

**VISITOR AGENDA
MAHNOMEN PUBLIC SCHOOLS
OCTOBER 20, 2025 REGULAR BOARD MEETING
MONDAY, OCTOBER 20, 2025
6:00 PM SCHOOL BOARD CONFERENCE ROOM**

1. CALL TO ORDER
2. PLEDGE OF ALLEGANCE
3. ROLL CALL:
Board Members Present: _____Chris Otto, _____Nicole Ose, _____Ashley Neis,
_____Kimberly Scott-Neisen, _____Traci Turner, _____Craig Bower
4. ADOPTING THE AGENDA
As presented or modified
5. VISITORS AND GUEST COMMENTS
 - 5.1. Brian Opsal - Brady Martz Auditors
Brian Opsal - Brady Martz Auditors
While the Board, as part of an official meeting function, does not necessarily respond to/or deliberate on visitor comments, the public needs access to the meeting. The Board need not engage the public in the business of this agenda. However, it is valuable to allow public comment per the policy of I.S.D. No. 432. See Policy # 206.
6. MONTHLY ROUTINE CONSENT BUSINESS
Minutes from previous School Board Meetings
Bills
Financial Reports
Donations
7. COMMUNICATION
8. COMMITTEE AND SCHOOL BOARD REPORTS
9. ADMINISTRATION REPORTS
10. ACTION ITEMS
Approve the extended field trip request for the Student Council
 - 10.1. Approve Changing Fall Conference Date from Tuesday 11/4 to Monday 11/3 due to Election Night
Approve Changing Fall Conference Date from Tuesday 11/4 to Monday 11/3 due to Election Night
 - 10.2. Approve November Board Meeting Date Change to November 24th due to MREA Conference
Approve November Board Meeting Date Change to November 24th due to MREA Conference

- 10.3. Approve Tribal Consultation Virtual Meeting for November 3, 2025, from 12:30-2:00.
Approve Tribal Consultation Virtual Meeting for November 3, 2025, from 12:30-2:00.
- 10.4. Acknowledge Receipt and Review of the FY25 Fiscal Audit
Acknowledge receipt and review of the 2024-25 Financial Audit as presented earlier in this meeting by Brady Marks' auditing firm. *State law requires a copy of the audit to be sent by the auditing firm to the MDE by November. Good practice to have the auditing firm do a public review of it.*
- 10.5. Approve Student Council Field Trip Request
Approve Student Council Field Trip Request
- 10.6. Resolution Establishing Combined Polling Places
11. Approve Revised Event Worker Pay as Presented.
Approve revised event worker pay as presented. This proposal is consistent with Waubun.
12. Approve Professional Leave Request for Nikki M.
Consider Professional Leave Request for Nikki M.
Nikki would like to attend the FISEF workshop in Las Vegas in December. *I am concerned about the impact of the government shutdown. There are other FISEF workshops typically offered (Fall/Spring in DC & Summer in Bismarck).*
13. PERSONNEL TOPICS
 - Resignations
 - Hiring
 - Lane Change
 - Other
14. Name Winter Coaching Assignments as Presented for the 2025-2026 School Year.
15. Approve the Hire of Paraprofessional Jared Tracy for the 2025-2026 School Year.
16. Approve one day of unpaid personal leave for paraprofessional Nina Ruschmeier.
17. ADJOURNMENT

Athletics & Activities Program - Board Report – October 2025

JH Fall Sports have finished their seasons! Thank you to our JH coaches for all they do. Varsity Volleyball and Football programs are nearing the postseason with the first rounds of Section play beginning on Oct 20th and 21st.

Winter coaches list as presented: Currently seeking internal applications for the Assistant Varsity Boys Basketball, Assistant Varsity Girls Basketball, and JH GBB.

Winter Start Dates:

- JH GBB October - 20th
- Dance (7-12) October - 20th
- GBB - November 10th
- BBB & Wrestling - November 17th

Co-op Pairing Leadership Update:

- Review of PostSeason Pep Band Expectations
- Uniform Overview and MSHSL Memorandum & Rotation Review
- Worker Pay Proposal

Co-op Pairing Committee Update:

- Next meeting is TBD

MSHSL & Section information:

- Section Playoff Dates:
 - FB - QF - 10/21, SF- 10/25, Final - 10/30
 - VB - Play-In - 10/20, Pigtail - 10/22, QF - 10/24, SF- 10/28, Final - 10/31
- Looking ahead we are hosting Section 8A Track in Mahanomen on May 29th, 2026 and hosting 27 teams.

Community Education Program - Board Report – October 2025

- Fall Community Education session has begun!
 - Puzzle Night at the Mahanomen Country Club – 17 participants! Thank you to the MTCC for their collaboration in this event!
 - Levi Liebl - Wills & Estate Planning – 9 currently registered
 - First Aid/CPR/AED Training – Canceled by instructor (2 registered)
 - DIY Coir Outdoor Rugs - 12 currently registered
 - Fall Chili Making - 5 currently registered
 - Apple Pie Making - 5 currently registered
 - 4H after school programs: Engineering Club & Cooking Club
- Session information can be found online at Community Education Program page of the school website
- VPK classrooms are having a great year so far! We have added more kids since the first day of school. They attended a field trip to Fosston, where they took part in the corn maze and outdoor fall activities.
 - Upcoming VPK Events: Pumpkins with families will be hosted on Oct 27th. Thank you to Garden Hills Farms for the pumpkins!
- Early Childhood Family Education fall session continues. There are eight (8) students registered at this time and we are excited for more to join us throughout the year.
 - Upcoming ECFE
 - Gym Night with Mrs. Lisa on Oct. 20th - introducing ECFE kids to the elementary gym and physical education
 - Letter “P”’s Pumpkin Party - will be hosted on Oct 27th. Thank you to Garden Hills Farms for the pumpkins!
- Early Childhood Screening Outcomes report was submitted to DCYF on September 30. This presents health, academic, social, and sensory data as a collection from 3,4,5 year olds screened by ISD#432.
- Winter/Spring Community Education Calendar is in progress, to be completed by Dec 1.
- Community Education Advisory Council - First meeting = 10/20. This group meets four (4) times per year. Looking for an interested board member to join, please contact Aimee if interested.
- 0-4 Census Application opened October 1. Data submission is due by December 1.
- Driver's Education will be hosted in the Spring via our CE program. Behind the Wheel is being offered throughout the year. Thank you to Derek and Denise for working through the student list.
 - Mahanomen Community Education is looking at becoming a Proctor site for testing through DPS. Initial information gathering is in progress.
- There have been 18 requests for use via the building use form for September through - October 20th. These are various requests for space: after school programming, co-curricular programming, private events, community events, etc.

High School Report-September 2025

- Students of the month: Curt Londo, Brandon Miller, Avery Linden, and Eli Stock
- Blood drive completed
- Homecoming week completed-Good participation
- Playoffs begin for fall sports

Discipline report:

2025-26-189

2024-25-112

2023-24- 134

2022-23- 187

Attendance Percentages:

7th grade-87%

8th grade- 91%

9th grade-88%

10th grade-89%

11th grade-80%

12th grade- 93%

Total-88%

Class sizes as of 9.30.25:

7-58

8-58

9-54

10-43

11-51

12-47

Total: 311

Student	DOB	New/drop	Add	Drop	Start date	Leave date	grade	To/From	Notes	Tech Accounts
		drop		1		summer		7 Waubun		
		drop		1		summer		9 Waubun		
		drop		1		summer		7 Waubun		
		drop		1		summer		8 Waubun		
		Return	1			9/2		9 from ALC		
		Return	1			9/2		7 from ALC		
	1/17/13	drop		1		summer		7 NCE		
	7/28/09	Return	1			9/2		11 from ALC		
		Return	1			9/2		9 from ALC		
	7/11/2013	New	1			9/2		7 from COLA	records received	
	10/21/2009	New	1			9/2		10 From Trek North	records received	
	9/25/09	drop		1		summer		9 to Waubun		
	1/21/10	return	1			9/2		10 from ALC		
		return	1			9/2		9 from COLA	records received	
	5/8/09	return	1			9/2		10 from COLA	records received	
	7/27/13	new	1			9/2		7 from COLA	records received	
	08/10/11	new	1			9/2		9 from COLA	records received	
	08/24/11	new	1			9/2		9 from NCE	records received	
		drop		1		summer		7 to COLA		
	2/19/09	return	1			9/3		11 From Bagley	records received	
		drop		1		summer		7 to Fosston		
		return	1			9/2		11 from Bagley	records received	
		return	1			9/3		9 from ALC		
		return	1			9/3		8 from COLA	records received	
		return	1			9/3		8 from ALC		
		return	1			9/3		12 From ND	records received	
		return	1			9/3		11 From ND	record received	
		return	1			9/3		8 From ALC		
		New	1			9/4		9 From Waubun	records received	
		New	1			9/4		8 From Waubun	records received	
		drop		1		9/2		to ALC		
		drop		1		9/2		8 to ALC		
		drop		1		9/2		10 to ALC		
		drop		1		9/2		8 Online		
		drop		1		9/2		9 to Red Lake		
		drop		1		9/4		8 to ALC		
		Return	1			9/5		12 from ALC		
		Return	1			9/5		12 from ALC		
		drop		1		summer		7 to Waubun		
		drop		1		summer		8 To Red Lake		
		drop		1		9/4		9 to ALC		
		return	1			9/9		8 from online		
		return	1			9/19		10		
		new	1			9/10		11 from Perham	records received	
		drop		1			9/5	8 to ALC		
		No show		1			9/2	7 no show		
		No show		1			9/2	9 no show		
		drop		1			8/16	8 to ALC		
		No show		1			9/2	8 no show		
		return	1				9/25	10 from Medical leave		
		drop		1			9/23	7 15 day drop		
		drop		1			10/2	9 to ALC		
		drop		1			10/3	12 to aLC		
	totals		28	25						



Mahnomon Secondary Discipline Summary by Grade

09/01/2025 - 09/30/2025

Year: 2025-2026
Report: IDS601

Description	07		08		09		10		11		12		Total
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	
Academic Dishonesty (30)													
Alcohol (01)													
Amorous Activity (Am Act) (02)													
Arson (03)													
Assault (04)													
Attendance (24)													
Back Talk (b talk)													
Bomb (04)													
Bomb Threat (05)													
Bullying/Harassment (Includes CyberBullying) (31)													
Bus Referral (Bus)													
Cannabis (35)													6
Controlled Substances (prescription) (06)													
Disruptive/Disorderly/Insubordination (08)	1	20	6	17	1	10	1	1	1	8			65
Extortion (09)													
Fighting (10)				1									1
Gang Activity (11)													
Hazing (26)													
Hit Push Shove (HPS)		1		1									2
Homicide (28)													
Illegal Drugs (13)													
Inappropriate Language/Actions (lang)	1	9	14		2	5	3	3	1	2			37
Noon Restriction Redo (Redo)													
Not Participating (NP)													
On School Property without Permission (34)													
Other (23)													
Over-the-Counter Medications (14)													



Mahnomen Secondary Discipline Summary by Grade

09/01/2025 - 09/30/2025

Year: 2025-2026
Report: IDS601

Description	07		08		09		10		11		12		Total					
	Female	Male	Total	Female	Male	Total	Female	Male	Total	Female	Male							
Physical Contact (32)																		
Profanity (Prof)				1	1								1					
Pyrotechnics (15)																		
Robbery (using force)																		
(29)																		
Skipping (Skip)	1		1	1				1		1	2	2	1	7	8	13		
Tardies (Tar)	3		3	5	10	7	6				2	7	7		1	34		
Teacher Referral (TCH)				1	1	1		1								2		
Technology (33)	1		1	3	4	7	2	2	4		4	4	2	2		18		
Terroristic Threats (16)																		
Theft (17)				2	2											2		
Threat/Intimidation (18)																		
Tobacco (19)				1	1	2	2	2	2							4		
Unassigned Area (UN Area)		1	1		1					2			2			4		
Vandalism/Property Related (20)																		
Verbal Abuse (21)																		
Weapon (22)																		
Totals	7	31	38	19	48	67	13	26	39	0	11	11	4	21	25	1	8	189

Meredith (District Liaison)	Jessica (Attendance Liaison)	Kelly (10th-12th Liaison)	Curt (7th-9th Liaison)	Keisha (Elem. Liaison)
Daily Student Contacts	Daily Student Contacts	Daily Student Contacts	Daily Student Contacts	Daily Student Contacts
High School Students	High School	High School	High School	High School
Behavior: 22	Elementary 154	Elementary 235	Elementary 202	Elementary 216
Check-in: 26	Parent Contacts 17	Parent Contacts 7	Parent Contacts 14	Parent Contacts 9
Academics: 19	High School 119	High School 40	High School 9	High School 9
Advanced Math 1	Elementary 59	Elementary 39	Elementary 9	Elementary 9
Prep English	High School 60	Elementary 19	Elementary 7	Elementary 7
Geometry	Home Visits 26	Home Visits 19	Home Visits 7	Home Visits 7
Chemistry II	High School 22	High School 15	High School 7	High School 7
Algebra II	Elementary 4	Elementary 4	Elementary 7	Elementary 7
Science 9	Other Meetings: 26	Other Meetings: 4	Other Meetings: 7	Other Meetings: 7
Physics	AIE Team meeting 2	AIE Team meeting 1	AIE Team meeting 2	Observations - IEP meetings
Elementary School Students	PLC 2	Prevention meeting 1	AIE Team meeting 2	High School
Behavior: 23	White Earth ICW/COURTS 2	Mahnomon Collaborative 1		Elementary
Check-in: 27	Mahnomon County SS 3	Elem Faculty Meeting 1		Other Meetings:
Academics: 0	MDT Meeting 1	H.S. Faculty Meeting 1		AIE Team meeting
Daily Parent Contacts	Attendance Letters 56	ATPAC Meeting 1	ATPAC Meeting 1	Elem Faculty Meeting
High School Parents	Truancy 56	talking circles 1		ATPAC Meeting
Parent/VUE, IOM questions	High School 5	career days 1		Elem Leadership Meeting
Elementary School Parents	Elementary 45			Playground Committee
Parent/VUE, Concerns, ADSIS info				Amishnabe Circle
Homevisits	HS LUNCH DUTY			Elem. Faculty Meeting
Chromobook login/Set up	6th Hour student support			Met with teachers about students
Meetings	Daily			Smudging with students
Elementary Faculty Meeting 1				
AIE Team Meeting 2				
Dreamcatcher Project 2				
ADSDS Meeting 2				
Crisis Team Meeting 1				
Para Support Meeting 1				
Elementary Behavior Committee Mtg 1				
Program Meeting 1				
Elementary SST Meeting 1				
AIE Liaison PLC Meeting 1				
Field Trip: Ricing 1				
Foster Care Network Training 1				
ADSDS Fall Training (3 hrs) 1				
Parent Meeting 1				
Interview committee 1				
ADSDS Training: Budget 1				
Other				
Radio Response 5				
HS Lunch Duty Daily				
Submitted Native Pathways to College Grant				
Classroom Behavior Support 4 times				
Sent Verification Letter to Tech school for recent grad				
Organized FastIngrage data by grade/risk				



American Indian Education Program
School Board Report
Date: October 20th, 2025

Budget Updates

- AIEA Funds Spend Down: \$22,209.41
 - Estimated to receive \$336,500.00 for 25/26 school year
- Title VI Funds Spend Down: \$11,540.75
 - Estimated to receive \$119,146.00 for 25/26 school year

Program Updates

We are continuing to support cultural programming and language learning opportunities for our students districtwide.

- **Staffing:**
We are currently seeking to hire a full-time High School Ojibwe Language, American Indian Culture, and History Teacher.

In the meantime:

- Courtney Stueness is teaching a Cultural Pathways class, which has placed an increased focus on outdoor and land-based learning. Students have:
 - Visited Buck's Wild Rice Production to observe mechanical harvesting.
 - Gone ricing at Tamarack Lake with White Earth Natural Resources.
 - Participated in netting fish.
- Lakeisha Londo is teaching a High School Ojibwe Language class. A highlight of this program is the Ojibwemowin newsletter that is being shared with families to support language learning at home.
- LaKeisha Londo is also our full-time Elementary Ojibwe Language, American Indian Culture, and Language teacher, as well as the Kindergarten Music teacher. She sees all students in PreK–6th grade for 25 minutes a week and Kindergarten students for 25 minutes a day.

- Desiree Linden is the Director of the American Indian Education program. She coordinates enriching cultural events for the school and community, oversees the two grants that fund the department, and supervises four liaison staff.

