

ANNUAL FINANCIAL REPORT

INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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Jackson, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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Independent School District No. 2895

Jackson, Minnesota
School District Officials
For the Year Ended June 30, 2025

Board of Education

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Tina Polz	12/31/2028	Chairperson
Betty Hargan	12/31/2028	Vice-Chairperson
Rhonda Moore	12/31/2026	Clerk
Troy Schultz	12/31/2028	Director
Ben Appel	12/31/2026	Director
Levi Lucht	12/31/2026	Director
Corey Hanson	12/31/2028	Director

Administration

Dr. Mike Neubeck
Maria Bezdicek

Interm Superintendent
Business Manager

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2895
Jackson, Minnesota

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. 2895, Jackson, Minnesota, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions and Schedule of Changes in the District's OPEB Liability and Related Ratios starting on page 70 be presented to supplement the basic financial statements. Such information, 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 accompanying combining and individual fund financial statements, schedules and table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, schedules and table are fairly stated, in all material respects in relation to the basic financial statements as a whole.



Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 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.



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Mankato, Minnesota
October 2, 2025



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Management's Discussion and Analysis

As management of the Independent School District No. 2895, Jackson, Minnesota (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

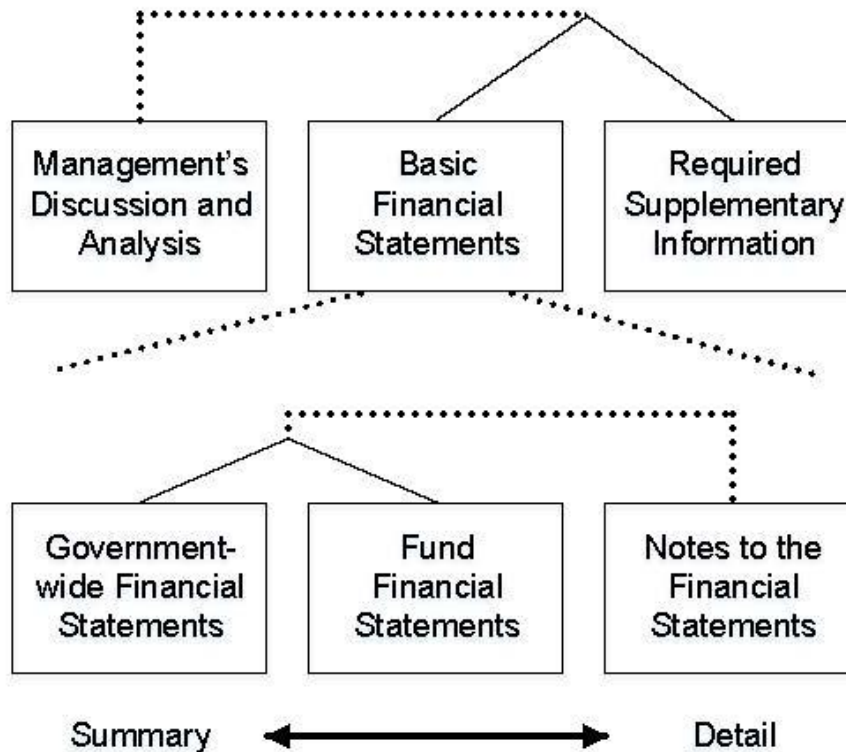
Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages.
- The District's total net position increased as shown in the summary of changes in net position on the following pages. The main cause of the increase is that the District received revenues in excess of expenditures and made a conscientious effort to maintain spending levels.
- As of the close of the current fiscal year, the District's governmental balances are shown in the Financial Analysis of the District's funds section of the MD&A. The total fund balance increased in comparison with the prior year. The main reason for the increase is increased general fund state aids in the current year.
- At the end of the current fiscal year, unassigned fund balance for the General fund, as shown in the financial Analysis of the District's funds section, increased from the prior year.

Overview of the Financial Statements

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

Organization of Independent School District No. 2895 Annual Financial Report



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

Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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

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

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

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

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

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

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

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

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

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and Debt Service fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these no major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund, Food Service fund, Community Service fund, Building Construction fund and Debt Service fund. A budgetary comparison statements have been provided to demonstrate compliance with this budget.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 37 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 70 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules and table can be found starting on page 80 of this report.

District-wide Financial Analysis

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

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. These funds are to be used for the construction of school facilities. Another large portion of the District's net position reflects amounts restricted for specific purposes. These funds are to be used for the District's funded programs and activities.

