription Based Information Technology, Net | 117,593 | (28,019) | - | 89,574 |
| Governmental Activities Capital Assets, Net | <u>\$ 28,384,361</u> | <u>\$ 607,340</u> | <u>\$ (143,035)</u> | <u>\$ 28,848,666</u> |

Depreciation/amortization expense was charged to functions of the District as follows:

| | |
|---|---------------------|
| Governmental Activities | |
| District Support Services | \$ 1,147 |
| Regular Instruction | 1,423,878 |
| Vocational Education Instruction | 1,246 |
| Instructional Support Services | 28,067 |
| Pupil Support Services | 54,739 |
| Sites and Buildings | 180,331 |
| Community Service | 438 |
| Total Depreciation/Amortization Expense, Governmental Activities | <u>\$ 1,689,846</u> |

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 4 LONG-TERM LEASE RECEIVABLES

The District, acting as a lessor, leases space to a company for their antenna placement under a long-term, noncancelable lease agreement. The lease is set to expire in fiscal year 2043. During the year ended June 30, 2025, the District recognized \$7,209 and \$4,729 in lease revenue and interest revenue, respectively, pursuant to this contract.

Total future principal and interest payments to be received under the lease agreement are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|-------------------|------------------|
| 2026 | \$ 5,659 | \$ 4,541 |
| 2027 | 5,853 | 4,347 |
| 2028 | 6,054 | 4,146 |
| 2029 | 6,262 | 3,938 |
| 2030 | 6,477 | 3,723 |
| 2031 - 2035 | 35,874 | 15,126 |
| 2036 - 2040 | 42,469 | 8,531 |
| 2041 - 2043 | 29,141 | 1,457 |
| Total | <u>\$ 137,789</u> | <u>\$ 45,809</u> |

Changes in lease receivable for the year is as follows:

| | <u>June 30,</u> <u>2024</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30,</u> <u>2025</u> |
|---------------|--------------------------------|------------------|--------------------|--------------------------------|
| Antenna Lease | <u>\$ 143,260</u> | <u>\$ -</u> | <u>\$ (5,471)</u> | <u>\$ 137,789</u> |

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

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

| Issue Date | Interest Rate | Original Issue | Final Maturity | Principal Outstanding | |
|--------------------------------|---------------|----------------|----------------|-----------------------|---------------------|
| | | | | Due Within One Year | Total |
| 2/11/2015 | 2.00 - 3.00 | \$ 8,470,000 | 2/1/2035 | \$ 565,000 | \$ 4,860,000 |
| 4/28/2016 | 2.00 | 7,020,000 | 2/1/2028 | 740,000 | 2,270,000 |
| Total General Obligation Bonds | | | | 1,305,000 | 7,130,000 |
| Bond (Discounts) Premiums | | | | - | 119,810 |
| Finance Purchase Agreement | | | | 86,175 | 222,828 |
| Lease/SBITA Liability | | | | 6,376 | 15,542 |
| Vacation Payable | | | | - | 52,812 |
| Compensated Absences | | | | 239,854 | 707,714 |
| Total | | | | <u>\$ 1,637,405</u> | <u>\$ 8,248,706</u> |

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, are as follows:

| Year Ending June 30, | General Obligation Bonds Payable | | Refunding Bonds Payable | |
|----------------------|----------------------------------|-------------------|-------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2026 | \$ 565,000 | \$ 133,525 | \$ 740,000 | \$ 45,400 |
| 2027 | 580,000 | 120,813 | 755,000 | 30,600 |
| 2028 | 590,000 | 107,763 | 775,000 | 15,500 |
| 2029 | 415,000 | 93,013 | - | - |
| 2030 | 420,000 | 82,638 | - | - |
| 2031 - 2035 | 2,290,000 | 220,913 | - | - |
| Total | <u>\$ 4,860,000</u> | <u>\$ 758,665</u> | <u>\$ 2,270,000</u> | <u>\$ 91,500</u> |

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments (Continued)

| <u>Year Ending June 30,</u> | <u>Finance Purchase Agreement</u> | | <u>Lease/SBITA Liability</u> | |
|-----------------------------|-----------------------------------|------------------|------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2026 | \$ 86,175 | \$ 9,048 | \$ 6,376 | \$ 277 |
| 2027 | 90,088 | 5,136 | 4,133 | 171 |
| 2028 | 46,565 | 1,045 | 4,227 | 76 |
| 2029 | - | - | 643 | 20 |
| 2030 | - | - | 163 | 1 |
| Total | <u>\$ 222,828</u> | <u>\$ 15,229</u> | <u>\$ 15,542</u> | <u>\$ 545</u> |

C. Description of Long-Term Debt

General Obligation School Building Bonds

In February 2015, the District issued \$8,470,000 General Obligation School Building Bonds to finance security and lighting improvements, mechanical repairs, roof repairs and other deferred maintenance at the District. Assets of the debt service fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statutes.

General Obligation School Refunding Bonds

In April 2016, the District issued \$7,020,000 General Obligation Alternative Facilities Refunding Bonds and repaid the 2019 through 2028 maturities of the District's General Obligation Building Bonds of 2008.

Finance Purchase Agreements

On December 21, 2007, the District entered into a finance purchase agreement with CitiCapital Municipal Finance in the amount of \$1,248,197, bearing interest at 4.49% to finance the roof and window replacement. Repayment of the agreement will occur with annual payments of \$47,612 beginning July 2018.

Lease/SBITA Liabilities

On August 20, 2020, the District entered into a five-year lease agreement with Marco Technologies, LLC in the amount of \$32,151 bearing interest at 7.78% to finance its copiers and printers across the District. Repayment of the lease will occur in monthly installments of \$730 commencing October 2020.

On April 1, 2023, the District entered into a five-year lease agreement with Pitney Bowes in the amount of \$17,343 bearing interest at 1.99% to finance a postage machine. Repayment of the lease will occur in quarterly installments of \$910 commencing July 2023.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

Lease/SBITA Liabilities (Continued)

On September 21, 2020, the District entered into a five-year lease agreement with Pitney Bowes in the amount of \$3,191 bearing interest at 1.92% to finance a postage machine. Repayment of the lease will occur in monthly installments of \$53 commencing October 2020.

On February 1, 2024, the District entered into a three-year subscription based-information technology arrangement with Classwize in the amount of \$13,040 bearing interest at 0% to utilize cloud managed classroom management suite software. Repayment will occur in one annual installment of \$13,040 in July 2024.

On August 1, 2024, the District entered into a five-year lease agreement with Pitney Bowes in the amount of \$3,020 bearing interest at 3.80% to finance its copiers and printers across the District. Repayment of the lease will occur in quarterly installments of \$166 commencing November 2024.