Liaison Staff

The American Indian Education Program currently employs five liaison staff members who support students across the district:

- **Meredith McArthur-Thorpe** – Part-Time AIE Districtwide Liaison
 - 117 daily student contacts
 - 50 parent contacts
 - 1 home visit
 - Participated in 19 meetings
 - Part-Time ADSIS grant work
- **Jessica Goodwin** – Full-Time Attendance & Truancy Liaison
 - 171 daily student contacts
 - 119 parent contacts
 - 26 home visits
 - 56 attendance letters
 - Participated in 10 meetings
 - Regular meetings with the county, ICW, and collaborative partners
- **Kelly Phillips** – Full-Time Grades 10–12 Liaison
 - 242 daily student contacts
 - 40 parent contacts
 - 7 home visits
 - Participated in 2 meetings
 - Member of our Crisis Response Team
- **Curt Uran** – Full-Time Grades 7–9 Liaison
 - 216 daily student contacts
 - 9 parent contacts
 - 7 home visits
 - Participated in 2 meetings
- **Lakeisha Londo** – Works with Elementary Liaison Students
 - Regular check-ins and behavior support for elementary students
 - Classroom support, playground committee, cultural activities
 - Helped lead daily smudging and language-related programming

Upcoming Meetings

All meetings will be held in the District Conference Space.

- **AIPAC Meeting:** Wednesday, October 22 – 6:00 PM
- **Title VI Meeting:** Wednesday, October 22 – Immediately following AIPAC
- **Federal Programs Meeting:** Wednesday, October 22 – 7:00 PM
- **Tribal Consultation:** Monday, November 3 – 12:30 PM
- **JOM Meeting:** Monday, November 10 – 5:30 PM

Upcoming Events & Dates to Remember

- November 12th, 2025: Native American Heritage Month Fall Feast featuring White Earth Enrollee and Acclaimed Author Marcie Rendon
- April 29th, 2026: 10th Annual Powwow Celebration
- May 13th, 2026: American Indian Senior Banquet



Superintendent's Report

October 20, 2025

1. Homecoming and Indigenous Peoples Day Highlights

- Homecoming week was a success, with strong student participation, well-attended events, and outstanding staff and volunteer support to manage the extra logistics. Led by Student Council Advisor **Morrissa Fanning**, the Homecoming dance drew **200+ students** with **nearly 10 chaperones**; **SRO Victoria**'s event sheet (map and expectations) aligned everyone and streamlined supervision—there were **no issues** at the dance. The Indigenous Peoples Day Round Dance was held in the elementary gym due to construction and ran smoothly with several guests and robust community engagement, and a special shoutout to our new Food Service Director and Head Cook **Danielle Uran** for the celebratory menu: **Turkey Wild Rice Soup** and **Cranberry Wild Rice Bread**. Overall, the month showcased positive school spirit, cultural celebration, and effective coordination across departments.

2. Operations & Facility Updates

- **Fall Conferences Date Change:** To avoid Election Night (Tuesday, Nov. 4), Fall Parent-Teacher Conferences will be held on **Monday, Nov. 3, 2025**. Updated schedules and communications are being coordinated to ensure families and staff are informed of the change.
- **November Board Meeting Date Change (Proposed):**
- Administration proposes rescheduling the November regular board meeting to **Monday, November 24, 2025** to avoid conflict with the MREA Annual Conference. **Requesting board approval** to set the new date and authorize posting updated public notice and communications.
- **Federal Programs (Impact Aid) Hearing - October 22, 2025, 7-8 PM.** The upcoming Federal Programs Hearing will include a focus on Impact Aid, but it is also intended to cover our other federal funding streams (such as Title programs). We have prepared a [Federal Programs Hearing Presentation](#) that highlights these areas, with Impact Aid as a key component for our district.
- We have initiated the **ESSA Tribal Consultation** process and scheduled our consultation meeting for the **first week of November (11/3 12:30-2:00 Virtual)**. Administration is coordinating with Tribal partners and Indian Education staff to finalize the profile, agenda, and materials.

3. Staffing & Personnel

- We have several **positions posted**, including: Special Education teacher, paraprofessionals, substitutes, and a cleaner/custodian district position.



- All district **seniority lists** have been updated and shared with staff for review. We're allowing time for corrections and feedback before finalizing the verified versions.

4. Committee Meetings Summary

25-26 Committee Meeting Cycle - As part of our district goal to enhance transparency and encourage community involvement, **committee meeting dates and materials will be posted on BoardBook** moving forward.

- **Technology Committee** – The Technology Committee met on September 22 to review current initiatives and future planning. Discussion focused on Chromebook inventory and refresh cycles, infrastructure and security updates (including firewall upgrades, VLAN creation, and camera coverage), and potential cybersecurity and vape-detection improvements. The committee also discussed enhancing technology integration and teacher support, improving student tech-skills instruction, and exploring grants and equipment upgrades to strengthen both instruction and student activities such as e-sports.
- **Meet & Confer Committee** – Met this evening immediately preceding the board meeting; a summary will be provided at the next board meeting.

5. MASA Fall Conference

- I attended the Fall MASA Conference, including the pre-conference day with my **new-superintendent cohort**, which offered valuable sessions and peer support. As a first-year superintendent, I appreciate the practical learning and connections.

Assistant Principal's Report - October 2025

Perfect Attendance

Grade	Students with Perfect Attendance
Kindergarten	14 / 40
First	15 / 27
Second	11 / 30
Third	18 / 48
Fourth	9 / 39
Fifth	11 / 44
Sixth	13 / 44

Overall Classroom Attendance Average: 90.24%

Top Classrooms:

- Mrs. Bruce - 95.56%
- Ms. Korbel - 94.81%

Activities & Highlights

American Indian Education Department

Our American Indian Education Department has provided incredible opportunities for staff and students this month.

- **Drum Feast** - This event was one of the first celebrations to be hosted in our new commons area. What a great use of that multipurpose space!
- **Wild Rice Presentations** - Teachers appreciated the presentations being split over two days, allowing students more time for hands-on learning and interaction.
- **Indigenous Peoples' Day - Round Dance**
A wonderful community event enjoyed by all students and staff!

National Walk, Bike, and Roll to School Day - October 8

Elementary students participated enthusiastically in this national event promoting healthy habits and active lifestyles.

Afterschool Activities

Programs began the week of October 6, providing students with extended learning and enrichment opportunities in the areas including Homework Club, STEAM Club and Opichi Drum and Anishinaabe Circle.

Kindergarten ABC Style Show

Kindergarten teachers hosted their annual "ABC Style Show," featuring student-made vests decorated with letters and items representing their beginning sounds. A runway, twinkle lights, music, and an MC announcing each participant made this a joyful and educational celebration. Parents were invited to join and cheer on their young learners.

Staff Collaboration and Flexibility

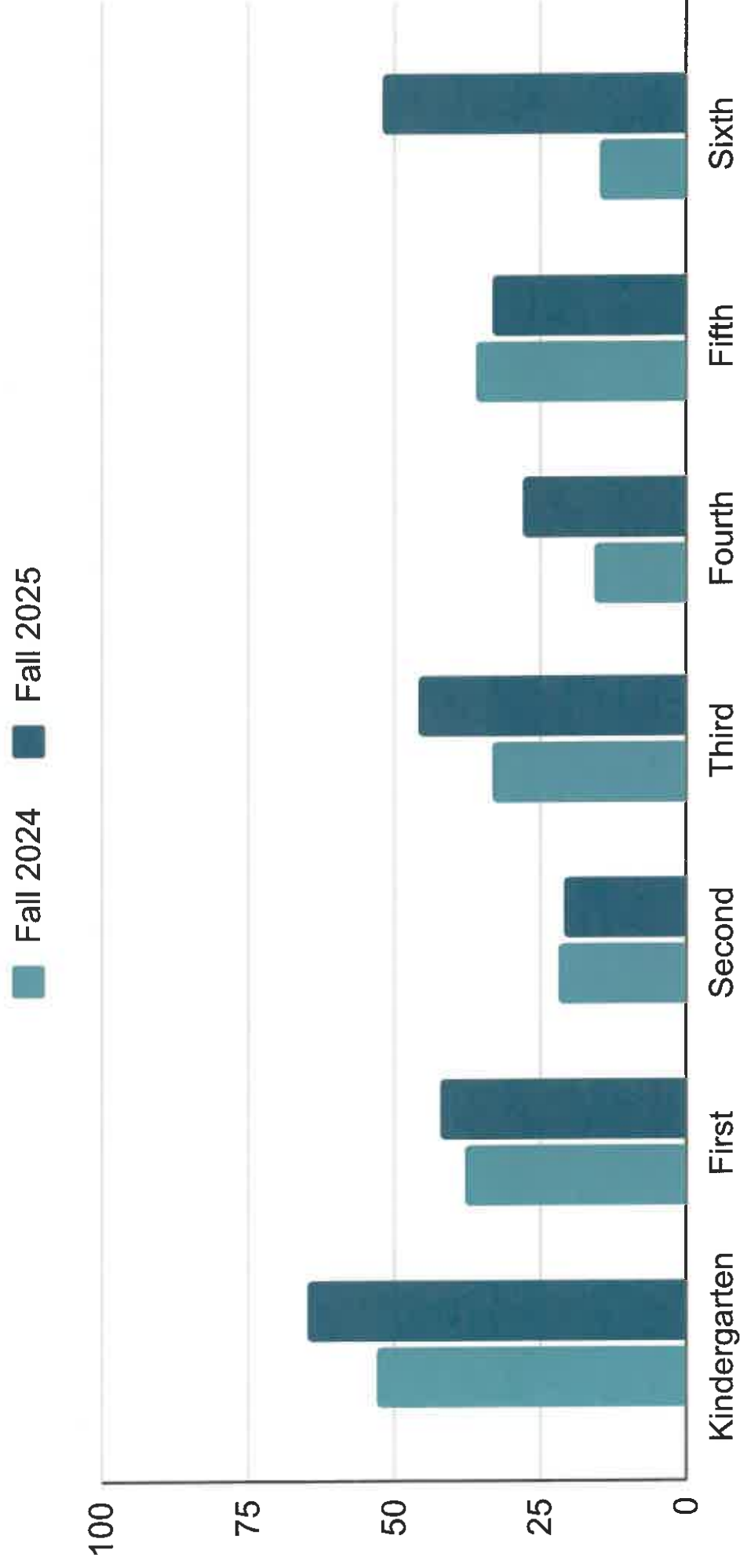
Despite ongoing paraprofessional shortages, teachers and support staff have continued to work together creatively to meet students' academic and

behavioral needs. Their teamwork, adaptability, and shared commitment to student success have been commendable.

Assessment Data

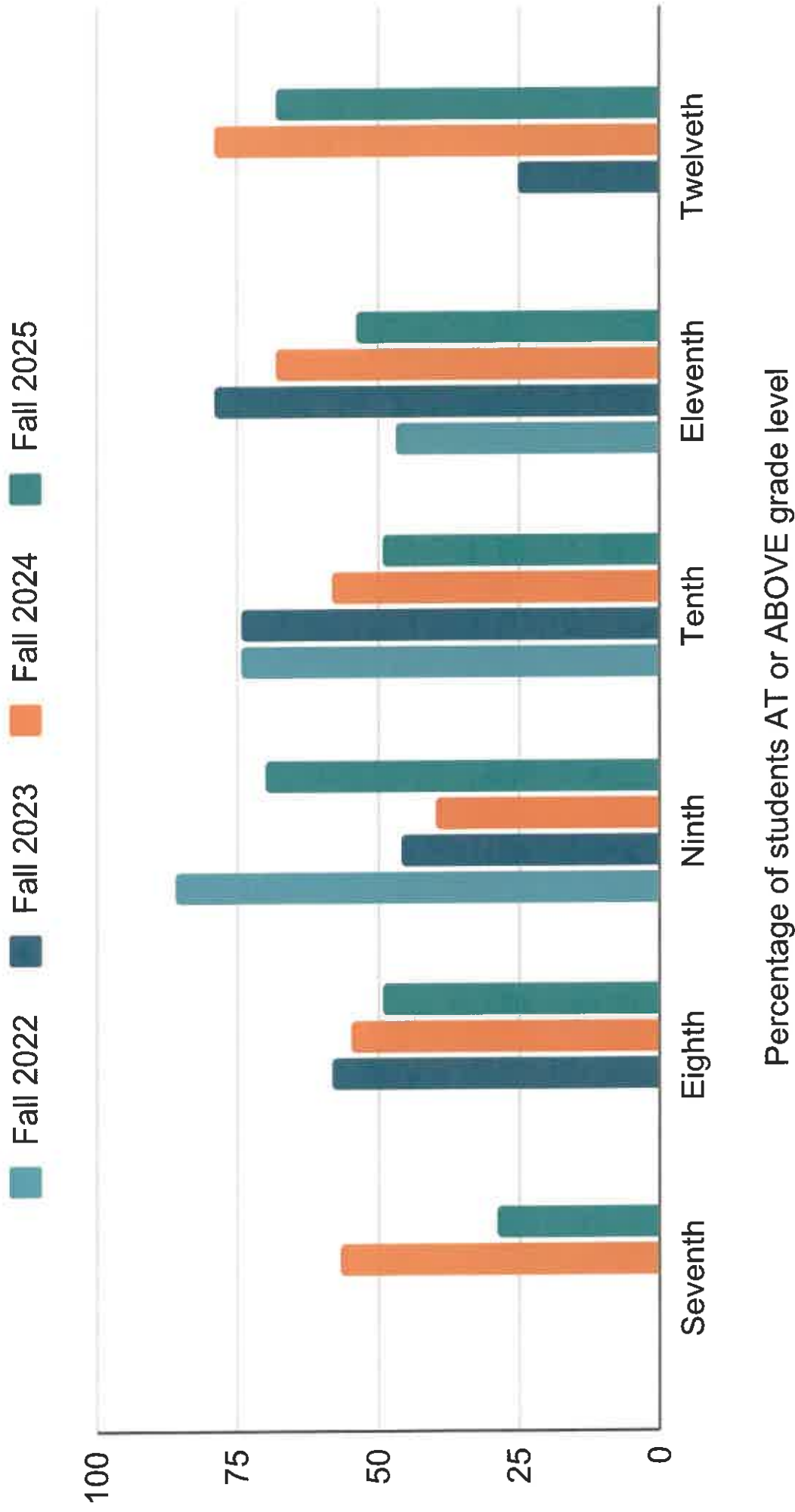
Included are **FASTBridge Reading and Math** graphs for both the elementary and high school levels, showing year-over-year grade-level comparisons.

2024-2025 EL FASTBridge Math Assessments



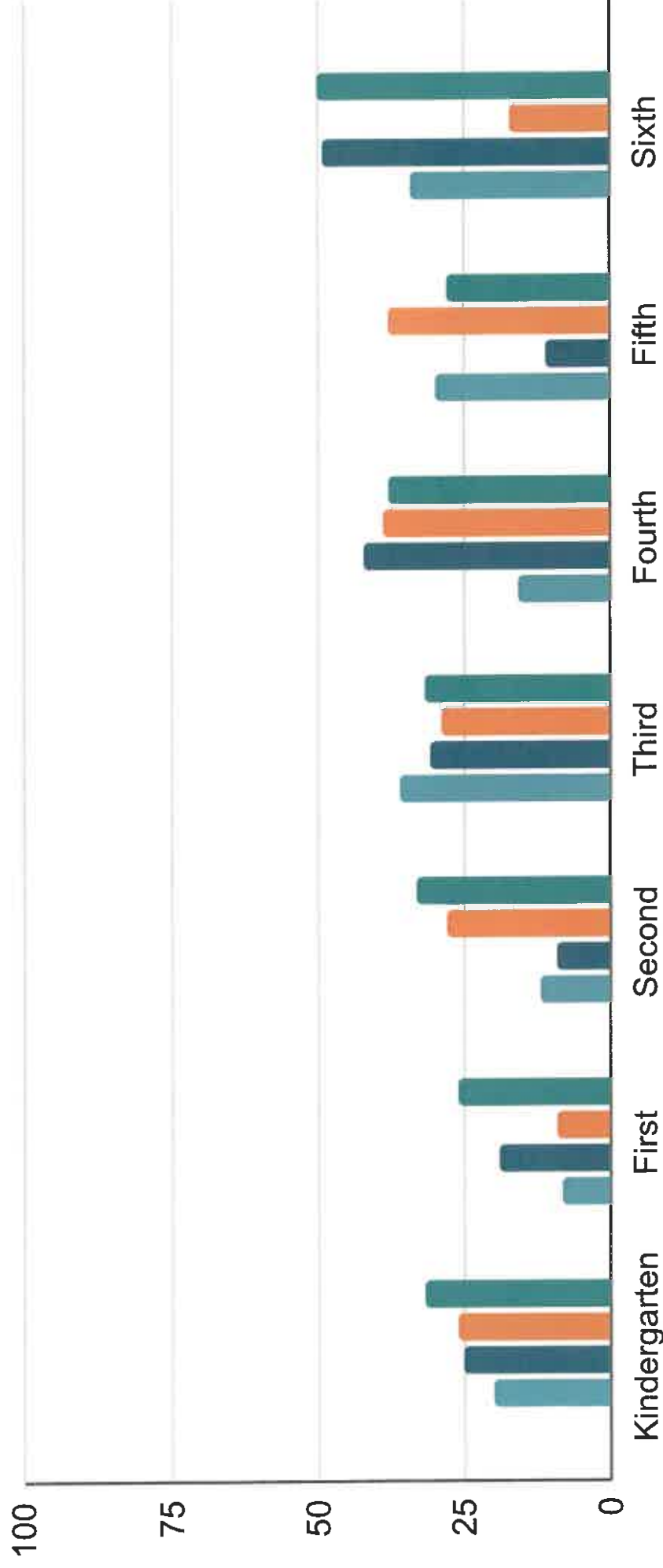
Percentage of students AT or ABOVE grade level