Independent School District No. 2895's Net Position

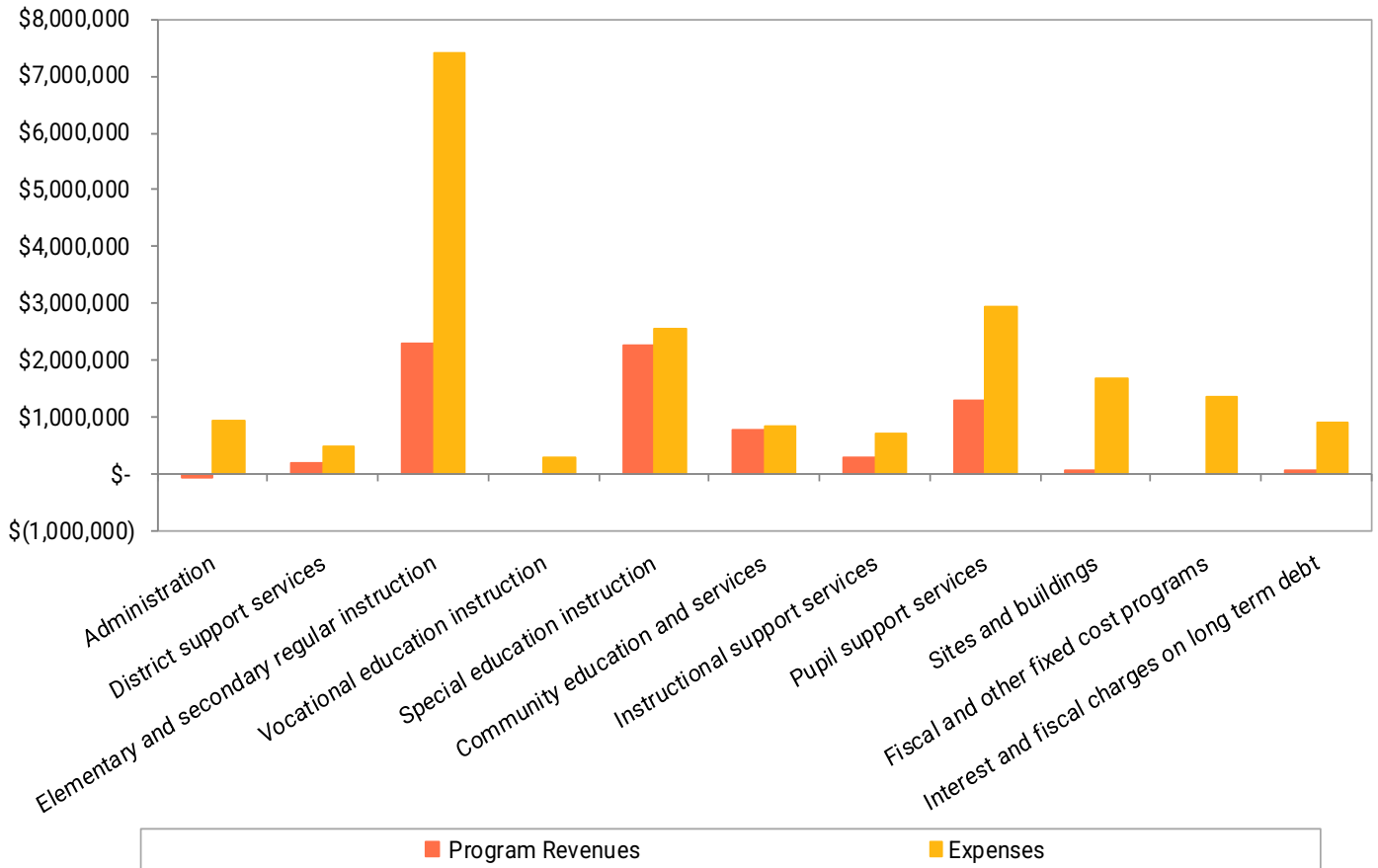
	Governmental Activities		Increase (Decrease)	
	2025	2024	Amount	Percent
Current and Other Assets	\$ 13,086,873	\$ 12,673,718	\$ 413,155	3.3 %
Capital Assets	53,153,290	53,937,074	(783,784)	(1.5)
Total Assets	66,240,163	66,610,792	(370,629)	(0.6)
Deferred Outflows of Resources	1,999,251	2,557,115	(557,864)	(21.8)
Long-term Liabilities Outstanding	41,086,098	45,559,645	(4,473,547)	(9.8)
Other Liabilities	2,179,522	2,123,319	56,203	2.6
Total Liabilities	43,265,620	47,682,964	(4,417,344)	(9.3)
Deferred Inflows of Resources	7,267,748	5,472,318	1,795,430	32.8
Net Position				
Net investment in capital assets	20,259,860	19,897,425	362,435	1.8
Restricted	3,629,165	2,822,871	806,294	28.6
Unrestricted	(6,182,979)	(6,707,671)	524,692	(7.8)
Total Net Position	\$ 17,706,046	\$ 16,012,625	\$ 1,693,421	10.6 %
Net Position as a Percent of Total				
Net investment in capital assets	114.4 %	124.3 %		
Restricted	20.5	17.6		
Unrestricted	(34.9)	(41.9)		
	100.0 %	100.0 %		

Governmental Activities. Governmental activities increased the District’s net position as shown below in the summary of changes in net position. Key elements of this increase are as follows:

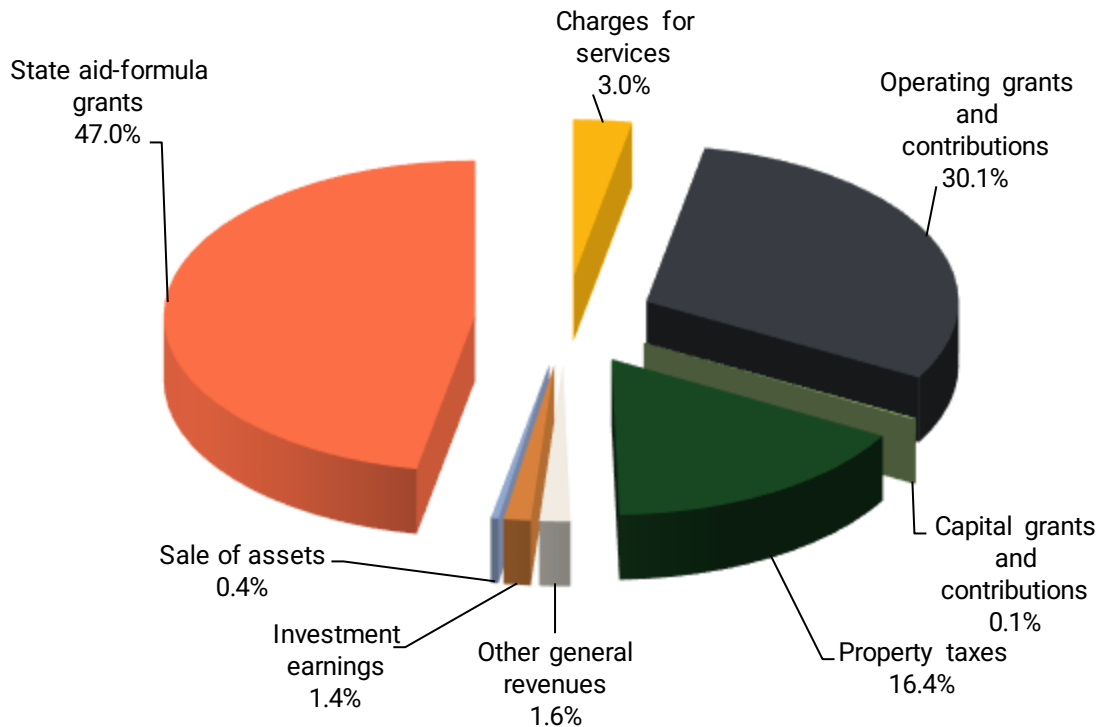
Independent School District No. 2895’s Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2025	2024	Amounts	Percent
Revenues				
Program revenues				
Charges for services	\$ 656,326	\$ 1,166,039	\$ (509,713)	(43.7) %
Operating grants and contributions	6,583,204	6,171,505	411,699	6.7
Capital grants and contributions	19,128	23,415	(4,287)	(18.3)
General revenues				
Property taxes	3,586,914	3,528,517	58,397	1.7
State aid-formula grants and other contributions	10,313,144	10,336,843	(23,699)	(0.2)
Other general revenues	353,437	65,615	287,822	438.7
Investment earnings	300,121	373,039	(72,918)	(19.5)
Gain on sale of capital assets	82,697	3,535	79,162	2,239.4
Total Revenues	<u>21,894,971</u>	<u>21,668,508</u>	<u>226,463</u>	<u>1.0</u>
Expenses				
Administration	960,714	894,833	65,881	7.4
District support services	478,193	436,196	41,997	9.6
Elementary and secondary regular instruction	7,414,946	6,335,570	1,079,376	17.0
Vocational education instruction	304,530	248,870	55,660	22.4
Special education instruction	2,559,144	2,257,943	301,201	13.3
Community education and services	851,625	837,453	14,172	1.7
Instructional support services	715,304	624,243	91,061	14.6
Pupil support services	2,939,403	2,527,478	411,925	16
Sites and buildings	1,703,151	2,038,485	(335,334)	(16.5)
Fiscal and other fixed cost programs	1,363,414	1,277,347	86,067	6.7
Interest and fiscal charges on long-term debt	911,126	969,158	(58,032)	(6.0)
Total Expenses	<u>20,201,550</u>	<u>18,447,576</u>	<u>1,753,974</u>	<u>9.5</u>
Change in Net Position	1,693,421	3,220,932	(1,527,511)	(47.4)
Net Position, July 1	<u>16,012,625</u>	<u>12,791,693</u>	<u>3,220,932</u>	<u>25.2</u>
Net Position, June 30	<u>\$ 17,706,046</u>	<u>\$ 16,012,625</u>	<u>\$ 1,693,421</u>	<u>10.6 %</u>