D. Changes in Long-Term Debt

| | June 30, 2024 (as Restated) | Additions | Retirements | June 30, 2025 |
|----------------------------|--------------------------------|------------------|---------------------|---------------------|
| Bonds Payable | \$ 8,410,000 | \$ - | \$ 1,280,000 | \$ 7,130,000 |
| Bond (Discounts) Premiums | 154,287 | - | 34,477 | 119,810 |
| Finance Purchase Agreement | 305,261 | - | 82,433 | 222,828 |
| Lease/SBITA Liability | 38,313 | 3,020 | 25,791 | 15,542 |
| Vacation Payable | 4,635 | 48,177 | - | 52,812 |
| Compensated Absences | 730,782 | - | 23,068 | 707,714 |
| Total | <u>\$ 9,643,278</u> | <u>\$ 51,197</u> | <u>\$ 1,445,769</u> | <u>\$ 8,248,706</u> |

The change in the compensated absence and vacation payable liability is presented as a net change.

NOTE 6 RESTRICTED FUND BALANCES

Fund Balance

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. The following is a summary of the restricted fund balances for the governmental funds.

A. Community Education

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

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

Fund Balance (Continued)

B. Restricted for Operating Capital

Represents tax levies and state aid in the General Fund to be used for purchases of equipment and facilities.

C. Restricted for Safe Schools – Crime

Restriction for Safe Schools – crime represents available resources to be used only to provide for safe schools – crime projects.

D. Restricted for Literacy Incentive Aid

Represents available resources to support implementation of evidence-based reading instruction.

E. Restricted for School Readiness

Represents the resources available to provide for School Readiness Program.

F. Restricted for Gifted and Talented

Represents the amount restricted for gifted and talented children educational programs.

G. Restricted for Early Childhood and Family Education Programs

The fund balance restriction represents accumulated resources available to provide services for early childhood family education programming.

H. Restricted for Student Activities

Represents available resources to be used for extracurricular activity funds raised by students.

I. Restricted for Staff Development

Represents the cumulated amount of unspent staff development dollars.

J. Unfunded Severance and Retirement Levy

Represents resources from the unfunded severance and retirement levy.

K. Restricted for Teacher Compensation for Read Act Training

Represents resources available for teacher compensation for Read Act training.

L. Restricted for Literacy Aid

Represents available resources available for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

Fund Balance (Continued)

M. Restricted for Other Purposes

The fund balance restriction represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Other Restricted:

| | | |
|----------------------------------|----|---------|
| Restricted for Food Service | \$ | 573,648 |
| Restricted for Community Service | | 22,118 |
| Restricted for Bond Payments | | 351,419 |
| Total Other Restricted | | 947,185 |

NOTE 7 ASSIGNED FUND BALANCES

Other assigned fund balances are listed below:

Other Assigned:

| | | |
|--------------------------|----|--------|
| Music Department | \$ | 2,093 |
| Parking Lot Improvements | | 36,552 |
| Total | | 38,645 |

NOTE 8 PENSION PLANS

A. Plan Description

1. General Employees Retirement Plan (General Plan)

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

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA)

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

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

B. Benefits Provided

1. General Employees Plan Benefits

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

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

2. TRA Benefit

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any 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.

Tier I Benefits

| <u>Tier 1</u> | <u>Step Rate Formula</u> | <u>Percentage</u> |
|---------------|---|-------------------|
| Basic | First Ten Years of Service | 2.2% per Year |
| | All Years After | 2.7% per Year |
| Coordinated | First Ten Years of Service are Up to July 1, 2006 | 1.2% per Year |
| | First Ten Years, If Service Years are July 1, 2006 or After | 1.4% per Year |
| | All Other Years of Service If Service Years are Up to July 1, 2006 | 1.7% per Year |
| | All Other Years of Service If Service Years are July 1, 2006 or After | 1.9% per Year |

With these provisions:

- (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% per year early retirement reduction factor for all years under normal retirement age.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 8 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefit (Continued)

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

or

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. 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 individuals who reach age 62 and have 30 years or more of service credit.

Tier II Benefits

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

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

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

C. Contributions

1. General Employees Fund Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50% for General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025 were \$336,087. The District's contributions were equal to the required contributions for each year as set by state statute.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 rates for the fiscal year for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$902,029. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$1,765,745 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled \$45,659, for a total net pension liability of \$1,811,404 associated with the District. 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. The District's proportionate share was 0.0478% at the end of the measurement period and 0.0478% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$213,933 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$566 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2025, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$81,241 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

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

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 166,026 | \$ - |
| Changes in Actuarial Assumptions | 8,621 | 668,305 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 512,758 |
| Changes in Proportion | 101,099 | 1,769 |
| District Contributions Subsequent to the Measurement Date | 336,087 | - |
| Total | <u>\$ 611,833</u> | <u>\$ 1,182,832</u> |

The \$336,087 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | Pension Expense Amount |
|-----------------------------|------------------------------|
| 2026 | \$ (473,287) |
| 2027 | (81,533) |
| 2028 | (216,932) |
| 2029 | (135,334) |

2. TRA Pension Costs

At June 30, 2025, the District reported a liability of \$9,080,325 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 total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.1429% at the end of the measurement period and 0.1378% at the beginning of the period.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

| Description | Amount |
|---|---------------------|
| District's Proportionate Share of the TRA Net Pension Liability | \$ 9,080,325 |
| State's Proportionate Share of TRA's Net Pension Liability Associated with the District | 593,710 |
| Total | <u>\$ 9,674,035</u> |

For the year ended June 30, 2025, the District recognized pension expense of \$1,110,223. It also recognized (\$7,264) as an increase to pension expense and grant revenue for the support provided by direct aid.

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

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------|-------------------------------|
| Differences Between Expected and Actual Economic Experience | \$ 432,889 | \$ 117,678 |
| Changes in Actuarial Assumptions | 915,750 | 1,082,853 |
| Net Difference Between Projected and Actual Investment Earnings | - | 1,285,209 |
| Changes in Proportion | 1,040,532 | 21,585 |
| District Contributions Subsequent to the Measurement Date | 902,029 | - |
| Total | <u>\$ 3,291,200</u> | <u>\$ 2,507,325</u> |

\$902,029 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

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INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

| <u>Year Ending June 30,</u> | <u>Pension Expense Amount</u> |
|-----------------------------|---------------------------------------|
| 2026 | \$ (284,706) |
| 2027 | 1,074,932 |
| 2028 | (401,669) |
| 2029 | (425,988) |
| 2030 | (80,723) |

3. Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the District's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

| | <u>General Employees Fund</u> | <u>Teachers Retirement Fund</u> | <u>Total</u> |
|--------------------------------|---------------------------------------|---|---------------|
| Net Pension Liability | \$ 1,765,745 | \$ 9,080,325 | \$ 10,846,070 |
| Deferred Outflows of Resources | 611,833 | 3,291,200 | 3,903,033 |
| Deferred Inflows of Resources | 1,182,832 | 2,507,325 | 3,690,157 |
| Pension Expense | 214,499 | 1,102,959 | 1,317,458 |

E. Long-Term Expected Return on Investment

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

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment (Continued)

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

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

F. Actuarial Methods and Assumptions

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

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

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

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

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

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INDEPENDENT SCHOOL DISTRICT NO. 2149
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JUNE 30, 2025**

NOTE 8 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

TRA pre-retirement mortality rates were based on the PubT-2010(A) Employee Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale. Healthy retirees mortality rates were based on the PubT-2010(A) Retiree Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale. Beneficiaries mortality rates were based on the Pub-2010(A) Contingent Survivor Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale. Disabled retirees mortality rates were based on the PubNS-2010 Disabled Retiree Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale.