2022-2025 HS FASTBridge Math Assessments



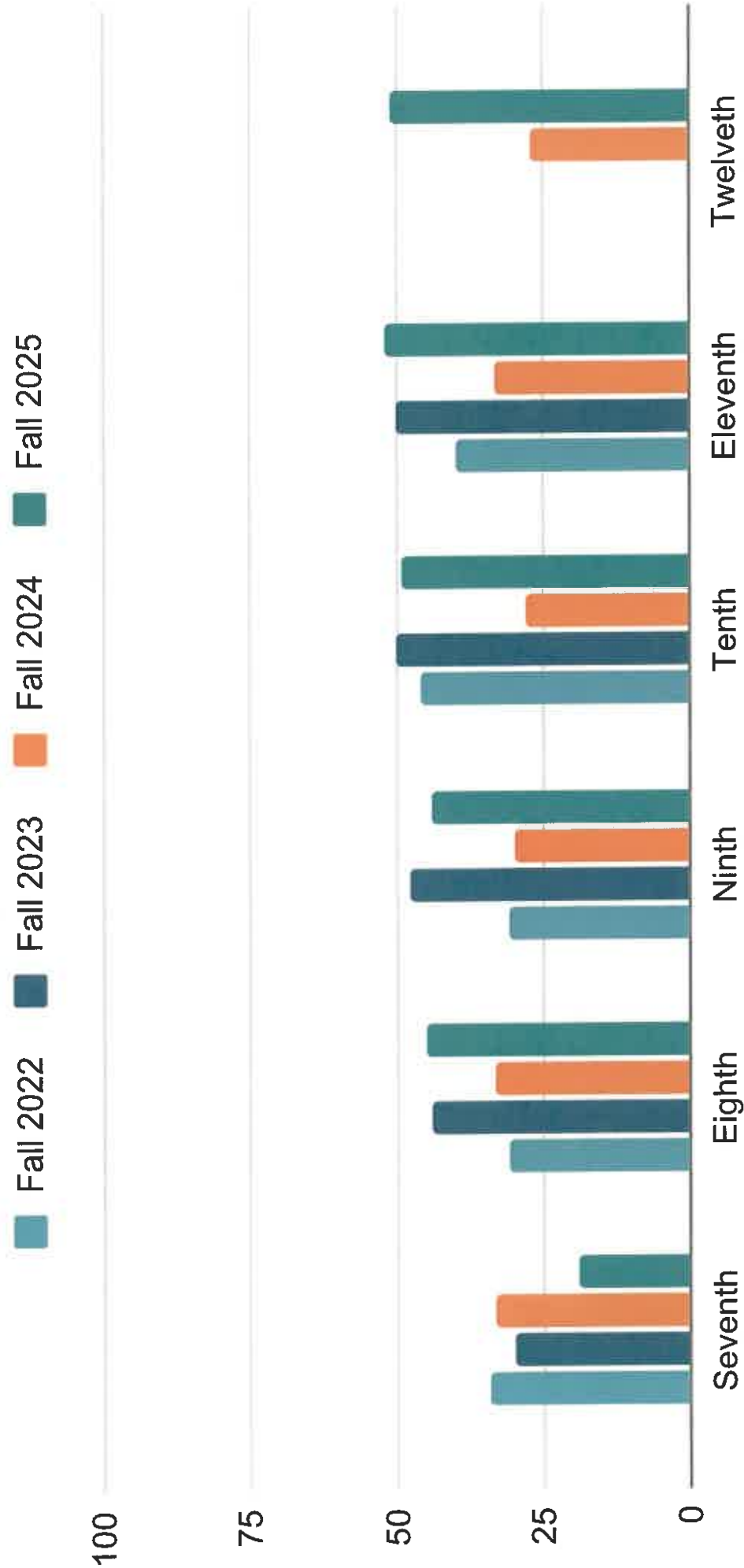
FASTBridge Reading Assessments

Fall 2022 Fall 2023 Fall 2024 Fall 2025



Percentage of students AT or ABOVE grade level

High School FASTBridge Reading Assessments



Percentage of students that are AT or ABOVE grade level

**INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

DRAFT

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INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
OFFICIAL DIRECTORY
JUNE 30, 2025

Chris Otto	Chairperson
Nicole Ose	Clerk
Kimberly Neisen	Treasurer
Ashley Neis	Vice Chairperson
Craig Bower	Director
Traci Turner	Director/Superintendent
Jessica Gilbertson	Business Manager

DRAFT

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 432
Mahnomen, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 432, 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 Independent School District No. 432, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our 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

Change in Accounting Principle

As described in Note 2 to the financial statements, the District has adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 judgement, 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, budgetary comparison information, schedules, and notes as listed in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of changes in fund balances, compliance table, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of changes in fund balances, compliance table, combining and individual nonmajor fund statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of school officials and the schedule of tax levies, tax rates, and student census, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 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.

BRADY, MARTZ
GRAND FORKS, NORTH DAKOTA

October 10, 2025

DRAFT

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

This section of Independent School District No. 432's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

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

- Net position increased \$1,664,180 from the prior year from current year operations primarily due to increases in the general fund and changes in the net pension liability and related accounts.
- Overall, actual revenues in the Statement of Activities were \$16,036,472 and expenses were \$14,372,292.
- General Fund expenditures were greater than General Fund revenues by \$8,452,766 due to an increase in capital outlay as a result of ongoing construction.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental 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. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year, and supplementary information that is presented for additional analysis.

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, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

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, liabilities and deferred inflows/outflows 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 are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, 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*: All of the District's basic services are included here, such as regular and special education, pupil support services, administration, sites and buildings, and community education. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. 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 (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has one type of fund:

- **Governmental funds**: 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 you 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, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between them.
- The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was \$27,964,596 on June 30, 2025 (see details in Table A-1).

Table A-1
Statement of Net Position

	2025	2024	Total Percentage Change
Current and Other Assets	\$ 13,223,251	\$ 21,148,186	(37.5) %
Capital Assets	<u>28,773,255</u>	<u>19,460,010</u>	47.9
Total Assets	<u>41,996,506</u>	<u>40,608,196</u>	3.4
Deferred Outflows of Resources	<u>1,746,723</u>	<u>1,996,185</u>	(12.5)
Long-Term Liabilities	10,056,764	12,433,728	(19.1)
Other Liabilities	<u>2,693,231</u>	<u>1,734,666</u>	55.3
Total Liabilities	<u>12,749,995</u>	<u>14,168,394</u>	(10.0)
Deferred Inflows of Resources	<u>3,028,638</u>	<u>1,790,571</u>	69.1
Net Position			
Net Investment in Capital Assets	23,964,379	13,859,202	72.9
Restricted	2,164,251	2,821,870	(23.3)
Unrestricted	<u>1,835,966</u>	<u>9,964,344</u>	(81.6)
Total Net Position	<u>\$ 27,964,596</u>	<u>\$ 26,645,416</u>	5.0 %

The deferred outflows of resources decreased \$249,462 and deferred inflows of resources increased \$1,238,067 mainly due to changes in net pension liability and related accounts. Capital assets increased \$9,313,245 due to additions of \$10,172,075 netted with depreciation expense of \$858,830.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

Change in Net Position

Table A-2 shows the change in net position for fiscal years ended June 30, 2025 and 2024.

Table A-2
Change in Net Position

	<u>2025</u>	<u>2024</u>	<u>% Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 99,955	\$ 104,147	(4.0) %
Operating Grants and Contributions	3,116,858	2,854,523	9.2
General Revenues			
Property Taxes	663,858	695,725	(4.6)
Unrestricted State Aid	11,004,974	11,587,119	(5.0)
Other Sources	1,150,827	782,309	47.1
Total Revenues	<u>16,036,472</u>	<u>16,023,823</u>	0.1
Expenses			
Administration	866,678	795,782	8.9
District Support Services	657,194	580,276	13.3
Elementary and Secondary Regular Instruction	5,601,549	5,287,248	5.9
Vocational Education Instruction	402,819	374,923	7.4
Special Education Instruction	1,759,865	1,520,704	15.7
Community Education and Services	217,828	205,003	6.3
Instructional Support Services	288,444	219,277	31.5
Pupil Support Services	1,944,244	1,973,803	(1.5)
Sites and Buildings	2,176,403	1,650,801	31.8
Fixed Costs	72,254	65,799	9.8
Interest and Fees on Long-Term Debt and Lease Liabilities	124,735	143,481	(13.1)
Depreciation - Unallocated	227,216	227,216	-
Amortization - Unallocated	33,063	33,062	0.0
Total Expenses	<u>14,372,292</u>	<u>13,077,375</u>	9.9
Change in Net Position	<u>1,664,180</u>	<u>2,946,448</u>	(43.5) %
Net Position - Beginning	26,645,416	23,698,968	12.4
GASB 101 Adjustment - See Note 2	<u>(345,000)</u>	-	
Net Position - Beginning as Restated	<u>26,300,416</u>	<u>23,698,968</u>	11.0
Net Position - Ending	<u>\$ 27,964,596</u>	<u>\$ 26,645,416</u>	5.0

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

The District's total revenues were \$16,036,472 for the year ended June 30, 2025. Property taxes and unrestricted aid payments accounted for 73 percent of total revenue for the year.

The total cost of all programs and services was \$14,372,292. The District's expenses are predominantly related to educating and caring for students.

The net cost of governmental activities is their total costs less program revenues applicable to each category.

Table A-3 presents these net costs.

Table A-3
Net Cost of Governmental Activities

	Total Cost of Services				Net Cost of Services		
	2025	2024	Total Percentage Change		2025	2024	Total Percentage Change
Expenses							
Administration	\$ 866,678	\$ 795,782	8.9 %	\$	866,678	\$ 795,782	8.9 %
District Support Services	657,194	580,276	13.3		657,194	580,276	13.3
Elementary and Secondary							
Regular Instruction	5,601,549	5,287,248	5.9		4,714,694	4,549,835	3.6
Vocational Education Instruction	402,819	374,923	7.4		402,819	374,923	7.4
Special Education Instruction	1,759,865	1,520,704	15.7		649,182	654,349	(0.8)
Community Education and Services	217,828	205,003	6.3		132,088	114,635	15.2
Instructional Support Services	288,444	219,277	31.5		248,444	179,277	38.6
Pupil Support Services	1,944,244	1,973,803	(1.5)		1,357,266	1,257,636	7.9
Sites and Buildings	2,176,403	1,650,801	31.8		2,001,726	1,476,093	35.6
Fixed Costs	72,254	65,799	9.8		(259,626)	(267,860)	(3.1)
Interest and Fees on Long-Term Debt							
and Lease Liabilities	124,735	143,481	(13.1)		124,735	143,481	(13.1)
Depreciation - Unallocated	227,216	227,216	-		227,216	227,216	-
Amortization - Unallocated	33,063	33,062	0.0		33,063	33,062	0.0
	<u>\$ 14,372,292</u>	<u>\$ 13,077,375</u>	<u>9.9 %</u>		<u>\$ 11,155,479</u>	<u>\$ 10,118,705</u>	<u>10.2 %</u>

Financial Analysis of the District's Funds

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

A summary of the fund balance is as follows:

Table A-4
Major Funds

	Fund Balance			Percentage
	2025	2024	Increase (Decrease)	Increase (Decrease)
Governmental Funds				
General	\$ 10,193,902	\$ 18,646,668	\$ (8,452,766)	(45.3) %
Debt Service	117,777	166,243	(48,466)	(29.2)

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

The general fund balance decreased for the fiscal year end 2025. The decrease is primarily due to the capital expenditures increasing due to ongoing construction.

Fund Balance

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 \$10,834,633. The fund balance had a net decrease of \$8,548,593 over the June 30, 2024 fund balance.

Revenues for the District's governmental funds were \$16,049,972 and total expenditures were \$24,598,565.

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.

Table A-5 presents a summary of general fund revenue.

Table A-5
General Fund Revenue

	2025	2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 348,590	\$ 371,023	\$ (22,433)	(6.0) %
Other	1,144,784	758,865	385,919	50.9
State Sources	10,146,657	9,593,406	553,251	5.8
Federal Sources	2,946,843	3,759,450	(812,607)	(21.6)
Other	1,827	1,120	707	63.1
Total General Fund Revenue	<u>\$ 14,588,701</u>	<u>\$ 14,483,864</u>	<u>\$ 104,837</u>	0.7 %

Total general fund revenue increased by \$104,837 or 0.7 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

Table A-6 presents a summary of general fund expenditures.

	2025	2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 6,634,535	\$ 6,322,341	\$ 312,194	4.9 %
Employee Benefits	2,185,808	1,977,225	208,583	10.5
Purchased Services	2,326,629	2,251,474	75,155	3.3
Supplies and Materials	792,537	835,399	(42,862)	(5.1)
Capital Expenditures	10,956,666	1,601,944	9,354,722	584.0
Debt Service	63,189	63,628	(439)	(0.7)
Other Expenditures	50,440	62,611	(12,171)	(19.4)
Total General Fund Expenditures	<u>\$ 23,009,804</u>	<u>\$ 13,114,622</u>	<u>\$ 9,895,182</u>	75.5 %

Total general fund expenditures increased \$9,895,182 or 75.5 percent from the previous year.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget. The School Board's approved original budget anticipated a decrease in the fund balance of \$8,630,890. The School Board's approved final budget anticipated a decrease in the fund balance of \$9,149,127. The change in budget was due to an increase in expected expenditures for the year.

Although the District's final budget for the general fund anticipated that expenditures would exceed revenues by \$9,149,127, the actual results show revenues and other financing sources exceeded expenditures by \$8,452,766.

- Revenues were \$555,569 more than projections, largely due to more revenues from federal and state sources than expected.
- The actual expenditures were \$172,455 less than the budgeted figure, largely due to less expenditures relating to capital outlay than budgeted.

Capital Assets and Debt Administration

Capital Assets

Note 5 to the financial statements presents an analysis of capital asset transactions that occurred during the year ended June 30, 2025. Major capital asset events during the last year included the purchase of a vehicle. There was also a large additions and renovations project during the year.

Long-Term Debt

At year-end, the District had \$11,235,514 of long-term debt. This consisted of bonds payable of \$4,230,000, Certificate of Participation of \$445,000, lease liability of \$106,126, compensated absences of \$396,000, severance payable of \$279,090, unamortized premium of \$106,126, other post-employment benefits liability of \$5,170,300, and net pension liability of \$5,170,300. Note 8 to the financial statements present details and payment provisions of these items.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

Factors Bearing on the District's Future

Political Environment

The political environment at the State level will have a significant effect on future finances. The state legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive. Currently, the general education basic allowance, from which the District receives the single largest state aid, is set at \$7,138 per pupil unit and will increase to \$7,281 in the next fiscal year.

Food Service

Food service began providing free meals to all students for four years, in fiscal year 2023.