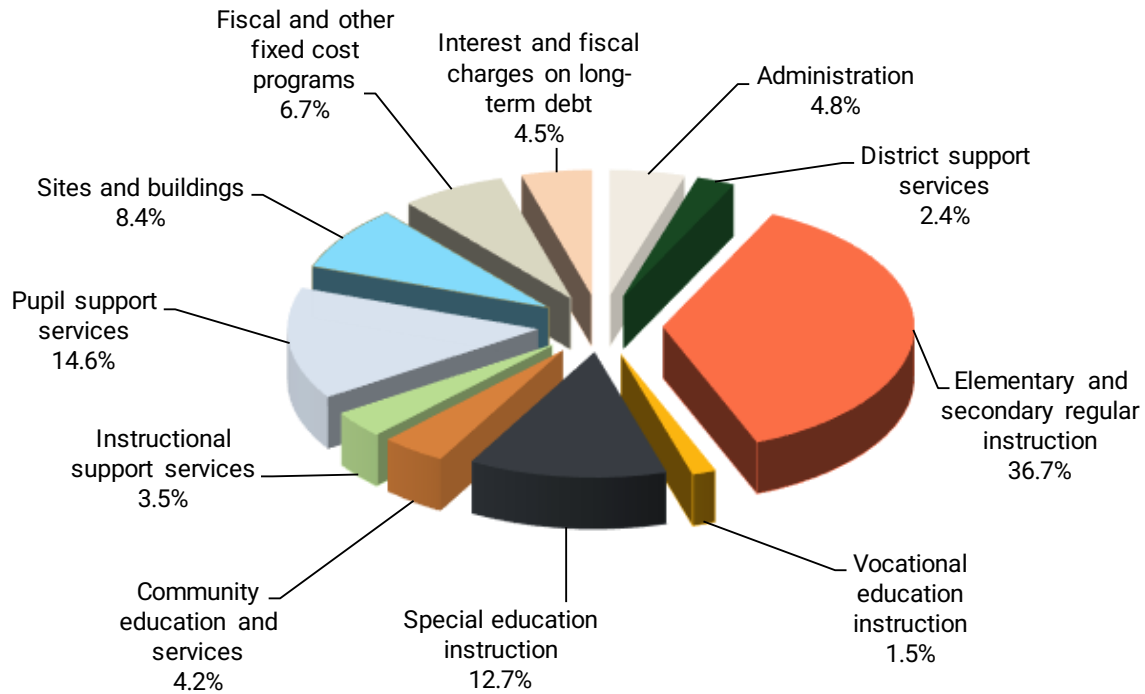
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

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

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ended June 30, 2025.

	General	Debt Service	Other Governmental Funds	Total	Prior Year Total	Increase/Decrease
Fund Balances						
Nonspendable	\$ 46,042	\$ -	\$ 21,335	\$ 67,377	\$ 53,456	\$ 13,921
Restricted	2,502,482	566,163	977,992	4,046,637	3,638,844	407,793
Assigned	350,000	-	-	350,000	350,000	-
Unassigned	2,386,305	-	(264,658)	2,121,647	2,140,269	(18,622)
Total Fund Balances	\$ 5,284,829	\$ 566,163	\$ 734,669	\$ 6,585,661	\$ 6,182,569	\$ 403,092

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances shown above. Additional information on the District's fund balances can be found in Note 1 starting on page 37 of this report.

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

	Current Year Ending Balance	Prior Year Ending Balance	Increase / (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 46,042	\$ 39,325	\$ 6,717
Restricted	2,502,482	1,894,538	607,944
Assigned	350,000	350,000	-
Unassigned	2,386,305	2,330,758	55,547
Total General Fund Fund Balances	<u>\$ 5,284,829</u>	<u>\$ 4,614,621</u>	<u>\$ 670,208</u>
General fund expenditures	\$ 17,010,506	\$ 15,494,601	
Unassigned as a percent of expenditures	14%	15%	
Total fund balance as a percent of expenditures	31%	30%	

The fund balance of the District's General fund increased during the current fiscal year as shown in the table above. The increase in fund balance was mainly due to increased state funding and additional miscellaneous revenues along with lower than actual expenditures due to unfilled staff positions, conservative budgeting, and the postponement of planned projects.

Other Major Governmental Funds:

	June 30, 2025	June 30, 2024	Increase (Decrease)
	<u>\$ 566,163</u>	<u>\$ 518,217</u>	<u>\$ 47,946</u>

Debt Service fund

The Debt Service fund increase in fund balance during the year was due to revenues from tax levies and state sources in excess of scheduled principal and interest payments.

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues	\$ 16,505,214	\$ 327,726	\$ 16,832,940	\$ 17,596,906	\$ 763,966
Expenditures	<u>16,471,417</u>	<u>138,290</u>	<u>16,609,707</u>	<u>17,010,506</u>	<u>(400,799)</u>
Excess of Revenues Over Expenditures	33,797	189,436	223,233	586,400	363,167
Other Financing Sources (Uses)	<u>-</u>	<u>83,510</u>	<u>83,510</u>	<u>83,808</u>	<u>298</u>
Net Change in Fund Balances	33,797	272,946	306,743	670,208	363,465
Fund Balances, July 1	<u>4,614,621</u>	<u>-</u>	<u>4,614,621</u>	<u>4,614,621</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 4,648,418</u>	<u>\$ 272,946</u>	<u>\$ 4,921,364</u>	<u>\$ 5,284,829</u>	<u>\$ 363,465</u>

Over the course of the year, the District revised the annual operation budget in February 2025. The revisions related to numerous areas. The original preliminary budget was approved in June, 2024 when the student numbers were very soft and salaries were not settled. The budget was also impacted by grants and numerous legislative changes, several late staffing changes, and late awarded state revenues.