Inflation is assumed to be 2.5% for TRA. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Salary growth assumptions for TRA range in annual increments from 2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028.

The following changes in actuarial assumption for PERA occurred in 2024:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

The following changes in actuarial assumption for TRA occurred in 2024:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 8 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Changes in Plan Provisions (Continued)

The following changes in actuarial assumption for TRA occurred in 2024 (Continued):

- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

G. Discount Rates

The discount rate used to measure the PERA General Employees Plan liability in 2024 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the TRA pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

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 one percentage point lower or one percentage point higher than the current discount rate:

| | PERA | | TRA | |
|-----------------------|-------|--------------|-------|---------------|
| 1% Lower | 6.00% | \$ 3,856,670 | 6.00% | \$ 15,990,983 |
| Current Discount Rate | 7.00% | 1,765,745 | 7.00% | 9,080,325 |
| 1% Higher | 8.00% | 45,767 | 8.00% | 3,392,689 |

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
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JUNE 30, 2025**

NOTE 8 PENSION PLANS (CONTINUED)

I. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Plan's fiduciary's net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

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; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the District's health insurance plan. There are 240 active participants, 17 retired participants, and 0 spouses receiving payments. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are negotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

The District does not have assets accumulated in a trust to pay for OPEB related costs. Contribution requirements are negotiated between District and union representatives. For fiscal year 2025, the District paid benefits of \$108,893.

C. Actuarial Methods and Assumptions

The District's OPEB liability was measured as of July 1, 2024, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2023. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll forward techniques.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-------------------------|---|
| Inflation | 2.50% |
| Salary Increases | Service Graded Table |
| Health Care Trend Rates | 6.25% Decreasing to 5.00% Over 5 Years and then to 4.00% Over 48 Years |

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

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

The actuarial assumptions used in the July 1, 2023 valuation were based on the PERA actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019.

The discount rate used to measure the total OPEB liability was 4.10%. The discount rate is based on the estimated yield of a 20-year AA-rated municipal bond.

Since the most recent valuation the following assumption changes have been made:

- The discount rate was changed from 3.90% to 4.10%.

D. Changes in the OPEB Liability

| | | |
|--------------------------|--|---------------------|
| Balances - June 30, 2024 | | \$ 1,529,866 |
| Changes for the Year: | | |
| Service Cost | | 110,342 |
| Interest Cost | | 62,016 |
| Assumption Changes | | (21,267) |
| Plan Changes | | 144,789 |
| Benefit Payments | | (101,094) |
| Net Changes | | <u>194,786</u> |
| Balances - June 30, 2025 | | <u>\$ 1,724,652</u> |

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

| | 1% Decrease (3.10%) | Discount Rate (4.10%) | 1% Increase (5.10%) |
|----------------|------------------------|--------------------------|------------------------|
| OPEB Liability | <u>\$ 1,833,402</u> | <u>\$ 1,724,652</u> | <u>\$ 1,620,096</u> |

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Changes in the OPEB Liability (Continued)

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

| | 1% Decrease (5.25%) Decreasing to 4.00% then 3.00%) | Current Trend Rates (6.25%) Decreasing to 5.00% then 4.00%) | 1% Increase (7.25%) Decreasing to 6.00% then 5.00%) |
|----------------|---|---|---|
| OPEB Liability | \$ 1,589,450 | \$ 1,724,652 | \$ 1,884,617 |

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

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference Between Expected and Actual Experience | \$ - | \$ 199,043 |
| Change of Assumptions | 57,131 | 98,788 |
| District Benefit Payments Made Subsequent to the Measurement Date | 108,893 | - |
| Total | \$ 166,024 | \$ 297,831 |

The \$108,893 reported as deferred outflows of resources related to OPEB resulting from District benefit payments made subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ending June 30, | OPEB Expense |
|----------------------|-----------------|
| 2026 | \$ (59,644) |
| 2027 | (59,635) |
| 2028 | (46,018) |
| 2029 | (36,713) |
| 2030 | (18,018) |
| Thereafter | (20,672) |
| Total | \$ (240,700) |

For the year ended June 30, 2025, the District recognized OPEB expense of \$257,503.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 10 COMMITMENTS AND CONTINGENCIES

Federal and State Receivables

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable 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. The financial assistance received is subject to audits by the grantor agency.

Claims and Litigation

The District, in connection with the normal conduct of its affairs, is involved in various claims, judgements, and litigations. It is unknown at this time, if the potential claims resulting from such litigation and not covered by insurance would materially affect the financial statements of the District. No liability or provision for loss has been recorded in the June 30, 2025 financial statements in relation to any of these matters.

NOTE 11 RISK MANAGEMENT

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

The District continues to carry commercial insurance for all other risk of loss. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

NOTE 12 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contributions for the year ended June 30, 2025 was \$222,542.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 13 CHANGE IN ACCOUNTING PRINCIPLE AND CORRECTION OF AN ERROR

Effective July 1, 2024, the District implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. As a result of the implementation of this standard, the compensated absences liability as of July 1, 2024, was understated by \$683,586 in the governmental activities. This caused Administration expenses to be understated by \$109,374, District expenses to be understated by \$75,194 and Regular Instruction expenses to be understated by \$499,018 in the statement of activities.

During the year ended June 30, 2024, the District received a donated asset that was not accounted for within capital assets. Due to the erroneous omission of this asset, net position and capital assets were understated in the amount of \$1,238,612 as of June 30, 2024 in the governmental activities. Upon identification of this error, the District made a correction to accurately reflect the donated asset as of the year ended June 30, 2025. This caused Capital Grants and Contributions to be understated by \$1,238,612 in the statement of activities.

| | Governmental Activities |
|--|----------------------------|
| Net Position - Beginning of Year, as Previously Reported | \$ 9,380,412 |
| Restatement | (683,586) |
| Correction of an Error | 1,238,612 |
| Net Position - Beginning of Year, as Restated | \$ 9,935,438 |