Labor Force

Exclusive of debt service, salaries, wages and benefits account for \$8,820,343 of the District's general fund expenses.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jessica Gilbertson, Business Manager, Independent School District No. 432, PO Box 319, Mahnommen, MN 56557, telephone (218) 935-2211 ext. 318.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
STATEMENT OF NET POSITION
AS OF JUNE 30, 2025

GOVERNMENTAL ACTIVITIES

ASSETS

Cash and Investments	\$ 11,502,355
Property Taxes Receivable	659,140
Due From Department of Education	1,015,023
Prepaid Expenses	43,994
Inventory	2,739
Non-Current Assets:	
Non Depreciable Capital Assets:	
Land	621,635
Construction in Progress	12,114,808
Depreciable / Amortizable Capital Assets:	
Land Improvements	621,304
Buildings	26,998,187
Equipment	1,902,240
Leases - Equipment	139,253
SBITA's- Curriculum	15,300
Less Accumulated Depreciation/Amortization	<u>(13,639,472)</u>
Total Capital Assets, Net of Depreciation/Amortization	<u>28,773,255</u>

TOTAL ASSETS	<u>41,996,506</u>
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DEFERRED OUTFLOWS OF RESOURCES

Cost Sharing Defined Benefit Pension Plan - PERA	355,199
Cost Sharing Defined Benefit Pension Plan - TRA	1,317,285
Other Post-Employment Benefit	<u>74,239</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,746,723</u>
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LIABILITIES

Accounts Payable	1,448,150
Payroll Liabilities	18,896
Interest Payable	47,435
Long-Term Liabilities Due Within One Year	1,178,750
Long-Term Liabilities:	
Other Post-Employment Liability	581,248
Lease Payable	27,750
Bonds, Net Unamortized Premiums	4,336,126
Certificates of Participation Series 2016D	445,000
Severance and Compensated Absences Payable	675,090
Net Pension Liability	5,170,300
Less Amounts Due Within One Year	<u>(1,178,750)</u>
Total Long-Term Liabilities	<u>10,056,764</u>

TOTAL LIABILITIES	<u>12,749,995</u>
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See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
AS OF JUNE 30, 2025

DEFERRED INFLOWS OF RESOURCES

Property Taxes Levied - Subs. Years	\$ 915,503
Cost Sharing Defined Benefit Pension Plan - PERA	547,679
Cost Sharing Defined Benefit Pension Plan - TRA	1,282,589
Other Post-Employment Benefit	<u>282,867</u>

TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,028,638</u>
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NET POSITION

Net Investment in Capital Assets	23,964,379
Restricted for:	
Student Activities	75,618
Staff Development	156,648
Literacy Incentive Aid	40,945
Operating Capital	602,019
Area Learning Center	262,902
Gifted and Talented	27,015
Basic Skills	152,058
School Library Aid	59,597
Literacy Aid	5,931
Long-Term Facilities Management	184,079
Food Service	292,975
ECFE	70,818
School Readiness	28,418
Community Service	130,743
Debt Service	74,485
Unrestricted	<u>1,835,966</u>

TOTAL NET POSITION	<u>\$ 27,964,596</u>
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INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues		Net
		Charges for Services	Operating Grants and Contributions	(Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Administration	\$ 866,678	\$ -	\$ -	\$ (866,678)
District Support Services	657,194	-	-	(657,194)
Elementary and Secondary				
Regular Instruction	5,601,549	-	886,855	(4,714,694)
Vocational Education Instruction	402,819	-	-	(402,819)
Special Education Instruction	1,759,865	-	1,110,683	(649,182)
Community Education and Services	217,828	85,740	-	(132,088)
Instructional Support Services	288,444	-	40,000	(248,444)
Pupil Support Services	1,944,244	14,215	572,763	(1,357,266)
Sites and Buildings	2,176,403	-	174,677	(2,001,726)
Fixed Costs	72,254	-	331,880	259,626
Interest Expense	124,735	-	-	(124,735)
Depreciation - Unallocated	227,216	-	-	(227,216)
Amortization - Unallocated	33,063	-	-	(33,063)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 14,372,292	\$ 99,955	\$ 3,116,858	(11,155,479)

GENERAL REVENUES & EXPENSES

Taxes

Property Taxes, Levied for General Purposes	348,280
Property Taxes, Levied for Community Education and Services	26,956
Property Taxes, Levied for Debt Services	288,622
Unrestricted State Aid	8,594,916
Unrestricted Federal Aid	2,410,058
Unrestricted Investment Earnings	904,156
Other General Revenue	246,671

TOTAL GENERAL REVENUES 12,819,659

Change in Net Position 1,664,180

Net Position - Beginning 26,645,416
GASB 101 Adjustment - See Note 2 (345,000)

Net Position - Beginning as Restated 26,300,416

Net Position - Ending \$ 27,964,596

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2025

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$10,731,170	\$244,113	\$ 527,072	\$ 11,502,355
Current Property Taxes Receivable	128,727	509,510	14,833	653,070
Delinquent Property Taxes Receivable	1,734	4,140	196	6,070
Due From Department of Education	953,952	50,253	10,818	1,015,023
Prepaid Items	43,994	-	-	43,994
Inventory	-	-	2,739	2,739
TOTAL ASSETS	\$11,859,577	\$808,016	\$ 555,658	\$ 13,223,251
LIABILITIES				
Accounts Payable	\$ 1,448,146	\$ -	\$ -	\$ 1,448,146
Payroll Liabilities	18,896	-	-	18,896
TOTAL LIABILITIES	1,467,042	-	-	1,467,042
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	1,734	4,143	196	6,073
Property Taxes Levied - Subs. Years	196,899	686,096	32,508	915,503
TOTAL DEFERRED INFLOWS OF RESOURCES	198,633	690,239	32,704	921,576
FUND BALANCES				
Nonspendable for:				
Inventory	-	-	2,739	2,739
Prepaid Expenses	43,994	-	-	43,994
Restricted for:				
Student Activities	75,618	-	-	75,618
Staff Development	156,648	-	-	156,648
Literacy Incentive Aid	40,945	-	-	40,945
Operating Capital	602,019	-	-	602,019
Gifted and Talented	27,015	-	-	27,015
Basic Skills	152,058	-	-	152,058
School Library Aid	59,597	-	-	59,597
Literacy Aid	5,931	-	-	5,931
Long-Term Fac. Maintenance	184,079	-	-	184,079
ECFE	-	-	70,818	70,818
School Readiness	-	-	28,418	28,418
Community Service	-	-	130,743	130,743
Debt Service	-	117,777	-	117,777
Food Service	-	-	290,236	290,236
Committed for:				
Severance	100,000	-	-	100,000
Construction and Technology	4,100,000	-	-	4,100,000
Unassigned	4,383,096	-	-	4,383,096
TOTAL FUND BALANCES	10,193,902	117,777	522,954	10,834,633
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$11,859,577	\$808,016	\$ 555,658	\$ 13,223,251

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2025

Total fund balances - governmental funds	\$ 10,834,633
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Cost of capital assets	42,258,174
Less accumulated depreciation	(13,517,010)

Lease assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Cost of lease assets	139,253
Less accumulated amortization	(111,845)

SBITA assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Cost of SBITA assets	15,300
Less accumulated amortization	(10,625)

Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.

Deferred Inflows of Resources	(1,830,268)
Deferred Outflows of Resources	1,672,484

Net deferred outflows/(inflows) of resources relating to OPEB in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows of resources in the governmental funds.

Deferred Inflows of Resources	(282,867)
Deferred Outflows of Resources	74,239

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Lease Liabilities	(27,750)
Bonds	(4,230,000)
Certificates of Participation	(445,000)
Unamortized premiums	(106,126)
Severance and Compensated Absences payable	(675,090)
Net other postemployment benefit	(581,248)

Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.

(47,435)

Net pension liability is not a financial resource and, therefore, is not reported as a liability in governmental funds.

(5,170,300)

Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.

6,077

Net position - governmental activities	<u>\$ 27,964,596</u>
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See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Property Tax Levies	\$ 348,590	\$ 288,495	\$ 26,945	\$ 664,030
Other Local and County Revenues	1,144,784	-	4,216	1,149,000
Revenue From State Sources	10,146,657	506,557	117,525	10,770,739
Revenue From Federal Sources	2,946,842	-	470,466	3,417,308
Sale/Other Conversion of Asset	<u>1,828</u>	<u>-</u>	<u>47,067</u>	<u>48,895</u>
TOTAL REVENUES	<u>14,588,701</u>	<u>795,052</u>	<u>666,219</u>	<u>16,049,972</u>
EXPENDITURES				
Current:				
Administration	866,679	-	-	866,679
District Support Services	551,146	-	-	551,146
Elementary and Secondary				
Regular Instruction	5,650,985	-	-	5,650,985
Vocational Education Instruction	402,819	-	-	402,819
Special Education Instruction	1,764,611	-	-	1,764,611
Community Education and Services	-	-	217,828	217,828
Instructional Support Services	288,444	-	-	288,444
Pupil Support Services	1,381,246	-	527,415	1,908,661
Sites and Buildings	993,006	-	-	993,006
Fixed Costs	91,013	-	-	91,013
Debt Service:				
Principal	48,173	725,000	-	773,173
Interest and Fees	15,016	118,518	-	133,534
Capital Outlay	<u>10,956,666</u>	<u>-</u>	<u>-</u>	<u>10,956,666</u>
TOTAL EXPENDITURES	<u>23,009,804</u>	<u>843,518</u>	<u>745,243</u>	<u>24,598,565</u>
Net Change in Fund Balances	(8,421,103)	(48,466)	(79,024)	(8,548,593)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	31,663	31,663
Transfers Out	<u>(31,663)</u>	<u>-</u>	<u>-</u>	<u>(31,663)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(31,663)</u>	<u>-</u>	<u>31,663</u>	<u>-</u>
Net Change in Fund Balances	(8,452,766)	(48,466)	(47,361)	(8,548,593)
Fund Balances - Beginning	<u>18,646,668</u>	<u>166,243</u>	<u>570,315</u>	<u>19,383,226</u>
Fund Balances - Ending	<u>\$ 10,193,902</u>	<u>\$ 117,777</u>	<u>\$ 522,954</u>	<u>\$ 10,834,633</u>

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Total net change in fund balances - governmental funds	\$(8,548,593)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlays	10,255,941
Depreciation expense	(909,635)

Change in net pension liability	1,676,055
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Changes in deferred outflows and inflows of resources related to the net pension liability	(1,509,553)
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Changes in deferred outflows and (inflows) of resources related to OPEB	55,895
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Lease payments are reported in the governmental funds as expenditures. However, in the statement of activities, these assets are set up as lease assets and amortized over the life of the lease along with interest expense. In the current period, this resulted in the following difference:

Amortization expense - leases	(27,961)
Fund financials expenses - leases	28,173

SBITA payments are reported in the governmental funds as expenditures. However, in the statement of activities, these assets are set up as SBITA assets and amortized over the life of the SBITA asset. In the current period, this resulted in the following difference:

Amortization expense - SBITA	(5,100)
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of premiums when the debt is first issued, whereas this amount is deferred and amortized in the statement of activities.

8,804

Payment of the following costs is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.

Bonds	725,000
Certificates of Participation Series 2016D	20,000
Unamortized premiums	18,759
Severance payable/compensated absences	(109,220)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(178)
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In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).

Other postemployment benefits	(14,207)
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Change in net position - governmental activities	<u>\$ 1,664,180</u>
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See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 432 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separated entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

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. These statements include all the financial activities of the District.

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. As a general rule, the effect of interfund activity has been eliminated from the District-wide financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported in 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 district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for advance amounts recognized in accordance with a statutory "tax shift". Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

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

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.

Description of Funds

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

Major Governmental Funds

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds including pupil transportation and capital outlay activities, which were previously (prior to July 1, 1996) accounted for in separate special revenue funds.

Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

Nonmajor Governmental Funds

Special Revenue Funds – These funds account for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for specified purposes.

Food Service – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

Community Service – Accounts for all resources restricted for programs other than those for elementary and secondary students.

GASB Statement No. 34 also requires that budget vs. actual information be presented for the general fund and all major special revenue funds.

E. Specific Account Information

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

Investments are carried at fair value. The District considers certificates of deposit to be cash.

Fair Value Measurements – The organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- | | |
|----------|---|
| Level 1: | Quoted market prices in active markets for identical assets or liabilities. |
| Level 2: | Observable market-based inputs or unobservable inputs that are corroborated by market data. |
| Level 3: | Unobservable inputs that are not corroborated by market data. |

Taxes Receivable – Taxes receivable represents taxes levied in 2024, which are not payable until 2025, net of the amount received prior to June 30.

Property Taxes – Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as the taxes are collected.

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

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

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 deferred revenue (property taxes levied for subsequent years).

The majority of the revenue in the general fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year.

Inventory – Inventory is recorded using the consumption method of accounting and consists of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standardized costs, as determined by the Department of Agriculture.

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

Capital Assets – Capital assets are capitalized at historical cost, or estimated historical cost based on an inventory dated June 30, 2004. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

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, land improvements, and construction in progress, if any.

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

Leases - The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement. The District accounts for lease agreements with lease and nonlease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonably certain to exercise.

The amortizable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The District's lease agreements do not include any material residual value guarantees or restrictive covenants.

Subscription-Based Information Technology Arrangements (SBITA) - Subscription-Based Information Technology Arrangements (SBITA) are contracts that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The determination of whether a SBITA asset and liability are to be recorded in the financial statements is made at inception by evaluating the maximum possible term of the SBITA.

A SBITA contract with an initial term of more than 12 months, or that contain an option to extend the contract more than 12 months that is reasonably expected to be exercised by the District, are recognized based on the present value of subscription payments over the contract term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the SBITA contract commencement date. The District has made an accounting policy election to use a risk-free rate based on US Treasury T-bill rate as of the SBITA contract commencement.

The District continues to recognize short-term SBITA subscription payments as outflows of resources (expenditure) based on the payment provision of the SBITA contract. Short-term SBITA contracts have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

The amortizable life of SBITA assets are limited to the shorter of the expected agreement term or the useful life of the underlying asset.

Unearned Revenue – Unearned revenue represents revenues, other than property taxes, collected before they are earned.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

Compensated Absences – Certified personnel are allowed to accrue twelve days of sick leave annually up to a maximum of 138 days. The Superintendent and non-certified personnel are allowed to accrue fifteen days and twelve days, respectively, of sick leave each year. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Certified teachers and administration personnel do not receive paid vacations but are paid only for the number of days they are required to work, each in accordance with their respective contracts.

Twelve-month non-certified personnel and the Superintendent are allowed to accrue vacation time in varying amounts. All allowable personnel can accumulate 20 days of vacation. The Superintendent must use unused vacation time within six months of the end of the contract year. No employee is paid for unused vacation time and as such vacation pay is charged to operations when taken.

The District accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability.

Severance Pay – the District pays severance to employees in accordance with the following:

	Superintendent	Certified Personnel	Non-Certified Personnel	Principal	Business Manager	Admin Assistants, Bus Drivers, Cooks
Years of Service	N/A	16	15	6	15	15
Percentage of Unused Sick Leave	70%	70%	70%	70%	70%	70%
Rate per Day	\$ 225	\$ 140	\$ 65	\$ 275	\$ 100	\$ 95

In addition, the Superintendent and all certified personnel who were employed prior to August 15, 1994, having reached the age of 55 and 15 years of service may qualify for early retirement pay. The amount of pay is a maximum of \$22,500 less the District's 403(b) matching contributions. Because employees do not vest until they retire, no accrual is made for early retirement pay. An accrual is made for those employees who have retired on or before June 30, 2025.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs will be expensed as incurred.

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

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/ expenditure) until then. The District has two items reported on the statement of net position as deferred outflows of resources. The first is *cost sharing defined benefit pension plan*, which represents actuarial differences within the PERA and TRA pension plans as well as amounts paid to the plans after the measurement date. The second is *deferred outflows* related to OPEB, which represents the amounts paid to the plan after the measurement date.

In addition to liabilities, the statement of net position 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 position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three types of items, one of which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item, *property taxes levied – subs. years* is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as this amount represents property tax revenue levied for a subsequent period. The District also has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the PERA and TRA pension plans.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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

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employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Non-spendable - consists of amounts that are not in spendable form, such as inventory and prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the Minnesota Department of Education.

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the Board of Education. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management. Pursuant to Board Resolution, the District's Business Manager is authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the general fund. Positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

The School Board has adopted a minimum fund balance policy for the general fund. The policy required the unassigned fund balance at fiscal year-end to be at least four months of operating expenditures of the past fiscal year.

F. Use of Estimates

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

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AS OF JUNE 30, 2025

G. Inter-fund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Inter-fund activities within the District's governmental activities and its business-type activities are eliminated in the statement of activities.

NOTE 2 CHANGE IN ACCOUNTING PRINCIPAL

The District implemented GASB Statement No. 101, Compensated Absences, in the fiscal year ended June 30, 2025. GASB Statement No. 101 establishes uniform accounting and financial reporting requirements for compensated absences.

The adoption of GASB 101 resulted in the recognition of an additional compensated absence liability of \$345,000 as of July 1, 2024.

NOTE 3 DEPOSITS AND INVESTMENTS

The District maintains a cash account at its depository bank. Investments are carried at fair value.

Custodial Credit Risk - Deposits

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's Board, all of which are members of the Federal Reserve System. The District does not have a policy for custodial credit risk.

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

At June 30, 2025, the carrying amount of the District's deposits was \$11,502,355 and the bank balance was \$11,632,682. The bank balance was covered by Federal Depository Insurance and by collateral held by the District's agent in the District's name.

Credit Risk

The District may invest idle funds as authorized in Minnesota Statutes, as follows:

- (a) Direct obligations or obligations guaranteed by the United States or its agencies.
- (b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (c) General obligations of the State of Minnesota or any of its municipalities.
- (d) Bankers Acceptance of United States banks eligible for purchase by the Federal Reserve System.

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- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- (f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Futures contracts sold under authority of Minnesota Statutes 471.56, Subd. 5.