Capital Asset and Debt Administration

Capital Assets. The District’s investment in capital assets for its governmental activities as of June 30, 2025, is shown below in the capital asset table (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements and machinery and equipment. The total depreciation expense for the year was \$1,730,599. The following is a schedule of capital assets as of June 30, 2025:

Independent School District No. 2895’s Capital Assets
(Net of Depreciation)

	Governmental Activities		
	2025	2024	Increase (Decrease)
Land	\$ 143,618	\$ 143,618	\$ -
Buildings	51,210,008	51,957,604	(747,596)
Equipment	1,799,664	1,835,852	(36,188)
Total	<u>\$ 53,153,290</u>	<u>\$ 53,937,074</u>	<u>\$ (783,784)</u>
Percent increase (decrease)			-1.5%

Additional information on the District’s capital assets can be found in Note 3C on page 48 of this report.

Long-term Debt. At the end of the current fiscal year, the District had the following noncurrent liabilities outstanding.

Independent School District No. 2895’s Outstanding Debt

	Governmental Activities		
	2025	2024	Increase (Decrease)
General Obligation Bonds	<u>\$ 31,460,000</u>	<u>\$ 32,890,000</u>	<u>\$ (1,430,000)</u>
Percent increase (decrease)			-4.3%

Additional information on the District’s long-term debt can be found in Note 3D on page 49 of this report.

Factors Bearing on the District’s Future

The District has a healthy unassigned fund balance in the General Fund. We have built a new middle school, added on to Riverside Elementary, and updated other facilities. The Board and Administration remain dedicated to ensuring that Jackson County Central Schools provide a high-quality education and learning environment. We do need to keep working towards a balanced budget in the future. Renewal or potential increase of the current referendum will be critical to sustaining the District’s positive financial position. Enrollment numbers are projected to decline, and the district continues to face staffing challenges due to teacher shortages and increasing demands related to compensation.

Requests for Information

This financial report is designed to provide the District’s citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 2895, PO Box 119, Jackson, Minnesota 56143-1075.

DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2895

Jackson, Minnesota
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and temporary investments	\$ 8,568,495
Receivables	
Taxes	2,693,539
Accounts and interest	42,097
Intergovernmental	1,715,365
Inventories	54,152
Prepaid items	13,225
Capital assets not being depreciated	143,618
Capital assets net of accumulated depreciation	53,009,672
Total Assets	<u>66,240,163</u>
Deferred Outflows of Resources	
Deferred pension resources	1,837,436
Deferred other post employment benefit resources	161,815
Total Deferred Outflows of Resources	<u>1,999,251</u>
Liabilities	
Salaries and wages payable	652,779
Accounts and other payables	127,203
Accrued interest payable	362,698
Due to other school districts	131,970
Due to other governments	71,298
Accrued expenses	816,304
Unearned revenue	17,270
Noncurrent liabilities	
Due within one year	
Long-term liabilities	1,485,000
Other postemployment benefits liability	74,198
Due in more than one year	
Long-term liabilities	31,489,211
Net pension liability	7,555,004
Other postemployment benefits liability	482,685
Total Liabilities	<u>43,265,620</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	4,658,501
Deferred pension resources	2,532,289
Deferred other post employment benefit resources	76,958
Total Deferred Inflows of Resources	<u>7,267,748</u>
Net Position	
Net investment in capital assets	20,259,860
Restricted	
Educational purposes	2,975,876
Food service	449,334
Debt service	203,955
Unrestricted	(6,182,979)
Total Net Position	<u>\$ 17,706,046</u>

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

Independent School District No. 2895

Jackson, Minnesota

Statement of Activities

For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 960,714	\$ 154	\$ (46,532)	\$ -	\$ (1,007,092)
District support services	478,193	-	201,809	-	(276,384)
Elementary and secondary regular instruction	7,414,946	307,252	1,969,667	19,128	(5,118,899)
Vocational education instruction	304,530	-	-	-	(304,530)
Special education instruction	2,559,144	-	2,260,754	-	(298,390)
Community education and services	851,625	290,198	503,926	-	(57,501)
Instructional support services	715,304	-	307,762	-	(407,542)
Pupil support services	2,939,403	55,172	1,243,162	-	(1,641,069)
Sites and buildings	1,703,151	3,550	55,642	-	(1,643,959)
Fiscal and other fixed cost programs	1,363,414	-	-	-	(1,363,414)
Interest and fiscal charges on long term debt	911,126	-	87,014	-	(824,112)
Total Governmental Activities	<u>\$ 20,201,550</u>	<u>\$ 656,326</u>	<u>\$ 6,583,204</u>	<u>\$ 19,128</u>	<u>(12,942,892)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					2,357,759
Property taxes, levied for community service					113,526
Property taxes, levied for debt service					1,115,629
State aid-formula grants and other contributions					10,313,144
Other general revenues					353,437
Investment earnings					300,121
Gain on sale of capital assets					82,697
Total General Revenues					<u>14,636,313</u>
Change in Net Position					1,693,421
Net Position, July 1					<u>16,012,625</u>
Net Position, June 30					<u>\$ 17,706,046</u>

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

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2895

Jackson, Minnesota
Balance Sheet
Governmental Funds
June 30, 2025

	General	Debt Service	Other Governmental Funds	Total
Assets				
Cash and temporary investments	\$ 6,604,234	\$ 1,119,265	\$ 844,996	\$ 8,568,495
Receivables				
Taxes				
Current	945,871	1,667,577	54,204	2,667,652
Delinquent	21,215	490	4,182	25,887
Accounts and interest	25,568	-	16,529	42,097
Intergovernmental	1,578,518	125,020	11,827	1,715,365
Inventories	32,817	-	21,335	54,152
Prepaid items	13,225	-	-	13,225
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 9,221,448</u></u>	<u><u>\$ 2,912,352</u></u>	<u><u>\$ 953,073</u></u>	<u><u>\$ 13,086,873</u></u>
Liabilities				
Salaries and wages payable	\$ 606,468	\$ -	\$ 46,311	\$ 652,779
Accounts and other payables	110,309	-	16,894	127,203
Due to other school districts	131,970	-	-	131,970
Due to other governments	67,342	-	3,956	71,298
Accrued expenses	816,304	-	-	816,304
Unearned revenue	-	-	17,270	17,270
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u><u>1,732,393</u></u>	<u><u>-</u></u>	<u><u>84,431</u></u>	<u><u>1,816,824</u></u>
Deferred Inflows of Resources				
Property taxes levied for subsequent year	2,183,011	2,345,699	129,791	4,658,501
Unavailable revenue				
Delinquent property taxes	21,215	490	4,182	25,887
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u><u>2,204,226</u></u>	<u><u>2,346,189</u></u>	<u><u>133,973</u></u>	<u><u>4,684,388</u></u>
Fund Balances				
Nonspendable	46,042	-	21,335	67,377
Restricted	2,502,482	566,163	977,992	4,046,637
Assigned	350,000	-	-	350,000
Unassigned	2,386,305	-	(264,658)	2,121,647
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u><u>5,284,829</u></u>	<u><u>566,163</u></u>	<u><u>734,669</u></u>	<u><u>6,585,661</u></u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 9,221,448</u></u>	<u><u>\$ 2,912,352</u></u>	<u><u>\$ 953,073</u></u>	<u><u>\$ 13,086,873</u></u>