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2025**

| | Budgeted Amounts | | Actual Amounts | Over (Under) Final Budget |
|---|-------------------|---------------------|---------------------|------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local Sources: | | | | |
| Property Taxes | \$ 3,166,379 | \$ 3,046,362 | \$ 3,051,140 | \$ 4,778 |
| Earnings on Investments | 70,000 | 70,000 | 69,493 | (507) |
| Other | 971,732 | 1,121,630 | 1,209,119 | 87,489 |
| State Sources | 18,064,723 | 19,208,972 | 18,211,182 | (997,790) |
| Federal Sources | 601,735 | 652,058 | 625,833 | (26,225) |
| Total Revenues | <u>22,874,569</u> | <u>24,099,022</u> | <u>23,166,767</u> | <u>(932,255)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administration | 1,100,045 | 1,111,958 | 1,111,146 | (812) |
| District Support Services | 592,914 | 600,311 | 610,185 | 9,874 |
| Regular Instruction | 8,903,558 | 8,736,460 | 8,932,368 | 195,908 |
| Vocational Education Instruction | 322,817 | 327,567 | 329,774 | 2,207 |
| Special Education Instruction | 6,592,837 | 6,961,581 | 6,924,986 | (36,595) |
| Instructional Support Services | 299,606 | 570,258 | 377,069 | (193,189) |
| Pupil Support Services | 2,074,095 | 2,056,233 | 1,983,442 | (72,791) |
| Sites and Buildings | 1,596,494 | 1,536,855 | 1,567,830 | 30,975 |
| Fiscal and Other Fixed Cost Programs | 162,727 | 169,170 | 170,670 | 1,500 |
| Capital Outlay | 1,062,493 | 2,160,292 | 915,650 | (1,244,642) |
| Debt Service: | | | | |
| Principal | 90,674 | 90,674 | 108,224 | 17,550 |
| Interest and Fiscal Charges | 13,311 | 13,311 | 13,577 | 266 |
| Total Expenditures | <u>22,811,571</u> | <u>24,334,670</u> | <u>23,044,921</u> | <u>(1,289,749)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 62,998 | (235,648) | 121,846 | 357,494 |
| OTHER FINANCING SOURCES | | | | |
| Lease/SBITA Liability Proceeds | - | - | 3,020 | 3,020 |
| NET CHANGE IN FUND BALANCE | <u>\$ 62,998</u> | <u>\$ (235,648)</u> | 124,866 | <u>\$ 360,514</u> |
| Fund Balance - Beginning of Year | | | <u>2,516,115</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 2,640,981</u> | |

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BUDGETARY COMPARISON SCHEDULE – FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2025**

| | Budgeted Amounts | | Actual Amounts | Over (Under) Final Budget |
|-----------------------------------|------------------|--------------------|-------------------|------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local Sources: | | | | |
| Other - Primarily Meal Sales | \$ 151,756 | \$ 197,465 | \$ 201,692 | \$ 4,227 |
| Earnings on Investments | - | 10,000 | 14,642 | 4,642 |
| State Sources | 642,000 | 633,046 | 633,046 | - |
| Federal Sources | 473,000 | 481,376 | 477,528 | (3,848) |
| Total Revenues | <u>1,266,756</u> | <u>1,321,887</u> | <u>1,326,908</u> | <u>5,021</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Food Service | 1,236,484 | 1,310,661 | 1,293,018 | (17,643) |
| Capital Outlay | 20,000 | 62,093 | 62,093 | - |
| Total Expenditures | <u>1,256,484</u> | <u>1,372,754</u> | <u>1,355,111</u> | <u>(17,643)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 10,272</u> | <u>\$ (50,867)</u> | (28,203) | <u>\$ 22,664</u> |
| Fund Balance - Beginning of Year | | | <u>624,091</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 595,888</u> | |

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BUDGETARY COMPARISON SCHEDULE – COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2025**

| | Budgeted Amounts | | Actual Amounts | Over (Under) Final Budget |
|------------------------------------|--------------------|---------------------|-------------------|------------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local Sources: | | | | |
| Property Taxes | \$ 157,221 | \$ 153,859 | \$ 153,730 | \$ (129) |
| Earnings on Investments | - | 10,000 | 10,413 | 413 |
| Other - Primarily Tuition and Fees | 579,000 | 919,015 | 939,635 | 20,620 |
| State Sources | 92,723 | 176,908 | 181,210 | 4,302 |
| Federal Sources | - | - | 12,054 | 12,054 |
| Total Revenues | <u>828,944</u> | <u>1,259,782</u> | <u>1,297,042</u> | <u>37,260</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Community Service | <u>844,536</u> | <u>1,365,667</u> | <u>1,362,694</u> | <u>(2,973)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (15,592)</u> | <u>\$ (105,885)</u> | (65,652) | <u>\$ 40,233</u> |
| Fund Balance - Beginning of Year | | | <u>294,179</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 228,527</u> | |

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND RELATED RATIOS
LAST TEN MEASUREMENT DATES**

| Measurement Date | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | | | | | |
| Service Cost | \$ 110,342 | \$ 105,661 | \$ 95,392 | \$ 119,003 | \$ 111,573 | \$ 97,260 | \$ 103,726 | \$ 100,705 |
| Interest Cost | 62,016 | 62,838 | 37,584 | 46,459 | 58,291 | 68,593 | 70,267 | 71,810 |
| Differences Between Expected and Actual Experience | - | (138,882) | - | (170,350) | - | (87,517) | - | - |
| Assumption Changes | (21,267) | 16,010 | (130,901) | 54,660 | 57,881 | (21,546) | - | - |
| Plan Changes | 144,789 | | | | | | | |
| Benefit Payments | (101,094) | (126,299) | (170,847) | (173,465) | (185,629) | (230,239) | (203,485) | (238,107) |
| Net Change in Total OPEB Liability | 194,786 | (80,672) | (168,772) | (123,693) | 42,116 | (173,449) | (29,492) | (65,592) |
| Total OPEB Liability - Beginning | 1,529,866 | 1,610,538 | 1,779,310 | 1,903,003 | 1,860,887 | 2,034,336 | 2,063,828 | 2,129,420 |
| Total OPEB Liability - Ending (a) | <u>\$ 1,724,652</u> | <u>\$ 1,529,866</u> | <u>\$ 1,610,538</u> | <u>\$ 1,779,310</u> | <u>\$ 1,903,003</u> | <u>\$ 1,860,887</u> | <u>\$ 2,034,336</u> | <u>\$ 2,063,828</u> |
| Covered-Employee Payroll | \$ 12,083,761 | \$ 11,731,807 | \$ 10,948,973 | \$ 10,630,071 | \$ 10,472,650 | \$ 10,167,621 | \$ 9,176,892 | \$ 8,909,604 |
| District's Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll | 14.27% | 13.04% | 14.71% | 16.74% | 18.17% | 18.30% | 22.17% | 23.16% |