The Minnesota School District Liquid Asset Fund is rated AAA by Standard & Poor's.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 4 DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at June 30, 2025 are as follows:

	General Fund	Community Service Fund	Debt Redemption Fund	Totals
Minnesota Dept. of Education:				
State Aids and Grants	\$ 953,952	\$ 10,818	\$ 50,253	\$ 1,015,023

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NOTE 5 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 621,635	\$ -	\$ -	\$ 621,635
Construction in Process	1,942,733	10,172,075	-	12,114,808
Total Capital Assets, Not Being Depreciated	<u>2,564,368</u>	<u>10,172,075</u>	<u>-</u>	<u>12,736,443</u>
Capital Assets, Being Depreciated/Amortized:				
Land Improvements	621,304	-	-	621,304
Buildings	26,978,400	19,787	-	26,998,187
Equipment	1,838,161	64,079	-	1,902,240
Leases - Equipment	139,253	-	-	139,253
SBITA's - Curriculum	15,300	-	-	15,300
Total Capital Assets, Being Depreciated/Amortized	<u>29,592,418</u>	<u>83,866</u>	<u>-</u>	<u>29,676,284</u>
Less Accumulated Depreciation / Amortization For:				
Land Improvements	465,338	11,950	-	477,288
Buildings	10,688,080	806,524	-	11,494,604
Equipment	1,453,949	91,161	-	1,545,110
Leases - Equipment	83,884	27,961	-	111,845
SBITA's - Curriculum	5,525	5,100	-	10,625
Total Accumulated Depreciation/ Amortization	<u>12,696,776</u>	<u>942,696</u>	<u>-</u>	<u>13,639,472</u>
Total Capital Assets, Being Depreciated, Net	<u>16,895,642</u>	<u>(858,830)</u>	<u>-</u>	<u>16,036,812</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,460,010</u>	<u>\$ 9,313,245</u>	<u>\$ -</u>	<u>\$ 28,773,255</u>

In the statement of activities, depreciation/amortization expense was charged to the following governmental functions:

Pupil Support Services	\$ 30,837
Sites and Buildings	631,607
District Support Services	27,961
Elementary and Secondary Instruction	25,075
Unallocated	227,216
Total Depreciation/Amortization Expense	<u>\$ 942,696</u>

The District leases a copy machine and a postage machine at its school location in Mahnomén, Minnesota. The terms of the copy machine lease are for a period of 60 months, commencing in July 2021 and terminating in June 2026, with a monthly payment of \$2,304. The terms of the postage machine are for 63 months, commencing in July 2020 and terminating October 2025, with a quarterly payment of \$213. See Note 8 for current year activity related to the liability.

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Following is the total lease expense for the year ended June 30, 2025:

Lease expense	<u>6/30/2025</u>
Amortization expense by class of underlying asset	
Copier Machine	\$ 27,130
Equipment	<u>831</u>
Total amortization expense	27,961
Interest on lease liabilities	314
Variable lease expense	<u>-</u>
Total	<u><u>\$ 28,275</u></u>

The District entered into a subscription-based information technology arrangement (SBITA) with Tech Check LLC for the usage of Linewize curriculum. The SBITA contract commenced June 2023 and terminates June 2026. The contract was paid in full upfront and therefore no liabilities are set up at year end.

NOTE 6 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by the Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

Public Employees Retirement Association

A. Plan Description

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

1. General Employees Retirement Plan (General Plan)

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

B. Benefits Provided

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

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AS OF JUNE 30, 2025

1. General Employees Plan Benefits

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

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

In 2023, the legislature allocated funding for a one-time lump-sum payment to General Employee and Police and Fire Plan benefit recipients. Eligibility criteria and the payment amount is specified in statute. The one-time payment is non-compounding towards future benefits.

C. 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.

1. General Employees Fund Contributions

General Plan Members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$140,469. 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 \$773,110 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 \$19,991.

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District's proportionate share of the net pension liability	\$	773,110
State of Minnesota's proportionate share of the net pension liability associated with the District		19,991
Total	<u>\$</u>	<u>793,101</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0209% at the end of the measurement period and 0.0179% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$132,743 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$384 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation 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 \$547,679 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.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 69,709	\$ -
Changes in actuarial assumptions	3,646	261,785
Net difference between projected and actual earnings on pension plan investments		216,424
Changes in proportion	141,375	69,470
Employer contributions subsequent to the measurement date	140,469	-
Total	<u>\$ 355,199</u>	<u>\$ 547,679</u>

The \$140,469 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year 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:

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<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2026	\$ (212,745)
2027	(17,080)
2028	(43,904)
2029	(59,220)

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	33.50%	5.10%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
International Equity	16.50%	5.30%

F. Actuarial Method and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan
- Benefit increases after retirement are assumed to be 1.25% 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% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

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

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

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.

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

Changes in Plan Provisions:

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

G. Discount Rate

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

H. Pension Liability Sensitivity

The following 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:

Sensitivity Analysis - NPL at Different Discount Rates

1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
\$ 1,688,596	\$ 773,110	\$ 20,039

I. Pension Plan Fiduciary Net Position

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

Teachers Retirement Association

A. Plan Description

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

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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 within one year of eligible employment or elect coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing DCR plan is not a member of TRA except for purposes of social security coverage.

B. Benefits Provided

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

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

Tier I Benefits

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

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

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Tier II Benefits

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

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

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

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$508,034. The District's contributions were equal to the required contributions for each year as set by state statute.

The following is a reconciliation of employer contributions in TRA's fiscal year 2024 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer contributions reported in TRA's ACFR	in thousands
Statement of Changes in Fiduciary Net Position	\$ 508,764
Employer contributions not related to future contribution efforts	(87)
TRA's contributions not included in allocation	<u>(643)</u>
Total employer contributions	508,034
Total non-employer contributions	<u>35,587</u>
Employer contributions reported in schedule of employer and non-employer pension allocations	<u>\$ 543,621</u>

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

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D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Experience Study	August 2, 2023 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028.
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028.
Cost of Living Adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumption	
Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2015 scale.
Healthy Retirees:	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries:	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled Retirees:	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

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

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

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AS OF JUNE 30, 2025

Asset Class	Target Allocation	Long-Term Expected Real
		Rate of Return
Domestic Equity	33.50%	4.36%
International Equity	16.50%	5.28%
Private Markets	20.00%	6.70%
Fixed Income	25.00%	2.03%
Unallocated Cash	5.00%	2.92%

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2024 is six years. The “Difference Between Expected and Actual Experience,” “Changes of Assumptions,” and “Changes in Proportion” use the amortization period of six years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2023 valuation:

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

E. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Net Pension Liability

On June 30, 2025, Independent School District No. 432 reported a liability of \$4,397,190 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District’s proportion of the net pension liability was based on the District’s contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District’s proportionate share was 0.0692% at the end of the measurement period and 0.0708% for the beginning of the year.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

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

District's proportionate share of net pension liability	\$ 4,397,190
State's proportionate share of the net pension liability associated with the District	409,682

For the year ended June 30, 2025, the District recognized pension expense of \$478,361. It also recognized \$15,804 as an increase to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$1,282,589 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

On June 30, 2025, the District had deferred resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 209,369	\$ 57,447
Difference between projected and actual investment earnings	-	577,337
Changes in actuarial assumptions	428,721	524,377
Changes in proportion	260,471	123,428
District contributions subsequent to the measurement date	418,724	-
Total	<u>\$ 1,317,285</u>	<u>\$ 1,282,589</u>

The \$418,724 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 pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2026	\$ (164,112)
2027	439,183
2028	(279,970)
2029	(290,097)
2030	(89,032)

G. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

Sensitivity Analysis - NPL at Different Discount Rates

1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
\$ 7,743,709	\$ 4,397,190	\$ 1,642,926

H. Pension Plan Fiduciary Net Position

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

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups. In as much as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

Benefit Provided – The District allows eligible individuals who have separated from employment to remain on the healthcare plan with no subsidized benefit from the District. An eligible individual is an active employee who has access to the healthcare plan and all retirees who have elected to continue coverage on the District's medical plan after retiring. The District provides retirees \$2,500 per year toward medical insurance for 10 years or until Medicare eligibility, whichever is earlier. The District requires a three-year service requirement for all non-TRA employees who began employment on or before July 1, 2010, after July 1, 2010 the service requirement is five years.

Employees Covered by Benefit Terms – At July 1, 2024, the measurement date of the total OPEB liability, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	8
Active employees	107
	<u>115</u>

Total OPEB Liability

At June 30, 2025, the District reported a liability of for the defined benefit healthcare plan. The total OPEB liability was measured as of July 1, 2024, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2023.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Rates vary by service and contract group
Discount rate	3.90%
Healthcare cost trend	6.50% decreasing to 5.00% over 6 years, then 4.00%

The discount rate was based on the 20-year AA rated municipal bond yield.

The valuation uses mortality rates based the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Amortization of deferred resource flows are based on the average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.

In the July 1, 2023 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

Retirees and their spouses contribute to the healthcare plan according to their benefit received at retirement. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy for which the District has historically funded on a pay-as-you-go basis. All of the active employees who have access to healthcare and all retirees who have elected to continue coverage on the employer's medical plan after retirement have been included in this valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2024	\$ 567,041
Changes for the year:	
Service cost	50,569
Interest	23,035
Changes of benefit terms	(4,958)
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	(54,439)
Net changes	14,207
Balance at June 30, 2025	\$ 581,248

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability as of June 30, 2025, calculated using the discount rate of 3.9%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.9 percent) or 1-percentage-point higher (4.9 percent) than the current rate:

Discount:

1% Decrease (2.9%)	Discount Rate (3.9%)	1% Increase (4.9%)
\$ 613,862	\$ 581,248	\$ 549,730

The following presents the total OPEB liability as of June 30, 2025, calculated using the healthcare cost trend rate of 6.5% grading to 5.0% over six years then to 4.0%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

Health Care Cost Trend

1% Decrease (5.5% decreasing to 4.0%)	Current Trend Rate (6.5% decreasing to 5.0%)	1% Increase (7.5% decreasing to 6.0%)
\$ 530,478	\$ 581,248	\$ 641,187

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the District recognized OPEB expense of \$13,736.

On June 30, 2024, Independent School District No. 432 had deferred resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ (248,836)
Changes in actuarial assumptions	18,815	(34,031)
Contributions paid to OPEB subsequent to the measurement date	55,424	-
Total	\$ 74,239	\$ (282,867)

The \$55,424 reported as deferred outflows of resources related to OPEB resulting from District OPEB expenses subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

Year Ending June 30 :	OPEB Expense Amount
2026	\$ (70,632)
2027	(75,003)
2028	(75,004)
2029	(42,590)
2030	(823)

NOTE 8 LONG-TERM DEBT

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
G.O. Facilities Maintenance Bonds	\$ 2,445,000	\$ -	\$ 335,000	\$ 2,110,000	\$ 340,000
G.O. Capital Facilities Bonds	330,000	-	50,000	280,000	45,000
G.O. Tax Bonds	365,000	-	50,000	315,000	50,000
G.O. Bonds	1,815,000	-	290,000	1,525,000	300,000
Unamortized Premium	124,885	-	18,759	106,126	-
Total Bonds	5,079,885	-	743,759	4,336,126	735,000
Certificates of Participation Series 2016D	465,000	-	20,000	445,000	20,000
Lease Liability	55,923	-	28,173	27,750	27,750
Other Post-Employment Benefits Liability	567,041	14,207	-	581,248	-
Net Pension Liability	6,846,355	-	1,676,055	5,170,300	-
Compensated Absences	345,000	51,000	-	396,000	396,000
Severance Payable	220,870	58,220	-	279,090	-
Total Long-Term Liabilities	<u>\$ 13,580,074</u>	<u>\$ 123,427</u>	<u>\$ 2,467,987</u>	<u>\$ 11,235,514</u>	<u>\$ 1,178,750</u>

Severance payable, Compensated Absences, Energy Loans Payable, Certificates of Participation Series 2016D, other post-employment benefits, and net pension liability are generally liquidated by the general fund.

A. General Obligation Bonds

Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 2025	Amounts Due in 2025-2026	
						Principal	Interest
2016	2.00%	2/2031	\$ 3,090,000	\$ 335,000	\$ 2,110,000	\$ 340,000	\$ 42,200
2016	1.35-2.00%	2/2031	605,000	50,000	280,000	45,000	5,443
2016	1.15-2.00%	2/2031	690,000	50,000	315,000	50,000	6,050
2017	2.00-3.00%	2/2031	4,540,000	290,000	1,525,000	300,000	45,750
				<u>\$ 725,000</u>	<u>\$ 4,230,000</u>	<u>\$ 735,000</u>	<u>\$ 99,443</u>

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2026	\$ 735,000	\$ 99,443
2027	755,000	82,025
2028	770,000	63,900
2029	650,000	45,300
2030	670,000	30,400
2031	650,000	15,050
	<u>\$ 4,230,000</u>	<u>\$ 336,119</u>

General obligation bonds of the District are reflected in the Building Construction Fund and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2025.

B. Certificates of Participation

Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 2025	Amounts Due in 2025-2026	
						Principal	Interest
2016	2.000-3.375%	2/1/2043	\$ 575,000	\$ 20,000	\$ 445,000	\$ 20,000	\$ 14,800

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2026	\$ 20,000	\$ 14,800
2027	20,000	14,400
2028	20,000	14,000
2029	20,000	13,300
2030	20,000	12,600
2031-2035	95,000	52,350
2036-2040	130,000	33,469
2041-2043	120,000	10,125
	<u>\$ 445,000</u>	<u>\$ 165,044</u>

There are a number of limitations and restrictions contained in the certificate of participation. The District is in compliance with all significant limitations and restrictions at June 30, 2025.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

C. Leases

Following is a schedule by years of future minimum payments required under the lease:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2026	\$ 27,750	\$ 116	\$ 27,866

NOTE 9 SEVERANCE PAY

The District has several severance pay plans for various groups of employees. The plans call for employees to be paid for unused portions of their sick leave upon termination of employment. At June 30, 2025, the estimated liability under these plans was \$279,090.

NOTE 10 CONTINGENCIES AND COMMITMENTS

The District receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2025.

NOTE 11 RISK MANAGEMENT

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

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

NOTE 12 INTERFUND TRANSFERS

The composition of interfund transfers as of June 30, 2025, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Community Service	General	\$ 31,663

The purpose of the transfer is to cover the operating deficit in the Community Education restriction within the Community Service Fund.

NOTE 13 COMMITMENTS

During the year ended June 30, 2025, the District entered into multi-year project management and construction contracts for the District's building construction project. As of June 30, 2025, there was \$2,467,770 remaining on these contracts.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
AS OF JUNE 30, 2025

NOTE 14 NEW PRONOUNCEMENTS

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the District's financial statements.

NOTE 15 CURRENT VULNERABILITY DUE TO CERTAIN CONDITIONS

The District received 23% of its funding from federal sources for the year ended June 30, 2025. As of the date of these financial statements, there is uncertainty regarding the continued availability or adequacy of this funding in future periods.