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

Independent School District No. 2895

Jackson, Minnesota

Reconciliation of the Balance Sheet

to the Statement of Net Position

Governmental Funds

June 30, 2025

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

Total Fund Balances - Governmental Funds	\$ 6,585,661
Net capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	53,153,290
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Bonds payable	(31,460,000)
Unamortized premiums	(1,514,211)
Other postemployment benefits liability	(556,883)
Net pension liability	(7,555,004)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	25,887
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,837,436
Deferred inflows of pension resources	(2,532,289)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other postemployment benefit resources	161,815
Deferred inflows of other postemployment benefit resources	(76,958)
Governmental funds do not report a liability for accrued interest until due and payable.	(362,698)
Total Net Position - Governmental Activities	<u>\$ 17,706,046</u>

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

Independent School District No. 2895
Jackson, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Debt Service	Formerly Major Building Construction	Other Governmental Funds	Total
Revenues					
Local property tax levies	\$ 2,318,113	\$ 1,122,603	\$ -	\$ 112,907	\$ 3,553,623
Other local and county revenue	764,331	-	-	711,699	1,476,030
Interest earned on investments	215,210	39,375	-	45,536	300,121
Revenue from state sources	13,803,523	1,250,193	-	624,704	15,678,420
Revenue from federal sources	495,729	-	-	418,196	913,925
Sales and other conversion of assets	-	-	-	39,572	39,572
Total Revenues	17,596,906	2,412,171	-	1,952,614	21,961,691
Expenditures					
Current					
Administration	996,974	-	-	-	996,974
District support services	487,599	-	-	-	487,599
Elementary and secondary regular instruction	7,615,500	-	-	-	7,615,500
Vocational education instruction	319,373	-	-	-	319,373
Special education instruction	2,684,856	-	-	-	2,684,856
Community education and services	-	-	-	878,101	878,101
Instructional support services	649,527	-	-	-	649,527
Pupil support services	1,939,676	-	-	993,129	2,932,805
Sites and buildings	1,433,165	-	-	-	1,433,165
Fiscal and other fixed cost programs	180,006	-	-	-	180,006
Capital outlay	703,830	-	-	395,295	1,099,125
Debt service					
Principal	-	1,430,000	-	-	1,430,000
Interest and other charges	-	934,225	-	1,151	935,376
Total Expenditures	17,010,506	2,364,225	-	2,267,676	21,642,407
Excess (Deficiency) of Revenues Over (Under) Expenditures	586,400	47,946	-	(315,062)	319,284
Other Financing Sources (Uses)					
Sale of capital assets	83,808	-	-	-	83,808
Net Change In Fund Balances	670,208	47,946	-	(315,062)	403,092
Fund Balances, January 1 as previously reported	4,614,621	518,217	454,183	595,548	6,182,569
Change to the financial reporting entity (Note 7) Change from major to nonmajor fund	-	-	(454,183)	454,183	-
Fund Balances, January 1 as restated	4,614,621	518,217	-	1,049,731	6,182,569
Fund Balances, June 30	\$ 5,284,829	\$ 566,163	\$ -	\$ 734,669	\$ 6,585,661

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

Independent School District No. 2895
Jackson, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2025

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

Total Net Change in Fund Balances - Governmental Funds	\$ 403,092
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	947,926
Depreciation expense	(1,730,599)
The net effect of various miscellaneous transactions involving capital assets.	
Gain on trade-in	47,349
Loss on disposal of assets	(48,460)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	1,430,000
Amortization of bond premiums	89,621
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.	24,250
Long-term pension activity is not reported in governmental funds.	
Pension expense	652,699
Direct aid contributions	(126,532)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	(22,885)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Other postemployment benefits costs	<u>26,960</u>
Change in Net Position - Governmental Activities	<u><u>\$ 1,693,421</u></u>

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

Independent School District No. 2895
Jackson, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	\$ 2,333,100	\$ 2,332,900	\$ 2,318,113	\$ (14,787)
Other local and county revenue	344,455	451,178	764,331	313,153
Interest earned on investments	50,000	190,000	215,210	25,210
Revenue from state sources	13,330,100	13,413,350	13,803,523	390,173
Revenue from federal sources	447,559	445,512	495,729	50,217
Total Revenues	<u>16,505,214</u>	<u>16,832,940</u>	<u>17,596,906</u>	<u>763,966</u>
Expenditures				
Current				
Administration	937,596	931,256	996,974	(65,718)
District support services	469,466	469,096	487,599	(18,503)
Elementary and secondary regular instruction	7,201,996	7,317,360	7,615,500	(298,140)
Vocational education instruction	284,560	286,875	319,373	(32,498)
Special education instruction	2,799,148	2,696,864	2,684,856	12,008
Instructional support services	618,120	675,832	649,527	26,305
Pupil support services	1,922,481	1,860,539	1,939,676	(79,137)
Sites and buildings	1,561,300	1,613,550	1,433,165	180,385
Fiscal and other fixed cost programs	149,750	180,150	180,006	144
Capital outlay				
District support services	-	-	14,599	(14,599)
Elementary and secondary regular instruction	124,000	148,285	200,243	(51,958)
Vocational education instruction	-	-	32,671	(32,671)
Instructional support services	95,000	122,000	128,895	(6,895)
Pupil support services	3,000	2,900	1,218	1,682
Sites and buildings	305,000	305,000	326,204	(21,204)
Total Expenditures	<u>16,471,417</u>	<u>16,609,707</u>	<u>17,010,506</u>	<u>(400,799)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,797	223,233	586,400	363,167
Other Financing Sources (Uses)				
Sale of capital assets	-	83,510	83,808	298
Net Change In Fund Balances	33,797	306,743	670,208	363,465
Fund Balances, July 1	<u>4,614,621</u>	<u>4,614,621</u>	<u>4,614,621</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 4,648,418</u>	<u>\$ 4,921,364</u>	<u>\$ 5,284,829</u>	<u>\$ 363,465</u>

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2895, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Description of Funds

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

Major Governmental Funds

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

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

Non-Major Governmental Funds

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

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

The *Building Construction fund* accounts for the resources used for the acquisition and/or construction of major capital facilities.