Note 1: The District implemented GASB Statement No. 75 in fiscal year 2017 and the above table will be expanded to 10 years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT DATES**

| Measurement Date: June 30 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|---------------|---------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|
| General Employees Fund | | | | | | | | | | |
| District's Proportion of the Net Pension Liability | 0.0478% | 0.0478% | 0.0468% | 0.0417% | 0.0457% | 0.0196% | 0.0224% | 0.0245% | 0.0245% | 0.0261% |
| District's Proportionate Share of the Net Pension Liability | \$ 1,765,745 | \$ 2,672,922 | \$ 3,706,575 | \$ 1,780,777 | \$ 2,608,024 | \$ 2,526,651 | \$ 2,490,868 | \$ 2,783,395 | \$ 3,320,877 | \$ 2,285,493 |
| State's Proportionate Share of the Net Pension Liability Associated with District | 45,659 | 73,657 | 108,729 | 54,415 | 80,257 | 78,497 | 81,753 | 72,994 | 43,441 | - |
| Total of District's and State's Proportionate Share of the Net Pension Liability | 1,811,404 | 2,746,579 | 3,815,304 | 1,835,192 | 2,688,281 | 2,605,148 | 2,572,621 | 2,856,389 | 3,364,318 | 2,285,493 |
| District's Employee Payroll | 4,047,427 | 3,274,787 | 3,001,853 | 3,104,907 | 3,235,627 | 3,244,360 | 3,020,573 | 2,815,040 | 2,557,505 | 2,622,477 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of Its Employee Payroll | 43.63% | 81.62% | 123.48% | 57.35% | 80.60% | 77.88% | 82.46% | 98.88% | 129.85% | 87.15% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 83.10% | 83.10% | 76.70% | 87.00% | 79.06% | 80.20% | 79.50% | 75.90% | 68.91% | 78.20% |
| TRA | | | | | | | | | | |
| District's Proportion of the Net Pension Liability | 0.1429% | 0.1378% | 0.1331% | 0.1246% | 0.1252% | 0.0687% | 0.0686% | 0.0672% | 0.0683% | 0.0687% |
| District's Proportionate Share of the Net Pension Liability | \$ 9,080,325 | \$ 11,377,077 | \$ 10,657,944 | \$ 5,452,869 | \$ 9,249,944 | \$ 7,865,542 | \$ 7,587,371 | \$ 23,195,628 | \$ 28,193,520 | \$ 7,460,303 |
| State's Proportionate Share of the Net Pension Liability Associated with District | 593,710 | 796,948 | 790,381 | 459,859 | 775,217 | 387,524 | 404,967 | 1,296,791 | 1,636,177 | 521,095 |
| Total Proportionate Share of the Net Pension Liability Associated with District | 9,674,035 | 12,174,025 | 11,448,325 | 5,912,728 | 10,025,161 | 8,253,066 | 7,992,338 | 24,492,419 | 29,829,697 | 7,981,398 |
| District's Payroll | 9,577,931 | 8,259,076 | 7,271,115 | 7,458,930 | 7,274,167 | 7,004,617 | 6,671,333 | 6,317,747 | 6,263,526 | 6,118,707 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of Its Payroll | 94.80% | 137.75% | 146.58% | 73.11% | 127.16% | 112.29% | 113.73% | 367.15% | 450.12% | 121.93% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 76.42% | 76.42% | 76.17% | 86.63% | 75.48% | 78.07% | 78.07% | 51.57% | 44.88% | 76.80% |

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST TEN FISCAL YEARS**

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| General Employees Fund | | | | | | | | | | |
| Contractually Required Contribution | \$ 336,087 | \$ 303,557 | \$ 245,609 | \$ 225,139 | \$ 232,868 | \$ 242,672 | \$ 243,327 | \$ 226,543 | \$ 211,128 | \$ 189,121 |
| Contributions in Relation to the Contractually Required Contribution | <u>(336,087)</u> | <u>(303,557)</u> | <u>(245,609)</u> | <u>(225,139)</u> | <u>(232,868)</u> | <u>(242,672)</u> | <u>(243,327)</u> | <u>(226,543)</u> | <u>(211,128)</u> | <u>(189,121)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Payroll | \$ 4,481,160 | \$ 4,047,427 | \$ 3,274,787 | \$ 3,001,853 | \$ 3,104,907 | \$ 3,235,627 | \$ 3,244,360 | \$ 3,020,573 | \$ 2,815,040 | \$ 2,557,505 |
| Contributions as a Percentage of Employee Payroll | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% |
| TRA | | | | | | | | | | |
| Contractually Required Contribution | \$ 902,029 | \$ 838,069 | \$ 706,151 | \$ 606,411 | \$ 576,114 | \$ 540,056 | \$ 500,350 | \$ 504,810 | \$ 473,831 | \$ 462,342 |
| Contributions in Relation to the Contractually Required Contribution | <u>(902,029)</u> | <u>(838,069)</u> | <u>(706,151)</u> | <u>(606,411)</u> | <u>(576,114)</u> | <u>(540,056)</u> | <u>(500,350)</u> | <u>(504,810)</u> | <u>(473,831)</u> | <u>(462,342)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Payroll | \$ 10,308,903 | \$ 9,577,931 | \$ 8,259,076 | \$ 7,271,115 | \$ 7,086,273 | \$ 6,818,889 | \$ 6,489,624 | \$ 6,730,800 | \$ 6,317,747 | \$ 6,164,560 |
| Contributions as a Percentage of Employee Payroll | 8.75% | 8.75% | 8.55% | 8.34% | 8.13% | 7.92% | 7.71% | 7.50% | 7.50% | 7.50% |

See accompanying Notes to Required Supplementary Information.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

**NOTE 1 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFITS PLAN
PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS**

Since the most recent GASB 75 valuation, the following changes have been made:

2024

- The discount rate was changed from 3.90% to 4.10%.

2023

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The discount rate was changed from 3.80% to 3.90%.

2022

- The discount rate was changed from 2.10% to 3.80%.
- The inflation rate was changed from 2.00% to 2.50%.
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teacher) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 2.40% to 2.10%.

2021

- The discount rate was changed from 3.10% to 2.40%.

2020

- The health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 3.4% to 3.1%.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

NOTE 1 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFITS PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2019

- None noted.

2018

- The teachers added an early retirement incentive of \$2,500 per year for three years payable to a health reimbursement account. Teachers need to retire by June 30, 2019, to receive the benefit. Two teachers are known to elect this benefit as of June 30, 2018.
- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 3.00% to 3.40%.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2024

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2023

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A time-tine, noncompounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions

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

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2024

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2023

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2022

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2021

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2018 (Continued)

Changes in Plan Provisions

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

2017

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years, and female rates set back five years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2015

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of \$14.377 million until the System becomes fully funded.