The operations of the entity are subject to the administrative directives, rules and regulations of federal regulatory agencies, including, but not limited to, the Department of Housing and Urban Development (HUD). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

NOTE 16 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through October 10, 2025, which is the date these financial statements were available to be issued.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
AS OF JUNE 30, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Local Property Tax Levies	\$ 254,191	\$ 238,195	\$ 348,590	\$ 110,395
Other Local and County Revenues	538,550	810,400	1,144,784	334,384
Revenue From State Sources	8,354,227	10,144,795	10,146,657	1,862
Revenue From Federal Sources	3,443,776	2,839,153	2,946,842	107,689
Sale/Other Conversion of Asset	<u>570</u>	<u>589</u>	<u>1,828</u>	<u>1,239</u>
TOTAL REVENUES	<u>12,591,314</u>	<u>14,033,132</u>	<u>14,588,701</u>	<u>555,569</u>
EXPENDITURES				
Current:				
Administration	833,334	871,460	866,679	(4,781)
District Support Services	536,695	655,720	551,146	(104,574)
Elementary and Secondary				
Regular Instruction	6,235,995	5,747,903	5,650,985	(96,918)
Vocational Education Instruction	416,849	419,891	402,819	(17,072)
Special Education Instruction	1,718,690	1,848,760	1,764,611	(84,149)
Instructional Support Services	263,975	236,515	288,444	51,929
Pupil Support Services	1,289,246	1,422,230	1,381,246	(40,984)
Sites and Buildings	1,021,420	1,026,880	993,006	(33,874)
Fixed Costs	85,000	91,000	91,013	13
Debt Service:				
Principal	20,000	20,000	48,173	28,173
Interest and Fees	16,500	15,900	15,016	(884)
Capital Outlay	<u>8,784,500</u>	<u>10,826,000</u>	<u>10,956,666</u>	<u>130,666</u>
TOTAL EXPENDITURES	<u>21,222,204</u>	<u>23,182,259</u>	<u>23,009,804</u>	<u>(172,455)</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,630,890)	(9,149,127)	(8,421,103)	728,024
OTHER FINANCING USES				
Transfer Out	<u>-</u>	<u>-</u>	<u>(31,663)</u>	<u>(31,663)</u>
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>(31,663)</u>	<u>(31,663)</u>
Net Change in Fund Balances	(8,630,890)	(9,149,127)	(8,452,766)	696,361
Fund Balances - Beginning	<u>18,646,668</u>	<u>18,646,668</u>	<u>18,646,668</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 10,015,778</u>	<u>\$ 9,497,541</u>	<u>\$ 10,193,902</u>	<u>\$ 696,361</u>

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Total OPEB Liability								
Service Cost	\$ 49,439	\$ 50,922	\$ 68,462	\$ 77,957	\$ 73,498	\$ 59,300	\$ 50,485	\$ 50,569
Interest	30,338	29,279	29,191	29,369	24,247	17,121	29,458	23,035
Changes in benefit terms	-	-	-	-	23,302	(52,325)	6,688	(4,958)
Differences between expected and actual experience	-	-	85,367	-	(250,194)	-	(212,416)	
Changes of assumptions or other inputs	-	-	(20,805)	26,236	-	-	-	
Benefit payments	<u>(113,063)</u>	<u>(111,727)</u>	<u>(88,740)</u>	<u>(76,858)</u>	<u>(55,308)</u>	<u>(47,867)</u>	<u>(63,215)</u>	<u>(54,439)</u>
Net Change in total OPEB Liability	(33,286)	(31,526)	73,475	56,704	(184,455)	(23,771)	(189,000)	14,207
Total OPEB Liability - Beginning	<u>898,900</u>	<u>865,614</u>	<u>834,088</u>	<u>907,563</u>	<u>964,267</u>	<u>779,812</u>	<u>756,041</u>	<u>567,041</u>
Total OPEB Liability - Ending	<u>\$ 865,614</u>	<u>\$ 834,088</u>	<u>\$ 907,563</u>	<u>\$ 964,267</u>	<u>\$ 779,812</u>	<u>\$ 756,041</u>	<u>\$ 567,041</u>	<u>\$ 581,248</u>
Covered employee payroll	\$ 4,245,869	\$ 4,373,245	\$ 4,781,577	\$ 4,781,577	\$ 5,069,273	\$ 5,221,351	\$ 5,703,571	\$ 5,874,678
Total OPEB Liability as a percentage of covered payroll	20.4%	19.1%	19.0%	20.2%	15.4%	14.5%	9.9%	9.9%

The District implemented GASB No. 75 for its fiscal year ended June 30, 2018. Information from the prior years is not available

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See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO PERA/TRA RETIREMENT FUNDS
LAST 10 YEARS

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	PERA	\$ 76,200	\$ 76,200	\$ -	\$1,015,993	7.50%
2017	PERA	76,121	76,121	-	1,014,964	7.50%
2018	PERA	76,518	76,518	-	1,020,239	7.50%
2019	PERA	85,596	85,596	-	1,141,270	7.50%
2020	PERA	102,536	102,536	-	1,367,140	7.50%
2021	PERA	109,340	109,340	-	1,457,422	7.50%
2022	PERA	113,432	113,432	-	1,512,395	7.50%
2023	PERA	106,802	106,802	-	1,424,029	7.50%
2024	PERA	132,743	132,743	-	1,769,910	7.50%
2025	PERA	140,469	140,469	-	1,872,913	7.50%
2016	TRA	252,556	252,556	-	3,367,396	7.50%
2017	TRA	257,497	257,497	-	3,433,299	7.50%
2018	TRA	270,251	270,251	-	3,603,340	7.50%
2019	TRA	282,273	282,273	-	3,661,122	7.71%
2020	TRA	309,856	309,856	-	3,912,322	7.92%
2021	TRA	325,707	325,707	-	4,006,230	8.13%
2022	TRA	366,208	366,208	-	4,390,956	8.34%
2023	TRA	384,977	384,977	-	4,502,652	8.55%
2024	TRA	401,117	401,117	-	4,583,453	8.75%
2025	TRA	418,724	418,724	-	4,785,410	8.75%

The amounts presented for each fiscal year were determined as of the District's year end which is June 30.

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 432

MAHNOMEN, MINNESOTA

**SCHEDULE OF DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 YEARS (PRESENTED PROSPECTIVELY)**

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State of Minnesota's Proportionate Share of the Net Pension Liability (if Applicable) (b)	Proportionate Share of the Net Pension Liability and State of Minnesota's Share of the Net Pension Liability (if Applicable) (a+b)	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016 PERA	0.0143%	\$ 741,000	\$ -	\$ 741,000	\$ 839,637	88.26%	78.19%
2017 PERA	0.0164%	1,331,599	17,376	1,348,975	1,014,964	131.20%	68.91%
2018 PERA	0.0158%	1,008,662	12,647	1,021,309	1,020,239	98.87%	75.90%
2019 PERA	0.0153%	848,781	27,838	876,619	1,141,270	74.37%	79.50%
2020 PERA	0.0161%	890,133	27,665	917,798	1,367,140	65.11%	80.23%
2021 PERA	0.0192%	1,151,128	35,511	1,186,639	1,457,422	78.98%	79.06%
2022 PERA	0.0202%	862,631	26,448	889,079	1,512,395	57.04%	87.00%
2023 PERA	0.0202%	1,599,847	46,920	1,646,767	1,424,029	112.35%	76.00%
2024 PERA	0.0179%	1,000,948	27,602	1,028,550	1,769,910	56.55%	83.10%
2025 PERA	0.0209%	773,110	20,035	793,145	1,769,910	43.68%	89.08%
2016 TRA	0.0628%	3,884,801	476,487	4,361,288	3,184,812	121.98%	76.80%
2017 TRA	0.0647%	15,432,494	1,549,146	16,981,640	3,367,396	458.29%	44.90%
2018 TRA	0.0638%	12,735,637	1,231,688	13,967,325	3,433,299	370.94%	51.57%
2019 TRA	0.0652%	4,096,437	384,614	4,481,051	3,603,340	113.68%	78.07%
2020 TRA	0.0645%	4,111,244	363,791	4,475,035	3,661,122	112.29%	78.21%
2021 TRA	0.0673%	4,972,214	416,458	5,388,672	3,912,322	127.09%	75.48%
2022 TRA	0.0669%	2,927,744	246,779	3,174,523	4,006,230	73.08%	86.63%
2023 TRA	0.0710%	5,685,304	421,808	6,107,112	4,390,956	129.48%	76.17%
2024 TRA	0.0708%	5,845,407	409,682	6,255,089	4,502,652	129.82%	76.42%
2025 TRA	0.0692%	4,397,190	287,493	4,684,683	4,583,453	95.94%	82.07%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2025

NOTE 1 BUDGETARY DATA

Budgets are prepared for district funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. 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. All appropriations lapse at year-end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the District.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level. The annual appropriated budget is not legally binding on the District unless the District has a deficit fund balance which exceeds 2.5% of expenditures.

Legal Compliance – Budgets

The superintendent submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for all funds of the District. However, the general and special revenue funds are the only funds that are legally adopted through the budgetary process as documented below.

- The budget is legally enacted through passage of a School Board resolution by July 1.
- The School Board may authorize transfer of budgeted amounts between funds.
- Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
- General, special revenue funds, and debt service funds expenditures may not legally exceed budgeted appropriations at the total fund level without School Board approval. Monitoring of budgets is maintained at the expenditure category level.

NOTE 2 DEFINED BENEFIT PLANS

PERA

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.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
AS OF JUNE 30, 2025

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in lump sum for calendar year 2024 by March 31, 2024.

TRA

Changes in actuarial assumptions since the 2022 valuation:

The 2023 Tax Finance and Policy Bill, effective July 1, 2025:

- The employer contribution rate will increase from 8.75 percent to 9.5 percent on July 1, 2025.
- The employee contribution rate will increase from 7.75 percent to 8 percent on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75 percent employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:

- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- TRA's amortization date will remain the same at 2048.

NOTE 3 OTHER POST EMPLOYMENT BENEFITS

Changes since prior valuation:

- The health care trend rates and mortality tables were updated.
- The discount rate was changed from 3.80% to 3.90%.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2025

	<u>Special Revenue Funds</u>		Total Nonmajor
	Food Service	Community	Governmental
	<u>Fund</u>	<u>Service Fund</u>	<u>Funds</u>
ASSETS			
Cash and Investments	\$ 290,236	\$ 236,836	\$ 527,072
Current Property Taxes Receivable	-	14,833	14,833
Delinquent Property Taxes Receivable	-	196	196
Due From Department of Education	-	10,818	10,818
Inventory	<u>2,739</u>	<u>-</u>	<u>2,739</u>
TOTAL ASSETS	<u><u>\$ 292,975</u></u>	<u><u>\$ 262,683</u></u>	<u><u>\$ 555,658</u></u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Delinquent Taxes	\$ -	\$ 196	\$ 196
Property Taxes Levied - Subs. Years	<u>-</u>	<u>32,508</u>	<u>32,508</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>32,704</u>	<u>32,704</u>
FUND BALANCES			
Nonspendable - Inventory	2,739	-	2,739
Restricted for:			
ECFE	-	70,818	70,818
School Readiness	-	28,418	28,418
Community Service	-	130,743	130,743
Food Service	<u>290,236</u>	<u>-</u>	<u>290,236</u>
TOTAL FUND BALANCES	<u><u>292,975</u></u>	<u><u>229,979</u></u>	<u><u>522,954</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 292,975</u></u>	<u><u>\$ 262,683</u></u>	<u><u>\$ 555,658</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 432

MAHNOMEN, MINNESOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Special Revenue Funds</u>		
	<u>Food Service Fund</u>	<u>Community Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Local Property Tax Levies	\$ -	\$ 26,945	\$ 26,945
Other Local and County Revenues	-	4,216	4,216
Revenue From State Sources	9,546	107,979	117,525
Revenue From Federal Sources	470,466	-	470,466
Sale/Other Conversion of Assets	<u>47,067</u>	<u>-</u>	<u>47,067</u>
TOTAL REVENUES	<u>527,079</u>	<u>139,140</u>	<u>666,219</u>
EXPENDITURES			
Current:			
Community Education and Services	-	217,828	217,828
Pupil Support Services	<u>527,415</u>	<u>-</u>	<u>527,415</u>
TOTAL EXPENDITURES	<u>527,415</u>	<u>217,828</u>	<u>745,243</u>
Excess (Deficiency) of Revenues Over Expenditures	(336)	(78,688)	(79,024)
OTHER FINANCING SOURCES (USES)			
Transfer In	<u>-</u>	<u>31,663</u>	<u>31,663</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>31,663</u>	<u>31,663</u>
Net Change in Fund Balances	(336)	(47,025)	(47,361)
Fund Balances - Beginning	<u>293,311</u>	<u>277,004</u>	<u>570,315</u>
Fund Balances - Ending	<u>\$ 292,975</u>	<u>\$ 229,979</u>	<u>\$ 522,954</u>

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

		Balance Beginning of Year	Revenues	Expenditures	Transfers	UFARS Balance	Balance End of Year
General Fund							
460	Nonspendable	\$ 41,868	\$ -	\$ -	\$ 2,126	\$ 43,994	\$ 43,994
Restricted for:							
401	Student Activities	73,739	89,306	87,427	-	75,618	75,618
403	Staff Development	143,725	100,932	88,009	-	156,648	156,648
412	Literacy Incentive Aid	21,045	19,900	-	-	40,945	40,945
424	Operating Capital	499,884	162,334	60,199	-	602,019	602,019
434	Area Learning Center	11,988	363,397	112,483	-	262,902	262,902
438	Gifted and Talented	18,004	9,011	-	-	27,015	27,015
441	Basic Skills	100,189	1,735,410	1,683,541	-	152,058	152,058
443	School Library Aid	22,729	40,000	3,132	-	59,597	59,597
456	Literacy Aid	-	25,961	20,030	-	5,931	5,931
467	Long Term Fac. Maint.	156,584	40,442	12,947	-	184,079	184,079
472	Medical Assistance	36,425	-	36,425	-	-	-
475	Title VII Impact Aid	1,053,224	2,178,818	3,232,042	-	-	-
418	Committed - Severance	115,000	-	15,000	-	100,000	100,000
461	Committed for Construction and Technology	13,600,000	-	-	(9,500,000)	4,100,000	4,100,000
422	Unassigned	2,752,264	9,823,190	17,658,569	9,466,211	4,383,096	4,383,096
Food Service Fund							
460	Nonspendable	3,932	-	-	(1,193)	2,739	2,739
464	Restricted	289,379	527,079	527,415	1,193	290,236	290,236
Community Service Fund							
Restricted for:							
431	Community Education	-	26,770	58,433	31,663	-	-
432	ECFE	47,716	53,265	30,163	-	70,818	70,818
444	School Readiness	113,726	41,683	126,991	-	28,418	28,418
464	Community Service	115,562	17,422	2,241	-	130,743	130,743
Debt Service Fund							
464	Restricted	166,243	795,052	843,518	-	117,777	117,777

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
TAX LEVIES, TAX RATES AND STUDENT CENSUS
FOR THE 10 YEARS ENDED JUNE 30,

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<u>Property Taxes</u>										
General Maintenance	\$ 287,331	\$ 320,404	\$ 319,026	\$ 302,296	\$ 274,036	\$ 205,023	\$ 271,567	\$ 206,586	\$ 361,910	\$ 331,157
Community Service	32,508	28,680	43,513	44,330	42,926	43,086	42,854	20,778	42,098	40,871
Debt Redemption	685,096	629,026	638,119	693,504	678,742	679,482	660,693	705,082	402,268	272,035
Total Property Tax Levies	<u>\$1,004,935</u>	<u>\$ 978,110</u>	<u>\$1,000,658</u>	<u>\$1,040,130</u>	<u>\$ 995,704</u>	<u>\$ 927,591</u>	<u>\$ 975,114</u>	<u>\$ 932,446</u>	<u>\$ 806,276</u>	<u>\$ 644,063</u>
<u>Taxable Net Tax Capacity</u>										
	\$7,255,311	\$6,767,481	\$5,034,999	\$4,788,138	\$4,565,630	\$4,046,978	\$3,673,596	\$3,563,695	\$3,497,416	\$3,412,903
<u>Property Tax Rate</u>										
	11.590	11.674	16.158	18.090	18.922	20.367	22.443	22.306	19.891	15.451
<u>Resident PUN*</u>										
	917.96	907.65	902.89	900.84	911.49	877.51	809.31	764.10	789.13	783.57
<u>Enrollment Options PUN*</u>										
Nonresident PUN in District	44.53	53.44	36.73	42.47	48.43	53.72	47.67	62.74	50.15	42.82
Resident PUN Outside District	269.37	264.93	250.86	229.04	214.79	211.84	194.93	174.82	166.97	177.74
<u>Adjusted Pupil Units</u>										
	693.12	696.16	688.76	714.27	745.13	719.39	662.05	652.02	672.31	648.65
<u>Resident ADM's</u>										
	847.31	839.82	836.1	835.16	842.04	815.12	752.43	709.74	730.73	724.70
* - The State of Minnesota changed Pupil Unit Weightings (PUN) from Weighted Average Daily Membership (WADM) in the year ending June 30, 2015										

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education
Independent School District No. 432
Mahnomen, 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. 432, Mahnomen, Minnesota as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2025.

Legal Compliance

In connection with our audit, we noted that the District failed to comply with provisions of the contracting – bid laws section 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 as described in the schedule of findings and questioned costs as item 2025-003. Also, 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 depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for Minnesota school districts (UFARS) sections of the Minnesota Legal Compliance Audit Guide for School Districts, 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.

Government Auditing Standards requires the auditor to perform limited procedures on the Independent School District No. 432's response to the legal compliance 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 the Report

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

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

October 10, 2025

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

To the Board of Education
Independent School District No. 432
Mahnomen, 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. 432, Mahnomen, Minnesota as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 10, 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

The District's Responses to Findings

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

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

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

October 10, 2025

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

To the Board of Education
Independent School District No. 432
Mahnomen, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Independent School District No. 432's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on 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 auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

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

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

October 10, 2025

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass- Through Number	Federal Assistance Listing Number	Amount
<u>U.S. Department of Education</u>			
Direct Programs:			
Impact Aid		84.041	\$ 2,178,818
Indian Education		84.060	132,226
Indirect Programs:			
Passed-Through Minnesota Department of Education:			
Title II, Part A	N/A	84.367	78,693
Title I	N/A	84.010	536,785
Rural Education	N/A	84.358	<u>20,320</u>
Total U.S. Department of Education			<u>2,946,842</u>
<u>U.S. Department of Agriculture</u>			
Indirect Programs:			
Passed-Through Minnesota Department of Education:			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	N/A	10.553	102,922
National School Lunch Program	N/A	10.555	346,328
Fresh Fruit and Vegetable	N/A	10.582	<u>21,216</u>
<i>Total Child Nutrition Cluster</i>			<u>470,466</u>
Total U.S. Department of Agriculture			<u>470,466</u>
TOTAL FEDERAL AWARDS			<u>\$ 3,417,308</u>

See Notes to the Schedule of Expenditures of Federal Awards

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the "Schedule") are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 DE MINIMIS INDIRECT COST RATE

Independent School District No. 432 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of Independent School District No. 432 under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of Independent School District No. 432, it is not intended to and does not present the financial position or changes in net position of Independent School District No. 432.