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

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

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

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

- U.S. Treasury Notes of are valued using quoted market prices (Level 1 inputs)

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

Investment Policy

The funds of the District shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. The primary criteria for the investment of the funds of the District, in priority order are as follows:

1. **Safety and Security.** Safety of principal is the first priority. The investments of the District shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.
2. **Liquidity.** The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.
3. **Return and Yield.** The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Limitations on instruments, diversification and maturity scheduling shall depend on whether the funds being invested are considered short-term or long-term funds. All funds shall normally be considered short-term except those reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years. The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

All investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minnesota statutes 118A.06. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

Deposit-type securities shall be collateralized as required by Minnesota statute 118A.03 for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.

Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping. The school district may accept a safekeeping receipt instead of requiring physical delivery or third-party safekeeping of collateral on overnight repurchase agreements of less than \$1,000,000.

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

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

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2025 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Current property taxes receivable is the uncollected portion of the taxes levied in 2024 and collectible in 2025. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year.

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

Accounts Receivable

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

Inventories and Prepaid Items

Food Service fund inventories include items purchased by the District and commodities donated by the U.S. Department of Agriculture (USDA). Commodities are valued using a standard price list furnished by the USDA and purchased inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

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

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

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

Assets	Years
Buildings	20 - 50
Equipment and Machinery	5 - 20

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other post-employment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension and OPEB contributions made subsequent to the measurement date.

Compensated Absences

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

Sick Pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment. Amounts anticipated to be used in the future are insignificant, thus no long-term portion of sick liabilities is recorded in the financial statements.

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at July 1, 2024. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Long-term Obligations

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

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

Teachers Retirement Association (TRA)

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

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

Public Employees Retirement Association (PERA)

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

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

	Public Employees Retirement Association of Minnesota (PERA)		Total All Plans
	GERP	TRA	
District's proportionate share	\$ 66,578	\$ 329,804	\$ 396,382
Proportionate share of State's contribution	656	28,131	28,787
Total pension expense	<u>\$ 67,234</u>	<u>\$ 357,935</u>	<u>\$ 425,169</u>

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, one of the items, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are the deferred pension and deferred other postemployment benefit resources reported in the statement of net position of the government-wide statements. These items result from the difference between expected and actual experience, the net difference between projected and actual investments earnings on pension and OPEB plan investments, changes in assumptions and changes in proportion and differences between entity contributions and proportionate share of contributions.

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of 1.5 months of operating expenditures for cash-flow timing needs.

Net Position

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

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

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

The District amended the originally adopted budget for the General fund in the current year to account for changes in student numbers, late teacher salary settlement, and late awarded state revenues.

B. Excess of Actual Expenditures Over Appropriations

For the year ended June 30, 2025, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess
General	\$ 16,609,707	\$ 17,010,506	\$ 400,799
Food Service	923,535	982,261	58,726
Debt service	2,362,675	2,364,225	1,550

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

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the District's carrying amount of deposits was \$2,219,361 and the bank balance was \$2,367,248. Of the bank balance, \$1,732,809 was covered by federal depository insurance and the remaining amount was covered by bonds or collateral held by the District's agent in the District's name.

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Investments

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Minnesota School District Liquid Asset Fund (MSDLAF)	AAAm	less than 1 year	\$ 6,268,213	\$ -	\$ -	\$ -
Non-Pooled Investments at Amortized Costs						
Brokered cash and cash equivalents	AAA	less than 1 year	1,269	-	-	-
Non-Pooled Investments at Fair Value						
U.S. Treasury notes	A-1+	less than 1 year	79,652	79,652	-	-
Total Investments			<u>\$ 6,349,134</u>	<u>\$ 79,652</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

N/A Indicates not applicable or available.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAAm. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

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

Deposits	\$ 2,219,361
Investments	<u>6,349,134</u>
Total	<u>\$ 8,568,495</u>

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2024 and payable in 2025. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2025 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Taxes receivable is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	\$ 945,871	\$ 1,667,577	\$ 54,204	\$ 2,667,652
Delinquent Taxes	21,215	490	4,182	25,887
Total Taxes Receivable	<u>\$ 967,086</u>	<u>\$ 1,668,067</u>	<u>\$ 58,386</u>	<u>\$ 2,693,539</u>
Property Taxes Levied for Subsequent Year	<u>\$ 2,183,011</u>	<u>\$ 2,345,699</u>	<u>\$ 129,791</u>	<u>\$ 4,658,501</u>

C. Capital Assets

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

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Governmental Activities				
Capital Assets not Being Depreciated				
Land	<u>\$ 143,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,618</u>
Capital Assets Being Depreciated				
Buildings	70,479,724	752,675	-	71,232,399
Equipment	5,729,436	242,600	(51,920)	5,920,116
Total Capital Assets Being Depreciated	<u>76,209,160</u>	<u>995,275</u>	<u>(51,920)</u>	<u>77,152,515</u>
Less Accumulated Depreciation				
Buildings	(18,522,120)	(1,500,271)	-	(20,022,391)
Equipment	(3,893,584)	(230,328)	3,460	(4,120,452)
Total Accumulated Depreciation	<u>(22,415,704)</u>	<u>(1,730,599)</u>	<u>3,460</u>	<u>(24,142,843)</u>
Total Capital Assets Being Depreciated, Net	<u>53,793,456</u>	<u>(735,324)</u>	<u>(48,460)</u>	<u>53,009,672</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 53,937,074</u>	<u>\$ (735,324)</u>	<u>\$ (48,460)</u>	<u>\$ 53,153,290</u>

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Depreciation Expense Was Charged to Governmental Activities as Follows:

Administration	\$ 4,212
District Support Services	365
Elementary And Secondary Regular Instruction	83,342
Vocational Education Instruction	4,116
Instructional Support Services	22,492
Pupil Support Services	53,480
Sites and Buildings	289,563
Fiscal And Other Fixed Cost Programs	<u>1,273,029</u>
Total Depreciation Expense	<u>\$ 1,730,599</u>

D. Long-term Debt

General Obligation Bonds

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

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

Description	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
G.O. School Building Bonds, Series 2020A	\$ 34,050,000	2.00 - 4.00 %	02/13/20	02/01/42	\$ 1,385,000	\$ 30,295,000
G.O. School Building Bonds, Series 2022A	1,365,000	3.50 - 5.00	11/17/22	02/01/37	<u>100,000</u>	<u>1,165,000</u>
Total					<u>\$ 1,485,000</u>	<u>\$ 31,460,000</u>

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

The annual requirements to amortize all bonds outstanding at June 30, 2025 are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2026	\$ 1,485,000	\$ 870,475	\$ 2,355,475
2027	1,540,000	810,075	2,350,075
2028	1,585,000	747,475	2,332,475
2029	1,650,000	684,525	2,334,525
2030	1,715,000	619,000	2,334,000
2031 - 2035	9,255,000	2,369,844	11,624,844
2036 - 2040	9,975,000	1,271,706	11,246,706
2041 - 2042	4,255,000	133,313	4,388,313
Total	<u>\$ 31,460,000</u>	<u>\$ 7,506,413</u>	<u>\$ 38,966,413</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2025 was as follows:

	Beginning Balance As Restated	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 32,890,000	\$ -	\$ (1,430,000)	\$ 31,460,000	\$ 1,485,000
Bond premiums	1,603,832	-	(89,621)	1,514,211	-
Total Bonds Payable	<u>\$ 34,493,832</u>	<u>\$ -</u>	<u>\$ (1,519,621)</u>	<u>\$ 32,974,211</u>	<u>\$ 1,485,000</u>

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At June 30, 2025, portions of the District's fund balance are not available for appropriation due to legal restrictions (Restricted) and policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Nonmajor Governmental	Total	Reconciling Items	UFARS Balance
Nonspendable						
Inventories	\$ 32,817	\$ -	\$ 21,335	\$ 54,152	\$ -	\$ 54,152
Prepaid items	13,225	-	-	13,225	-	13,225
Total Nonspendable	<u>\$ 46,042</u>	<u>\$ -</u>	<u>\$ 21,335</u>	<u>\$ 67,377</u>	<u>\$ -</u>	<u>\$ 67,377</u>
Restricted for						
Student activities	\$ 42,027	\$ -	\$ -	\$ 42,027	\$ -	\$ 42,027
Scholarships	1,122	-	-	1,122	-	1,122
Staff development	75,114	-	-	75,114	-	75,114
Literacy incentive aid	13,739	-	-	13,739	-	13,739
Operating capital	523,393	-	-	523,393	-	523,393
Lakefield Fields project	16,801	-	-	16,801	-	16,801
Husky wrestling capital improvement project	183	-	-	183	-	183
Learning and development	2,527	-	-	2,527	-	2,527
Gifted and talented	11,295	-	-	11,295	-	11,295
Basic skills	817,747	-	-	817,747	-	817,747
School library aid	8,284	-	-	8,284	-	8,284
Safe schools	85,024	-	-	85,024	-	85,024
READ act - literacy aid	42,126	-	-	42,126	-	42,126
READ act - teacher training compensation	24,257	-	-	24,257	-	24,257
Long term facility maintenance	539,397	-	-	539,397	-	539,397
Medical assistance	209,212	-	-	209,212	-	209,212
Strength and conditioning	36,413	-	-	36,413	-	36,413
Career pathways	53,821	-	-	53,821	-	53,821
Community education	-	-	362,736	362,736	-	362,736
Early childhood and family education	-	-	13,043	13,043	-	13,043
Adult basic education	-	-	80	80	-	80
School readiness	-	-	-	-	(264,658)	(264,658)
Food service	-	-	427,999	427,999	-	427,999
Community service	-	-	2,048	2,048	-	2,048
Swimming pool	-	-	91,305	91,305	-	91,305
Building project	-	-	80,781	80,781	-	80,781
Debt service	-	566,163	-	566,163	-	566,163
Total Restricted	<u>\$ 2,502,482</u>	<u>\$ 566,163</u>	<u>\$ 977,992</u>	<u>\$ 4,046,637</u>	<u>\$ (264,658)</u>	<u>\$ 3,781,979</u>
Assigned	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 350,000</u>	<u>\$ -</u>	<u>\$ 350,000</u>
Unassigned	<u>\$ 2,386,305</u>	<u>\$ -</u>	<u>\$ (264,658)</u>	<u>\$ 2,121,647</u>	<u>\$ 264,658</u>	<u>\$ 2,386,305</u>

Restricted for Student Activities - This amount represents resources dedicate to student-focused extracurricular activities offered and approved by the School Board.

Restricted for Scholarships - This amount represents available resources for scholarships. Revenues are derived from contributions and donations.

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

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

Restricted for Operating Capital - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicles and computer hardware and software. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Restricted for Lakefield Fields Project - This amount represents available resources for the Lakefield Fields project. Revenues are derived from contributions and donations.

Restricted for Husky Wrestling Capital Improvement Project - This amount represents available resources for capital improvements related to the wrestling program. Revenues are derived from donations.

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

Restricted for Gifted and Talented - This amount represents available resources to provide gifted and talented students with challenging and appropriate educational programs. Revenues are derived from donations.

Restricted for Basic Skills - This amount represents resources dedicated to meeting the educational needs of pupils who enroll under-prepared to learn and have performance below the level appropriate for their age.

Restricted for School Library Aid - This amount represents the resources available for the school library aid uses.

Restricted for Safe Schools - This amount represents resources restricted for crime prevention and making schools safe for students and staff.

Restricted for READ Act – Literacy Aid - This amount Represents resources available for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy.

Restricted for READ Act - Teacher Training Compensation - This amount represents resources available for teacher compensation for Read Act training.

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

Restricted for Medical Assistance - This amount represents available resources for medical assistance expenditures. Revenues are derived from State aids.

Restricted for Strength and Conditioning - This amount represents available resources for strength and conditioning opportunities for students. Revenues are derived from donations

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Career Pathways - This amount represents available resources for career pathways. Revenues are derived from contributions and donations.

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

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

Restricted for Adult Basic Education - This amount represents the balance of carryover monies for all activity involving Adult Basic Education. This would include all state aid and any grants or local funding used in support of ABE.

Restricted for School Readiness - This amount represents the resources available to provide for services for school readiness programs. This includes aids, fees, grants and all other revenues received by the school district

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

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

Restricted for Swimming Pool - This amount represents available resources dedicated exclusively for operating the swimming pool. Revenues are derived from tax levies and local and county sources and expenditures are primarily for salaries, benefits, purchased services supplies and materials.

Restricted for Building Project - This amount represents resources available for future capital project expenditures identified by bond proceeds.

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

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide

A. Teacher Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

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

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

With these provisions:

1. Retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
2. Three percent per year early retirement reduction factor for all years under normal retirement age.
3. Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

Tier II:

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 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 Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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

3. Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for 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, 2024, and 2023 were \$519,795, \$602,983, and \$588,685. The District's contributions were equal to the required contributions for each year as set by state statute.

4. 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.

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2025

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Experience Studies	August 2, 2023 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 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% 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-2021 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 assumptions prescribed are based on the experience study dated August 2, 2023. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.

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

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

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

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2025

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

Changes in the actuarial assumptions since the 2022 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.

5. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 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.

6. Net Pension Liability

On June 30, 2025, The District reported a liability of \$6,608,494 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 0.104% at the end of the measurement period and 0.1083% for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	\$ 6,608,494
State's Proportionate Share of Net Pension Liability Associated with the District	<u>405,017</u>
Total	<u><u>\$ 7,013,511</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$329,804. It also recognized \$28,131 as an decrease 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 \$183,214 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.