SUPPLEMENTARY INFORMATION

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2025**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Over (Under) Final Budget</u> |
|------------------------------------|-------------------------|--------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local Sources: | | | | |
| Property Tax | \$ 1,370,918 | \$ 1,054,865 | \$ 1,055,038 | \$ 173 |
| Earnings on Investments | - | 17,000 | 19,042 | 2,042 |
| State Sources | <u>75,894</u> | <u>363,307</u> | <u>363,446</u> | <u>139</u> |
| Total Revenues | <u>1,446,812</u> | <u>1,435,172</u> | <u>1,437,526</u> | <u>2,354</u> |
| EXPENDITURES | | | | |
| Debt Service: | | | | |
| Bond Principal | 1,280,000 | 1,280,000 | 1,280,000 | - |
| Bond Interest | 206,526 | 205,476 | 204,525 | (951) |
| Paying Agent Fees and Other | - | - | 947 | 947 |
| Total Expenditures | <u>1,486,526</u> | <u>1,485,476</u> | <u>1,485,472</u> | <u>(4)</u> |
| NET CHANGE IN FUND BALANCES | <u>\$ (39,714)</u> | <u>\$ (50,304)</u> | (47,946) | <u>\$ 2,358</u> |
| Fund Balance - Beginning of Year | | | <u>399,365</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 351,419</u> | |

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2025**

| | Audit | UFARS | Audit- UFARS | | Audit | UFARS | Audit- UFARS |
|---|----------------|---------------|-----------------|----------------------------------|--------------|--------------|-----------------|
| 01 GENERAL FUND | | | | 06 BUILDING CONSTRUCTION | | | |
| Total Revenues | \$ 23,166,767 | \$ 23,166,764 | \$ 3 | Total Revenues | \$ - | \$ - | \$ - |
| Total Expenditures | \$ 23,044,921 | \$ 23,044,918 | \$ 3 | Total Expenditures | \$ - | \$ - | \$ - |
| <i>Non Spendable:</i> | | | | <i>Non Spendable</i> | | | |
| 460 Non Spendable Fund Balance | \$ 13,828 | \$ 13,828 | \$ - | 460 Non Spendable Fund Balance | \$ - | \$ - | \$ - |
| <i>Restricted/Reserved:</i> | | | | <i>Restricted/Reserved:</i> | | | |
| 401 Student Activities | \$ 158,567 | \$ 158,565 | \$ 2 | 407 Capital Projects Levy | \$ - | \$ - | \$ - |
| 402 Scholarships | \$ - | \$ - | \$ - | 409 Alternative Fac. Program | \$ - | \$ - | \$ - |
| 403 Staff Development | \$ 11,906 | \$ 11,906 | \$ - | 413 Projects Funded by COP/LP | \$ - | \$ - | \$ - |
| 407 Capital Project Levy | \$ (63,517) | \$ (63,517) | \$ - | <i>Restricted:</i> | | | |
| 408 Cooperative Programs | \$ - | \$ - | \$ - | 464 Restricted Fund Balance | \$ - | \$ - | \$ - |
| 409 Alternative Facilities | \$ - | \$ - | \$ - | <i>Unassigned:</i> | | | |
| 412 Literacy Incentive Aid | \$ 131,201 | \$ 131,201 | \$ - | 463 Unassigned Fund Balance | \$ - | \$ - | \$ - |
| 413 Projects Funded by COP/LP | \$ - | \$ - | \$ - | 07 DEBT SERVICE | | | |
| 414 Operating Debt | \$ - | \$ - | \$ - | Total Revenues | \$ 1,437,526 | \$ 1,437,527 | \$ (1) |
| 416 Levy Reduction | \$ - | \$ - | \$ - | Total Expenditures | \$ 1,485,472 | \$ 1,485,475 | \$ (3) |
| 417 Excess Taconite Building Maint. Funds | \$ - | \$ - | \$ - | <i>Non Spendable:</i> | | | |
| 423 Certain Teacher Programs | \$ - | \$ - | \$ - | 460 Non Spendable Fund Balance | \$ - | \$ - | \$ - |
| 424 Operating Capital | \$ 23,378 | \$ 23,378 | \$ - | <i>Restricted/Reserved:</i> | | | |
| 426 \$25 Taconite | \$ - | \$ - | \$ - | 425 Bond Refundings | \$ - | \$ - | \$ - |
| 427 Disabled Accessibility | \$ - | \$ - | \$ - | 451 QZAB Payments | \$ - | \$ - | \$ - |
| 428 Learning & Development | \$ - | \$ - | \$ - | <i>Restricted:</i> | | | |
| 434 Area Learning Center | \$ - | \$ - | \$ - | 464 Restricted Fund Balance | \$ 351,419 | \$ 351,418 | \$ 1 |
| 435 Contracted Alt. Programs | \$ - | \$ - | \$ - | <i>Unassigned:</i> | | | |
| 436 St. Approved Alt. Prog. | \$ - | \$ - | \$ - | 463 Unassigned Fund Balance | \$ - | \$ - | \$ - |
| 438 Gifted & Talented | \$ 363 | \$ 363 | \$ - | 18 CUSTODIAL FUND | | | |
| 440 Teacher Development & Eval | \$ - | \$ - | \$ - | Total Revenues | \$ 1,473,421 | \$ 1,473,421 | \$ - |
| 441 Basic Skills | \$ - | \$ - | \$ - | Total Expenditures | \$ 1,473,421 | \$ 1,473,421 | \$ - |
| 445 Career and Technical Programs | \$ - | \$ - | \$ - | 422 Net Assets | \$ - | \$ - | \$ - |
| 448 Achievement and Integration | \$ - | \$ - | \$ - | 25 OPEB REVOCABLE TRUST | | | |
| 449 Safe Schools Levy | \$ 10,651 | \$ 10,651 | \$ - | Total Revenues | \$ - | \$ - | \$ - |
| 450 Pre-Kindergarten | \$ - | \$ - | \$ - | Total Expenditures | \$ - | \$ - | \$ - |
| 451 QZAB and QSCB Payments | \$ - | \$ - | \$ - | 422 Net Assets | \$ - | \$ - | \$ - |
| 453 Restricted for Unfunded Severance | \$ 35,341 | \$ 35,341 | \$ - | 45 OPEB IRREVOCABLE TRUST | | | |
| 456 Literacy Aid | \$ 46,839 | \$ 46,839 | \$ - | Total Revenues | \$ - | \$ - | \$ - |
| 457 Teacher Comp Read Act | \$ 3,266 | \$ 3,266 | \$ - | Total Expenditures | \$ - | \$ - | \$ - |
| 467 LTFM | \$ (116,930) | \$ (116,930) | \$ - | 422 Net Assets | \$ - | \$ - | \$ - |
| 471 Student Support Personnel | \$ - | \$ - | \$ - | 47 OPEB DEBT SERVICE | | | |
| <i>Restricted:</i> | | | | Total Revenues | \$ - | \$ - | \$ - |
| 464 Restricted Fund Balance | \$ - | \$ - | \$ - | Total Expenditures | \$ - | \$ - | \$ - |
| <i>Committed</i> | | | | <i>Non Spendable:</i> | | | |
| 418 Committed for Separation | \$ - | \$ - | \$ - | 460 Non Spendable Fund Balance | \$ - | \$ - | \$ - |
| 461 Committed Fund Balance | \$ - | \$ - | \$ - | <i>Restricted:</i> | | | |
| <i>Assigned:</i> | | | | 425 Bond Refundings | \$ - | \$ - | \$ - |
| 462 Assigned Fund Balance | \$ 38,645 | \$ 38,645 | \$ - | 464 Restricted Fund Balance | \$ - | \$ - | \$ - |
| <i>Unassigned</i> | | | | <i>Unassigned:</i> | | | |
| 422 Unassigned | * \$ 2,347,443 | \$ 2,347,445 | \$ (2) | 463 Unassigned Fund Balance | \$ - | \$ - | \$ - |
| 02 FOOD SERVICE | | | | 04 COMMUNITY SERVICE | | | |
| Total Revenues | \$ 1,326,908 | \$ 1,326,907 | \$ 1 | Total Revenues | \$ 1,297,042 | \$ 1,297,044 | \$ (2) |
| Total Expenditures | \$ 1,355,111 | \$ 1,355,109 | \$ 2 | Total Expenditures | \$ 1,362,694 | \$ 1,362,698 | \$ (4) |
| <i>Non Spendable:</i> | | | | <i>Restricted/Reserved:</i> | | | |
| 460 Non Spendable Fund Balance | \$ 22,240 | \$ 22,240 | \$ - | 426 \$25 Taconite | \$ - | \$ - | \$ - |
| <i>Restricted:</i> | | | | 431 Community Education | \$ 137,814 | \$ 137,814 | \$ - |
| 452 OPEB Liab Not In Trust | \$ - | \$ - | \$ - | 432 E.C.F.E. | \$ 1,774 | \$ 1,774 | \$ - |
| 464 Restricted Fund Balance | \$ 573,648 | \$ 573,648 | \$ - | 444 School Readiness | \$ 66,821 | \$ 66,821 | \$ - |
| <i>Unassigned:</i> | | | | 447 Adult Basic Education | \$ - | \$ - | \$ - |
| 463 Unassigned | \$ - | \$ - | \$ - | 452 OPEB Liab. Not in Trust | \$ - | \$ - | \$ - |
| <i>Restricted:</i> | | | | 464 Restricted Fund Balance | \$ 22,118 | \$ 22,118 | \$ - |
| 463 Unassigned Fund Balance | \$ - | \$ - | \$ - | <i>Unassigned:</i> | | | |