NOTE 4 AGENCY OR PASS-THROUGH NUMBER

The District received money passed through multiple grantor agencies. There were no pass-through identifier numbers identified with the grants above.

NOTE 5 COMMODITY DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

NOTE 6 SUBRECIPIENTS

During 2025, the District did not pass any federal money to subrecipients.

**INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? x yes none

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? yes x none

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) yes x no

Identification of major programs:

Assistance Listing Number(s) Name of Federal Program or Cluster

84.041 Impact Aid

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

Auditee qualified as low-risk auditee? x yes no

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

Section II-Financial Statement Findings

2025-001 Preparation of Financial Statements – Significant Deficiency

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Education. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Repeat Finding

Yes. Prior audit finding 2024-001.

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the entity should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review on an annual basis.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

2025-002 Segregation of Duties – Significant Deficiency

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

The design of the internal control over financial reporting that could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Repeat Finding

Yes. Prior audit finding 2025-002.

Recommendation

We recommend the organization review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review on an annual basis.

Section III – Federal Award Findings and Questioned Costs

There are no findings to report in this section.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

Section IV – Minnesota Legal Compliance Findings

2025-003 Contracting – Bid Laws

Criteria

Minn. Stat. § 471.345, the Uniform Municipal Contracting Law, was established to provide dollar limits for all municipalities upon contracts which shall or may be entered into on the basis of competitive bids, quotations, or purchase or sale in the open market. Vendors may now submit bids, quotations, and proposals electronically in a form and manner required by the municipality. Minn. Stat. § 471.345, subd. 18. Generally, the following thresholds apply:

For contracts from \$25,000 to \$175,000 – sealed bids or direct negotiation, with two quotations whenever possible.

Condition

The District did not maintain documentation of quotations in relation to a van purchase.

Cause

The District did not maintain documentation of quotations received.

Effect

The auditors were unable to determine if the price paid for the van was the best price available.

Recommendation

We recommend the District ensure internal controls and procedures are in place to ensure all compliance requirements are followed.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review policies and procedures around procurement.

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

2024-001 Preparation of Financial Statements – Significant Deficiency

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Education. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Corrective Action Taken

See finding 2025-001.

2024-002 Segregation of Duties – Significant Deficiency

Criteria

Generally, a system of internal control contemplates separation of duties 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.

Condition

Lack of sufficient segregation of duties.

Corrective Action Taken

See finding 2025-002.

**CORRECTIVE ACTION PLAN
JUNE 30, 2025**

2025-001 FINDING

Contact Person – Superintendent Andrea Simon and Business Manager Jessica Gilbertson

Corrective Action Plan - Will establish policy to document review of financial statements and notes.

Completion Date - Ongoing

2025-002 FINDING

Contact Person – Superintendent Andrea Simon and Business Manager Jessica Gilbertson

Corrective Action Plan - The District has the following procedures to mitigate risk:

- 1) Review and approval of journal entries by Superintendent
- 2) Board approves checks
- 3) A separate staff member reviews the bank statement before turning it over to the Business Manager for reconciliation.

When it becomes economically feasible, the District will hire additional personnel in the accounting department to improve segregation of duties.

Completion Date – Ongoing

2025-003 FINDING

Contact Person – Superintendent Andrea Simon and Business Manager Jessica Gilbertson

Corrective Action Plan - The District will review policies and procedures around procurement.

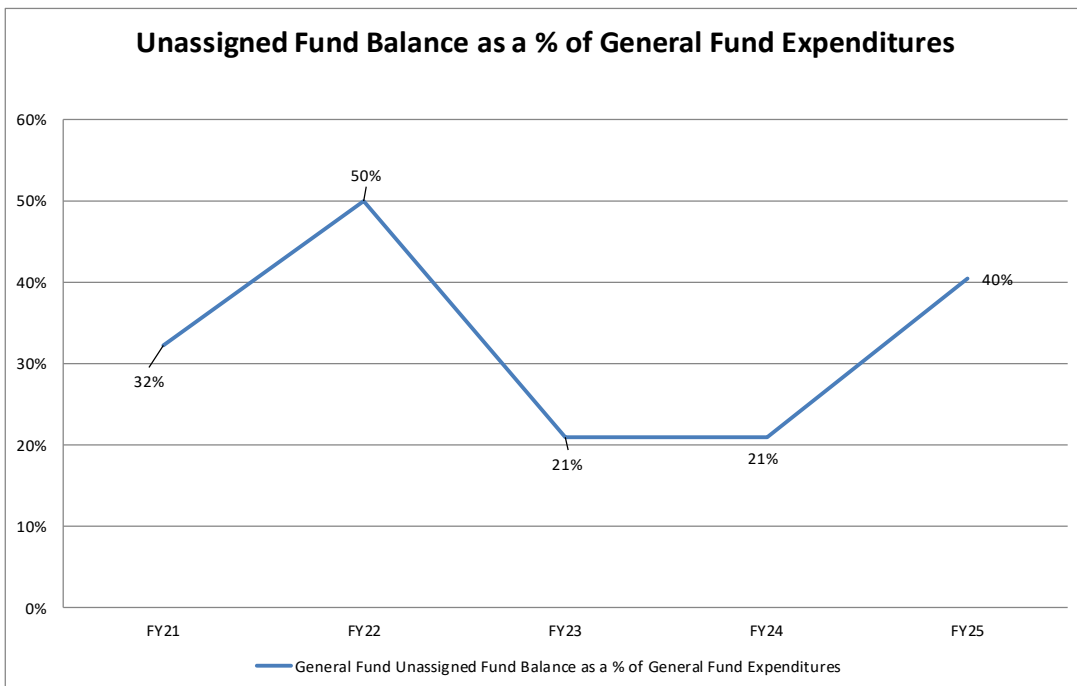
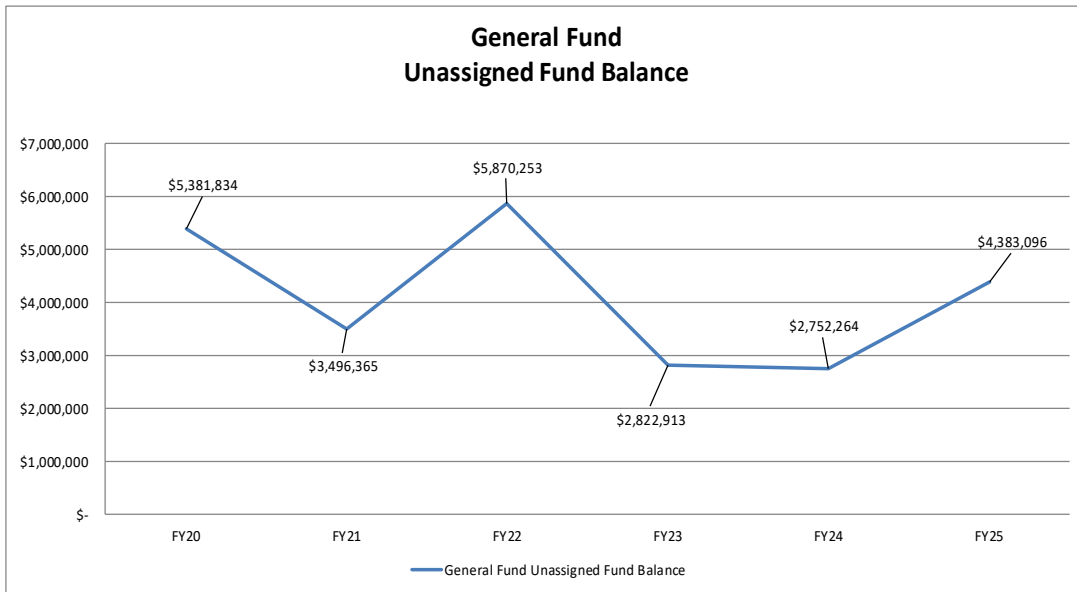
Completion Date – June 30, 2026

INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
AS OF JUNE 30, 2025

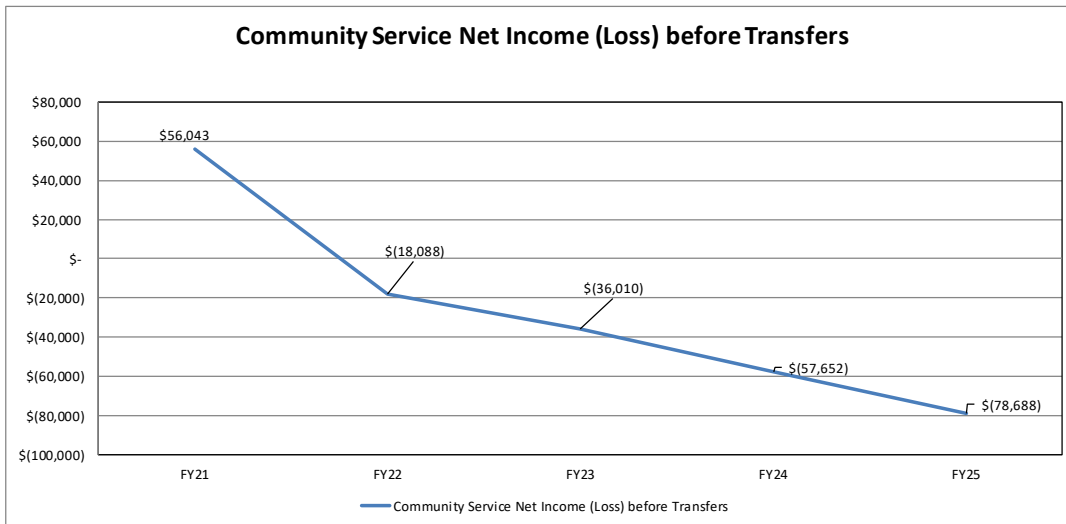
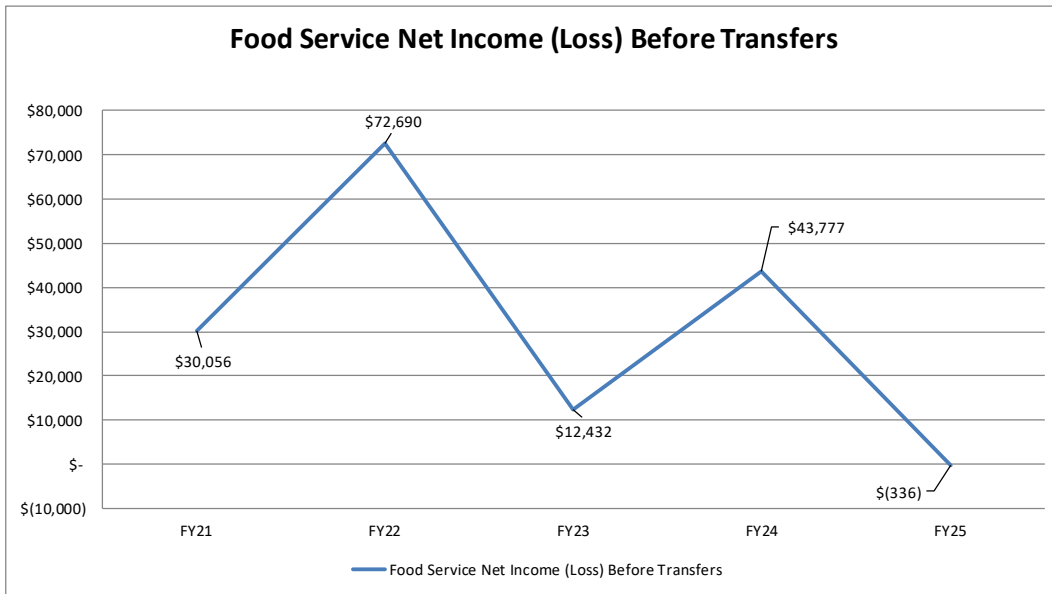
	Audit	UFARS	Variance		Audit	UFARS	Variance
<u>01 GENERAL FUND</u>				<u>06 BUILDING CONSTRUCTION</u>			
Total Revenue	14,588,701	14,588,702	(1)	Total Revenue			
Total Expenditures	23,009,804	23,009,803	1	Total Expenditures			
Non Spendable:				Non Spendable:			
460 Non Spendable Fund Balance	43,994	43,994		460 Non Spendable Fund Balance			
Restricted/Reserve:				Restricted/Reserved			
401 Student Activities	75,618	75,616	2	409 Alt Facilities			
403 Staff Development	156,648	156,648		413 Projects Funded By COP			
406 Health & Safety				467 LTFM			
407 Capital Projects Levy				Restricted			
408 Cooperative Revenue				464 Restricted Fund Balance			
412 Literacy Incentive Aid	40,945	40,945		Unassigned			
413 Project Funded by COP				463 Unassigned Fund Balance			
414 Operating Debt				Reconciliation of Building Construction			
416 Levy Reduction							
417 Taconite Building Maintenance							
423 Certain Teacher Programs				<u>07 DEBT SERVICE</u>			
424 Operating Capital	602,019	602,022	(3)	Total Revenue	795,052	795,052	
426 \$25 Taconite				Total Expenditures	843,518	843,518	
427 Disabled Accessibility				Non Spendable:			
428 Learning & Development				460 Non Spendable Fund Balance			
434 Area Learning Center	262,902	262,903	(1)	Restricted/Reserved:			
435 Contracted Alt Programs				425 Bond Refundings			
436 State Approved Alt Program				451 QZAB Payments			
438 Gifted & Talented	27,015	27,015		Restricted			
440 Teacher Development & Eval				464 Restricted Fund Balance	117,777	117,780	(3)
441 Basic Skills Programs	152,058	152,059	(1)	Unassigned Fund Balance			
443 School Library Aid	59,597	59,597		463 Unassigned Fund Balance			
445 Career and Technical Programs				Reconciliation of Debt Service	1,756,347	1,756,350	(3)
448 Achievement and Integration							
449 Safe Schools Levy				<u>08 TRUST</u>			
450 Prekindergarten				Total Revenue			
451 QZAB Payments				Total Expenditures			
452 OPEB Liab Not In Trust				Unassigned			
456 Literacy Aid	5,931	5,931		422 Unassigned Fund Balance			
467 LTFM	184,079	184,079		Reconciliation of Trust			
472 Medical Assistance							
Restricted:				<u>20 INTERNAL SERVICE</u>			
464 Restricted Fund Balance				Total Revenue			
475 Title VII - Impact Aid				Total Expenditures			
Committed:				Unassigned			
418 Committed for Separation	100,000	100,000		422 Unassigned Fund Balance			
461 Committed Fund Balance	4,100,000	4,100,000		Reconciliation of Internal Service			
Assigned:							
462 Assigned Fund Balance				<u>25 OPEB REVOCABLE TRUST FUND</u>			
Unassigned				Total Revenue			
422 Unassigned Fund Balance	4,383,096	4,383,095	1	Total Expenditures			
Reconciliation of General	47,792,407	47,792,409	(2)	Unassigned			
<u>02 FOOD SERVICE</u>				422 Unassigned Fund Balance			
Total Revenue	527,079	527,078	1	Reconciliation of OPEB Revocable Trust			
Total Expenditures	527,415	527,415					
460 Non Spendable Fund Balance	2,739	2,739		<u>45 OPEB IRREVOCABLE TRUST FUND</u>			
Restricted/Reserve:				Total Revenue			
452 OPEB Liab Not in Trust				Total Expenditures			
Restricted:				Unassigned			
464 Restricted Fund Balance	290,236	290,237	(1)	422 Unassigned Fund Balance			
Unassigned:				Reconciliation of OPEB Irrevocable Trust			
463 Unassigned Fund Balance							
Reconciliation of Food Service	1,347,469	1,347,469	(1)	<u>47 OPEB DEBT SERVICE FUND</u>			
<u>04 COMMUNITY SERVICE</u>				Total Revenue			
Total Revenue	139,140	139,138	2	Total Expenditures			
Total Expenditures	217,828	217,828		Unassigned			
Non Spendable:				422 Unassigned Fund Balance			
460 Non Spendable Fund Balance				Reconciliation of OPEB Debt Service			
Restricted/Reserve:							
426 \$25 Taconite							
431 Community Education							
432 E.C.F.E.	70,818	70,819	(1)				
440 Teacher Development & Eval							
444 School Readiness	28,418	28,416	2				
447 Adult Basic Education							
452 OPEB Liab Not In Trust							
Restricted:							
464 Restricted Fund Balance	130,743	130,745	(2)				
Unassigned:							
463 Unassigned Fund Balance							
Reconciliation of Community Service	586,947	586,946	1				

GRAPHS

**INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
GRAPHS
FOR THE YEAR ENDED JUNE 30, 2025**



INDEPENDENT SCHOOL DISTRICT NO. 432
MAHNOMEN, MINNESOTA
GRAPHS
FOR THE YEAR ENDED JUNE 30, 2025



Mahnomen Public School #432
P.O. Box 319
Mahnomen, MN 5655

Student Activity Fund
Check Request Form

Student Activity Fund: Student Council

Date: 9/12/25 Amount: 475

Date check needed: _____

Check Payable To: MASL

2 Pine Tree Drive ; Suite 380
Arden Hills, MN 55112

Discription of Disbursement: MASC Fall Leadership

Approval Signatures:

Student Treasurer: Morgan Hudek

Activity Advisor: Mark Day

Administration: Mark Day

Appropriate Supporting Documentation Must Be Attached

Processed by: Delane

Check #: _____

Date: 10-20-25



**Invoice Number
FOR7003**

2025 MASL Fall Leadership Forum Confirmation and Invoice

Dear Morrissa,

This is confirmation that you are registered for the **2025 MASL Fall Leadership Forum**.