* Amounts differ from those reported on the fund level balance sheet due to the need to reclassify negative restricted fund balance to unassigned fund balance.

OTHER REQUIRED REPORTS



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Minnewaska Area Schools
Independent School District No. 2149
Glenwood, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2149 (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 24, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and report 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 relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
November 24, 2025



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**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149**

**SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND OTHER REQUIRED REPORTS**

JUNE 30, 2025



CPAs | CONSULTANTS | WEALTH ADVISORS

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**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
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SINGLE AUDIT AND OTHER REQUIRED REPORTS



**INDEPENDENT AUDITORS' 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**

Board of Education
Minnewaska Area Schools
Independent School District No. 2149
Glenwood, 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. 2149 (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 24, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 through 2025-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

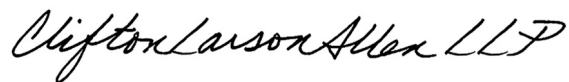
As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

The District's Response to Findings

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

Purpose of This Report

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



CliftonLarsonAllen LLP

Alexandria, Minnesota
November 24, 2025



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER
COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
Minnewaska Area Schools
Independent School District No. 2149
Glenwood, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited Independent School District No. 2149 (the District)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2025. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the 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 program.

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-004 to be a material weakness.

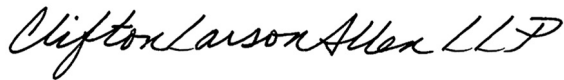
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 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. We have issued our report thereon, dated November 24, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Alexandria, Minnesota
December 5, 2025

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Total Federal Expenditures | Passed Through to Subrecipients |
|---|-----------------------------------|--|----------------------------|---------------------------------|
| U.S. Department of Agriculture | | | | |
| Pass-Through Minnesota Department of Education | | | | |
| Noncash Assistance (Commodities): | | | | |
| National School Lunch Program | 10.555 | # 1-2149-000 | \$ 81,007 | |
| Total Noncash Assistance | | | \$ 81,007 | \$ - |
| Cash Assistance: | | | | |
| National School Lunch Program | 10.555 | # 1-2149-000 | 283,158 | |
| School Breakfast Program | 10.553 | # 1-2149-000 | 109,829 | |
| Fresh Fruit and Vegetable Grant Program | 10.582 | # 1-2149-000 | 524 | |
| Total Cash Assistance | | | 393,511 | - |
| Reimbursement for U.S. Department of Agriculture | | | | |
| Food Distribution Fees | 10.560 | 1-2149-000 | 3,010 | - |
| Child Care Food Program | 10.558 | ! 1-2149-000 | 10,809 | - |
| Cash in Lieu of Commodities | 10.558 | ! 1-2149-000 | 1,245 | - |
| Total U.S. Department of Agriculture | | | 489,582 | - |
| U.S. Department of Education | | | | |
| Pass-Through Minnesota Department of Education | | | | |
| Title I - Grants to Local Education Agencies | 84.010 | S010A220024A | 218,712 | - |
| Title IV, Part A - Student Support and Academic Enrichment | 84.424 | S424A220024 | 9,202 | - |
| COVID-19 - Education Stabilization Fund - Learning Loss | 84.425U | * S425C22045 | 48,472 | - |
| Total Minnesota Department of Education | | | 276,386 | - |
| Pass-Through Runestone Area Education District | | | | |
| Special Education Infants and Families Grants | 84.027 | @ H027A220087 | 327,978 | |
| Preschool Incentive | 84.173 | @ H173A220086 | 8,000 | |
| Total Special Education Cluster | | | 335,978 | - |
| Individuals with Disabilities Education Act Part C | | | | |
| Regional IECIC Grant for Children Ages Birth to 2 | 84.181 | H181A220029 | 9,321 | - |
| Total Runestone Area Education District | | | 345,299 | - |
| Pass-Through Alexandria Technical & Community College | | | | |
| Carl Perkins Vocational Education | 84.048 | Not Provided | 4,148 | - |
| Total U.S. Department of Education | | | 625,833 | - |
| Total Expenditures of Federal Awards | | | \$ 1,115,415 | \$ - |

The total of Assistance Listing 10.555 is \$364,165

Child Nutrition Cluster - total \$474,518

* Education Stabilization Fund - total \$48,472

@ Special Education Cluster

! The total of Assistance Listing 10.558 is \$12,054

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2025**

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal financial assistance programs of Independent School District No. 2149 (the District) for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a select portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance. Under these principles certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The District has not elected to use the 10% de minimis in direct costs rate as allowed under Uniform Guidance.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major federal programs:

| <u>Assistance Listing</u> | <u>Name of Federal Program or Cluster</u> |
|----------------------------|---|
| 10.553, 10.582, and 10.555 | Child Nutrition Cluster |

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

Auditee qualified as low-risk auditee? yes X no

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

Finding: 2025-001 **Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)**

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: The board and management share the ultimate responsibility for the District's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The District engages CLA to assist in preparing the financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of U.S. generally accepted accounting principles (GAAP) and knowledge of the District's activities and operations.

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S GAAP.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

Cause: The District personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the District's financial statements and related disclosures. However, management has reviewed and approved the financial statements and related disclosures.

Repeat Finding: Yes – Finding 2024-001

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Views of Responsible Officials: There is no disagreement with the audit finding.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding: 2025-002 Limited Segregation of Duties

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: Due to the limited size of the District’s business office staff, the District has limited segregation of duties.

Criteria or Specific Requirement: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Effect: The District is unable to maintain segregation of incompatible duties.

Cause: There is a limited number of staff in the business office.

Repeat Finding: Yes – Finding 2024-002

Recommendation: While we recognize that the District staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve efficiency and effectiveness of financial management of the District.

Views of Responsible Officials: There is no disagreement with the audit finding.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

B. FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding: 2025-003 Material Audit Adjustments

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: As part of the audit, we proposed material audit adjustments to adjust GASB 84 fiduciary activities and capital assets.

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls for the proper recording of all the District's accounting transactions.

Effect: The design of the internal controls over recording transactions could affect the ability of the District to detect or prevent errors, a misappropriation of assets, or fraudulent activity.

Cause: The District entered into an unusual transaction during the prior year and it wasn't recorded.

Repeat Finding: No.

Recommendation: We recommend the District's management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions and develop internal control policies to ensure proper recording of transactions.

Views of Responsible Officials: There is no disagreement with the audit finding.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Finding: 2025-004 Suspension and Debarment

Federal Agency: U.S. Department of Agriculture
Federal Program Name: Child Nutrition Cluster
Assistance Listing Number: 10.553, 10.582, and 10.555
Federal Award Identification Number and Year: 1-2149-000, 2025
Pass-Through Agency: Minnesota Department of Education
Pass-Through Number: 1-2149-000
Award Period: June 30, 2025
Type of Finding: Material Weakness in Internal Control over Compliance

Criteria or Specific

Requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of procurement, suspension, and debarment. The District should have internal controls designed to ensure compliance with those provisions.

Condition: During our testing, we noted that the District did not have adequate internal controls designed to ensure vendors were not suspended or debarred.

Questioned costs: None

Context: During our testing, it was noted that the District was not reviewing vendors prior to entering into a contract with a vendor to ensure the vendor was not on the suspended or debarred vendor list maintained by the General Services Administration.

Cause: Lack of management oversight.

Effect: The auditor noted no instances of noncompliance with the provisions of procurement, suspension, and debarment; however, the lack of internal controls over these compliance requirements provides an opportunity for noncompliance.

Repeat Finding: No.

Recommendation: We recommend the District design controls to ensure an adequate review process is in place to review potential contractors to determine they are not suspended or debarred.

Views of responsible officials: There is no disagreement with the audit finding.

**MINNEWASKA AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2149
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2025**

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE

None reported.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



**CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2025**

Independent School District No. 2149 respectfully submits the following corrective action plan for the year ended June 30, 2025.

Audit period: July 1, 2024 – June 30, 2025

The findings from the June 30, 2025 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding: 2025-001 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Recommendation: It is recommended that management continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Explanation of Disagreement with Audit Finding: There is no disagreement with the audit finding.

Action Taken in Response to Finding: The District will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.

Name of the Contact Person Responsible for Corrective Action Plan: Drew Olsonawski,
Director of Business Services

Planned Completion Date for Corrective Action Plan: June 30, 2026



FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding: 2025-002 Limited Segregation of Duties

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Recommendation: It is recommended that the internal control functions be reviewed to determine if additional segregation of duties is feasible and to improve efficiency and effectiveness of financial management of the District.

Explanation of Disagreement with Audit Finding: There is no disagreement with the audit finding.

Action Taken in Response to Finding: The District reviews and makes improvements to its internal controls on an ongoing basis, and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

Name of the Contact Person Responsible for Corrective Action Plan: Drew Olsonawski,
Director of Business Services

Planned Completion Date for Corrective Action Plan: June 30, 2026



FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Finding: 2025-003 Material Audit Adjustments

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Recommendation: It is recommended that the District's management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions and develop internal control policies to ensure proper recording of transactions.

Explanation of Disagreement with Audit Finding: There is no disagreement with the audit finding.

Action Taken in Response to Finding: The District will continue to work at eliminating the need for audit adjustments through learning about new GASB standards and reviewing work performed by finance personnel.

Name of the Contact Person Responsible for Corrective Action Plan: Drew Olsonawski,
Director of Business Services

Planned Completion Date for Corrective Action Plan: June 30, 2026



FINDINGS – FEDERAL AWARD FINDINGS

Finding: 2025-004 Suspension and Debarment

Federal agency: U.S. Department of Agriculture

Federal program Title: Child Nutrition Cluster

Federal Assistance Listing Number: 10.553, 10.582, and 10.555

Federal Award Identification Number and Year: 1-2149-000, 2025

Pass-Through Agency: Minnesota Department of Education

Pass-Through Number(s): 1-2149-000

Award Period: June 30, 2025

Type of Finding: Material Weakness in Internal Control Over Compliance

Recommendation: We recommend the District design controls to ensure an adequate review process is in place to review potential contractors to determine they are not suspended or debarred.

Views of Responsible Officials: There is no disagreement with the audit finding.

Action Taken in Response to Finding: The District will continue to work at ensuring there is a second person to review applications.

Name of the Contact Person Responsible for Corrective Action Plan: Drew Olsonawski,
Director of Business Services

Planned Completion Date for Corrective Action Plan: June 30, 2026



Minnewaska Area Schools

ENGAGE EVERY STUDENT, EVERY DAY! District 2149

Independent School District No. 2149 respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2025.

Audit period: July 1, 2024 – June 30, 2025

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS – FINANCIAL STATEMENT AUDIT

Finding: 2024-001 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Status: See current year finding 2025-001

Reason for Finding's Recurrence: Limited number of District personnel and the cost of hiring an additional person to prepare the financial statements is not beneficial to the District.

Finding: 2024-002 Limited Segregation of Duties

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Status: See current year finding 2025-002

Reason for Finding's Recurrence: Limited number of District personnel and the cost of hiring an additional person to adequately segregate duties is not beneficial to the District.

FINDINGS – FEDERAL AWARD FINDINGS

None noted



Minnewaska Area Schools

ENGAGE EVERY STUDENT, EVERY DAY! District 2149

If involved agencies have any questions regarding this plan, please call Drew Olsonawski at 320-239-1301.

Sincerely,

Drew Olsonawski, Director of Business Services
Independent School District No. 2149

**DISTRICT OFFICE, INTERMEDIATE, HIGH SCHOOL,
ACTIVITIES AND COMMUNITY ED**
25122 State Highway 28, Glenwood, MN 56334

ELEMENTARY
409 4th St. SE
Glenwood, MN 56334

W.I.N ACADEMY
500 John St.,
Starbuck, MN 56381