Number of Member School Advisor(s): 1
Number of Member School Student(s): 4
Number of Non-Member School Advisor(s): 0
Number of Member School Student(s): 0
Number of Vegetarian meals:
Number of Gluten Free meals:

Please review the contact information that we have for you (to the right). If anything needs to be updated, please email Kim Sievert at kim@massp.org with changes.

First Name: **Morrissa**
Last Name: **Fanning**
School: **Mahnomen High School**
Email Address: **mfanning@mahnomen.k12.mn.us**

MASL Fall Leadership Forum Registration Fee	\$475.00
--	-----------------

Registrations are final and non-refundable after October 20, 2025

Please remit payment to: MASL • 2 Pine Tree Drive • Suite 380 • Arden Hills, MN 55112

Thank you!
Kim Sievert
Office Operation & Event Manager
kim@massp.org

Minnesota Association of Student Leaders (MASL)
Minnesota Association of Student Councils (MASC) • Minnesota Association of Honor Societies (MAHS)
2 Pine Tree Drive, Suite 380 • Arden Hills, MN 55112
612-361-1510 • Fax: 612-361-6340

Please print for your records and/or for payment purposes.

Registration Received: 9/2/2025 15:21:52

FIELD TRIP PROCEDURES

Purpose: To serve as a guideline for teachers, coaches and advisors as they plan out extra-curricular trips. These procedures are governed by Policy 610M adopted by ISD #432 Board of Education.

The general expectation is that all student trips will be well planned, conducted in an orderly manner and safe environment, and will relate directly to the objectives of the class or activity for which the trip is requested. Requests for fieldtrip approval and transportation shall be made in writing utilizing the School District's forms. Once approved the use of parent/guardian permission forms is expected.

Field Trip Categories: Student trips will be categorized within three general areas:

- A. **Instructional Trips:** Trips that take place during the school day, relate directly to a course of study, and require student participation shall fall in this category. These trips shall be subject to review and approval of the building principal, and shall be financed by school district funds within the constraints of the school building budget.
- B. **Supplementary Trips:** This category pertains to those trips in which students voluntarily participate and which may or may not take place outside the regular school day. Examples of trips in this category involve athletic competition, clubs, organizations and other special interest groups. These trips are subject to review and approval of the activities director and/or the building principal. Financial contributions by students may be requested.

In general, the transportation cost will be covered by the district for most local/in-state trips for competitions, conferences and conventions. However, transportation costs for recreational events will be the responsibility of the organization. Every effort will be made to coordinate event leave times to be least disruptive of student learning.

Coaches/Advisors are expected to travel with the students to and from the event. Student groups will be combined for transportation whenever possible to reduce expenses (eg. Cheerteam & Pep Band, Boys & Girls Basketball).

- C. **Extended Trips:** Trips that involve one or more overnight stay fall into this category. Extended trips may be instructional or supplementary, and must be requested **well in advance of the planned activity**. An extended trip request form must be completed and approved at each level: principal, superintendent, and school board. Exceptions to the approval policy may be granted or expedited to accommodate emergencies or contingencies (e.g. tournament competition).

Lodging expenses for students will be the responsibility of the student or student's organization with the exception of trips that are earned through qualifying competition at the preceding level (eg. MSHSL, FFA competitions). Coaches/Advisors are encouraged to utilize lodging vendors that supply breakfast or other meals at no charge. Maximum student occupancy rate per room is expected when possible.

Meal expenses for students will be the responsibility of the student or student's organization. The exception to this is earned trips that receive state reimbursement such as: MSHSL state

events. For these qualifying events, meal allowance will be \$6/meal. No meal allowance will be given when it is part of the lodging or event package.

Chaperone lodging & meal expenses will be covered by the district for most approved extended trips. The exception being reward or recreational trips which will be the responsibility of the organization. Maximum room occupancy rates are encouraged. Meal allowances will equal those stated in policy 495M. No meal allowance will be given when it is part of the lodging or event package.

National Conventions:

- Students attending national conventions will be governed by the same guidelines as those in the overnight field trips.
- The students will be expected to pay all of their own expenses. These expenses include transportation, lodging, and food.
- The advisor chaperoning the students must have board pre-approval on his/her individual expenses, and the district agrees to pay the teacher/advisor's pre-approved expenses in lodging, transportation, and meal allowance. (*Superintendent recommendation is district cap its share of travel expense at \$400/per convention*)

Expectations: The following policies will guide all field trips including when overnight stays are required.

- All school policies and rules will be enforced during the entire trip.
- The person in charge of the trip (sponsor) will get pre-approval of all trip plans (itinerary, policies, chaperones, etc.) from the school principal before disseminating information to students and parents.
- Recommended one chaperone per ten students for extended trips.
- Half the chaperones should be school personnel.
- Bus drivers may serve as chaperones only if agreed to prior to leaving.
- The sponsor will conduct a meeting of chaperones to explain policies, procedures, and expectations prior to the trip.
- Before the trip, students and parent/guardians will be informed of the rules and expectations for their behavior. Parents and students will sign a permission form with policies clearly stated before leaving.
- Parents will be given all trip information including a detailed itinerary, locations, and phone numbers.
- Search of baggage and personal belongings may be conducted prior to the trip and at any time during the trip.
- Periodic room searches may be conducted.
- Students found with alcohol or drugs, or students causing problems for chaperones, may be sent home at parent's expense.
- During the trip, decisions of the trip sponsor will be final.

Transportation & Fieldtrip Request

Requested by: Morrissa Fanning

Group: Student Council

Date of Fieldtrip: 11/2 & 11/3

Purpose/Benefit to Students: MASC Fall Leadership Forum

Number of Students: 4

Number of Chaperones: 1

Destination: Craguns Resort Round-trip Miles: 250 mi
East Gull Lake, MN

Departure Time: 7am 11/2 Estimate Return Time: 3pm 11/3

Type of Transportation Requested: van

Approved by:  (Principal or AD)

Approved by: _____ (Superintendent)

Driver Assigned: Morrissa Fanning

Mahnomen Public Schools

Fieldtrip Permission Form

As parent/legal guardian of _____, I grant permission
(Print Student's Name)
for him/her to participate in the fieldtrip described below.

Phone # where parent/guardian can be reached on the day of the trip: _____

(School completes form down to signature box.)

Destination: Cragun's Resort, East Gull Lake, MN

Nature or purpose of the trip: MASC Fall Leadership Forum

Date/time leaving: 11/2 7am Date/time returning: 11/3 3pm

Sponsors/Chaperones: MorriSSa Fanning

Cost of Trip Per Child: money for food & personal use.

In the event of illness or injury, I do hereby authorize the activity supervisor to consent to whatever emergency medical, surgical or dental care is considered necessary in the best judgment of the attending physician, surgeon, or dentist. I agree to pay for such medical care whether or not the costs are insured by my health insurance. I understand that an attempt will be made to contact me, by phone if possible, before such care is administered.

I am aware that when I am on a schoolsponsored trip, I am under the jurisdiction and supervision of the school sponsors/chaperones and that my behavior must conform to the *Code of Student Conduct*, the school's Student Handbook, and reasonable instructions from chaperones. I understand I will be subject to appropriate disciplinary action for violations of these rules and regulations including being sent home at parent/guardian expense. I understand that my luggage and personal belongings are subject to search by the supervising chaperone(s) during the trip.

Signature of Student

Date

Signature of Parent/Guardian

Date

Extended (Overnight) Fieldtrip Request

Extended trips involve one or more overnight stay(s) and must be requested **well in advance of the planned activity**. This form must be completed and approved at each level: principal, superintendent, and school board. Exceptions to the approval policy may be granted or expedited to accommodate emergencies or contingencies (e.g. tournament competition).

Requested by: Morrissa Fanning Date: 9/15/25
Group: Student Council Date of Fieldtrip: 11/2 & 11/3
Number of Students: 4 Number of Chaperones: 1
Event/Destination: Craguns Resort, East Gull Lake, MN
Purpose/Benefit to Student: MASC fall leadership forum

Mode of Transportation: van

Estimated Allowable District Expenses: (Advisor/Chaperone)

Transportation: van

Lodging: _____

Meals: _____

Registration/Fees: 475

Substitute: _____

Total: _____

Approved by: [Signature] (Principal)

Approved by: _____ (Superintendent)

Date of Board Approval: _____

Checklist items to be completed prior to departure:

1. Travel itinerary information submitted to and approved by administration.
2. Chaperone list with cell phone numbers submitted to and approved by administration.
3. Itinerary & contact information disseminated to parent/guardian & chaperone(s).
4. Student/Chaperone fees paid.
5. Permission & Rules of Conduct Forms signed by student & parent/guardian.
6. Chaperone expectation meeting conducted.
7. Luggage & personal belongings searched for banned substances.

Extended Fieldtrip Itinerary Information

Complete detailed information below and submit to Building Principal for approval:

Date of Board Approval: _____

Dates gone: 11/2 & 11/3 through _____

Days of the week gone: Sunday & Monday

Substitute name: _____

Travel timeline: _____

Travel route: _____

Lodging: Craguns Resort Lodging phone#: (800) 272-4867

Bus Driver or Transportation Company: Morrissa Fanning

Chaperone(s) name & cell#: Morrissa Fanning 218 261 0299

Checklist:

- _____ Itinerary information disseminated to parent/guardian including chaperone contact info.
- _____ Student/Chaperone fees paid.
- _____ Permission/Rules of Conduct Form signed by student & parent guardian.
- _____ Chaperone expectation meeting scheduled.
- _____ Luggage & personal belongings search for contraband conducted.
- _____ Substitute lesson plans developed.

Principal Signature: _____

Date: 9/24/15

Mahnomen Public Schools

Overnight Fieldtrip Permission Form

As parent/legal guardian of _____, I grant permission
(Print Student's Name)

for him/her to participate in the fieldtrip described below. In the event of an emergency I may be reached at the following Phone #s on the day of the trip: _____

(School completes form down to signature box.)

Destination: Craguns Resort, East Gull Lake, MN

Nature or purpose of the trip: MASC Fall Leadership Forum

Date/time leaving: 11/2 7am Date/time returning: 11/3 3pm

Sponsors/Chaperones: Morrissa Fanning

Cost of Trip Per Child: Money for personal use & food.

Travel Itinerary Information: attached

Items to Bring: _____

In the event of illness or injury, I do hereby authorize the activity supervisor to consent to whatever emergency medical, surgical or dental care is considered necessary in the best judgment of the attending physician, surgeon, or dentist. I agree to pay for such medical care whether or not the costs are insured by my health insurance. I understand that an attempt will be made to contact me, by phone if possible, before such care is administered.

Health Insurance Company: _____ Policy # _____

Medical concerns (medications, allergies, etc): _____

I am aware that when I am on a schoolsponsored trip, I am under the jurisdiction and supervision of the school sponsors/chaperones and that my behavior must conform to the *Code of Student Conduct*, the school's Student Handbook, and reasonable instructions from chaperones. I understand I will be subject to appropriate disciplinary action for violations of these rules and regulations including being sent home at parent/guardian expense. I understand that my luggage and personal belongings are subject to search by the supervising chaperone(s) during the trip.

Signature of Student

Date

Signature of Parent/Guardian

Date

Resolution Establishing Combined Polling Places

Member _____ introduced the following resolution and moved its adoption:

RESOLUTION ESTABLISHING COMBINED POLLING PLACES FOR MULTIPLE PRECINCTS AND DESIGNATING HOURS DURING WHICH THE POLLING PLACES WILL REMAIN OPEN FOR VOTING FOR SCHOOL DISTRICT ELECTIONS NOT HELD ON THE DAY OF A STATEWIDE ELECTION

BE IT RESOLVED by the School Board of Independent School District No. 432, State of Minnesota, as follows:

1. Pursuant to Minnesota Statutes, Section 205A.11, the precincts and polling places for school district elections are those precincts or parts of precincts located within the boundaries of the school district which have been established by the cities or towns located in whole or in part within the school district. The board hereby confirms those precincts and polling places so established by those municipalities.

2. Pursuant to Minnesota Statutes, Section 205A.11, the board may establish a combined polling place for several precincts for school district elections not held on the day of a statewide election. Each combined polling place must be a polling place that has been designated by a county or municipality. The following combined polling places are established to serve the precincts specified for all school district special and general elections not held on the same day as a statewide election:

Combined Polling Place: Mahnomen Public School, 310 W. Madison Ave, Mahnomen, MN 56557

"This combined polling place serves all territory in Independent School District No. 432 located in Beaulieu Township; Bejou Township; Chief Township; Clover Township; Gregory Township; Heier Township; La Garde Township; Marsh Creek Township; Pembina Township; Rosedale Township; Twin Lakes Township; Little Elbow Township; Fossum Township and Waukon Township, the City of Bejou; the City of Mahnomen, Mahnomen County, Minnesota. Fossum Township and Waukon Township, Norman County, Minnesota"

Note: See Section 2.3.2 of the Election Manual regarding changing polling places in the case of an emergency or if the polling place is no longer available.

3. Pursuant to Minnesota Statutes, Section 205A.09, the polling places will remain open for voting for school district elections not held on the same day as a statewide election between the hours of 7:00 o'clock a.m. and 8:00 o'clock p.m.

4. The clerk is directed to file a certified copy of this resolution with the county auditors of each of the counties in which the school district is located, in whole or in part, within thirty (30) days after its adoption.

5. As required by Minnesota Statutes, Section 204B.16, Subdivision 1a, the clerk is hereby authorized and directed to give written notice of new polling place locations to each affected household with at least one registered voter in the school district whose school district polling place location has been changed. The notice must be a non forwardable notice mailed at least twenty-five (25) days before the date of the first election to which it will apply. A notice that is returned as undeliverable must be forwarded immediately to the appropriate county auditor, who shall change the registrant's status to "challenged" in the statewide registration system.

The motion for the adoption of the foregoing resolution was duly seconded by Member _____, and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon said resolution was declared duly passed and adopted.

Athletic Event Related	Current	Proposed				Notes
Gate Workers	45	\$60 - JV/V, \$110 - C/JV/V or DH	*Event	*Typically 2 people (4 for Football (2 gates))		Breckenridge pays \$30/hr. DL pays \$40/game Other area schools are about the same as what we have now.
Clock	45	\$60 - JV/V, \$110 - C/JV/V or DH	*Event	*Event=Sub-Varsity through Varsity Gam		
Libero Tracking (VB)	45	\$60 - JV/V, \$110 - C/JV/V or DH	*Event	*Event=Sub-Varsity through Varsity Gam		
Book / Score Keeper	45	\$60 - JV/V, \$110 - C/JV/V or DH	*Event	*Event=Sub-Varsity through Varsity Gam		
Line Judges	45	\$85				
Announcer	45	\$60	*Event	*Event=Sub-Varsity through Varsity Gam		
Event Supervision	80	\$100	*Event			
JH Officials	70	\$85 for one game, \$120 for 2 games	*Event	*Event=7+8 game (if applicable)		
JV Officials C Team Officials	70.00 25.00	\$85 for one game, \$120 for 2 games	*Event *Game (if 2 games)	*Same official for C/JV=90.00 *When no option for 2nd game=70.00		
Speech Judge	60		*Event	*May differ based on local organizations		
Fall Laundry	1,000.00		Stipend			
Winter Laundry	1,000.00		Stipend			
Bus Driver - For Shuttle Routes	25		Hour			

**Contracted Bus Drivers are paid according to Contracted Rates						
				*For Waubun Site		
Rates per Mile chargebacks-When using District Vehicles for Co-op						
	Rate/Mile					
Car, Van or Suburban	0.535		Federal IRS Rate of Reimb.			
Mid Bus	1.25		??			
Full Size District Owed School Bus	2		??			