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 321,587	\$ 92,897
Changes in Actuarial Assumptions	722,877	1,128,082
Net Difference Between Projected and Actual Investment Earnings	-	273,833
Changes in Proportion	-	295,848
Contributions Paid to PERA Subsequent to the Measurement Date	519,795	-
	<u>\$ 1,564,259</u>	<u>\$ 1,790,660</u>
Total		

The \$519,795 reported as deferred outflows of resources related to pensions resulting from District Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2025	\$ (531,968)
2026	564,785
2027	216,337
2028	(438,325)
2029	(364,140)
Thereafter	(192,885)

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate (preparer instructions: multiply the allocation % by TRA's sensitivity footnote info).

	District's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
Teachers Retirement Association	\$ 11,637,944	\$ 6,608,494	\$ 4,586,808

8. Pension Plan Fiduciary Net Position

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

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2025

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

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan

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

2. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 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 0.25 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. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2025

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

3. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50 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 years ending June 30, 2025, 2024 and 2023, were \$175,993, \$162,516 and \$165,988, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$946,510 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 \$24,475.

District's Proportionate Share of Net Pension Liability	\$ 946,510
State's Proportionate Share of Net Pension Liability Associated with the District	24,475
	<hr/>
Total	\$ 970,985
	<hr/>

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0256 percent at the end of the measurement period and 0.0278 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$66,578 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$656 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2025, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$43,548 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.

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 91,878	\$ -
Changes in Actuarial Assumptions	5,306	574,235
Net Difference Between Projected and Actual Investment Earnings	-	75,237
Changes in Proportion	-	92,157
Contributions Paid to PERA Subsequent to the Measurement Date	175,993	-
	<u>273,177</u>	<u>741,629</u>
Total	<u>\$ 273,177</u>	<u>\$ 741,629</u>

The \$175,993 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (370,802)
2026	(84,003)
2027	(165,482)
2028	(24,158)

5. Long-Term Expected Return on Investment

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

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

Independent School District No. 2895
Jackson, Minnesota
Notes to the Financial Statements
June 30, 2025

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

6. Actuarial 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 for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2023. The assumption changes were adopted by the board and became effective with the July 1, 2024 actuarial valuation.

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

7. 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 Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Independent School District No. 2895
 Jackson, Minnesota
 Notes to the Financial Statements
 June 30, 2025

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

8. Pension Liability Sensitivity

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

	District's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
General Employees Fund	\$ 2,067,331	\$ 946,510	\$ 24,533

9. Pension Plan Fiduciary Net Position

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the District's group health insurance plan until Medicare age, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At June 30, 2025, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	11
Spouses Receiving Payments	4
Active Plan Members	<u>176</u>
Total Plan Members	<u><u>191</u></u>

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. At the present time, no retiree benefits are provided except the allowance to continue health insurance that is mandated by Minnesota Law. The District does not contribute any of the cost of current-year premiums for eligible retired plan members or their spouses.

For the year ended June 30, 2025, the District's average contribution rate was 6.49 percent of covered-employee payroll. For the fiscal year 2025, the District did not directly contribute to the plan, while implicit contributions totaled \$82,913. The General fund is typically used to liquidate the governmental portion of the net OPEB obligation.

C. Actuarial Methods and Assumptions

The District's total OPEB liability of \$556,883 was measured as of July 1, 2024, and the OPEB liability was determined by an actuarial valuation as of July 1, 2023. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

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, unless otherwise specified:

Discount Rate	3.90%
20-Year Municipal Bond Yield	3.90%
Inflation Rate	2.50%
Salary Increases	See sample rates in actuarial valuation report
Medical Trend Rate	6.25% in 2024 grading to 5.00% over 5 years and then to 4.00% over the next 48 years
Discount Trend Rate	N/A

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

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Net OPEB Liability
Balances at June 30, 2024	<u>\$ 569,777</u>
Changes for the Year	
Service Costs	37,995
Interest Costs	22,290
Benefit Payment	<u>(73,179)</u>
Net Changes	<u>(12,894)</u>
Balances at June 30, 2025	<u><u>\$ 556,883</u></u>

Since the prior measurement date, the following assumptions changed:

- None

Since the prior measurement date, the following benefit terms changed:

- None

Since the prior measurement date, the following plan provisions changed:

- None

E. Sensitivity of the Net OPEB Liability

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

1 Percent Decrease 2.9%	Discount Rate Current 3.9%	1 Percent Increase 4.9%
\$ 585,876	\$ 556,883	\$ 528,921

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

1 Percent Decrease 5.25% Decreasing to 4.00% then 3.00%	Healthcare Cost Trend Rates 6.25% Decreasing to 5.00% then 4.00%	1 Percent Increase 7.25% Decreasing to 6.00% then 5.00%
\$ 507,628	\$ 556,883	\$ 614,922

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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

For the year ended June 30, 2025, the District Recognized negative OPEB expense of \$26,959. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 61,360	\$ 46,146
Changes in Actuarial Assumptions	17,542	30,812
Contributions Paid to OPEB Subsequent to the Measurement Date	82,913	-
Total	<u>\$ 161,815</u>	<u>\$ 76,958</u>

Deferred outflows of resources totaling \$82,913 related to pensions resulting from the District's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability as of June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

2026	\$ (4,327)
2027	(1,402)
2028	(1,402)
2029	(1,408)
2030	5,241
Thereafter	5,242

Independent School District No. 2895

Jackson, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 6: Other Information

A. Risk Management

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

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

The Southwest/West Central Services Cooperative Health Insurance Fund was formed under a joint powers agreement. The agreement is to provide a cooperative program of group funding and risk management of employee health and medical claims for the employees of the member school districts. The fund is not intended to function as an insurance company for the districts. Rather, it is a means of combining the administration of claims and of obtaining lower insurance rates. Although premiums billed to the districts are determined on an actuarial basis, the districts' liability for claims is limited to the amount of premiums paid.

B. Federal and State Programs

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

Note 7: Adjustments to and Restatements of Beginning Balances

Change within Major and Nonmajor Fund Reporting

During fiscal year 2025, the Building Construction fund was determined to be nonmajor. The effects of the changes within the financial reporting entity are shown in the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2895

Jackson, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2025

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.1040 %	\$ 6,608,494	\$ 405,017	\$ 7,013,511	\$ 6,891,234	95.9 %	82.1 %
6/30/2023	0.1083	8,941,491	626,277	9,567,768	6,885,208	129.9	76.4
6/30/2022	0.1118	8,952,353	663,997	9,616,350	6,911,756	129.5	76.2
6/30/2021	0.1128	4,936,465	416,290	5,352,755	6,748,648	73.1	86.6
6/30/2020	0.1145	8,459,413	708,949	9,168,362	6,476,518	130.6	75.5
6/30/2019	0.1178	7,508,597	664,359	8,172,956	6,598,396	113.8	78.2
6/30/2018	0.1178	7,399,509	695,326	8,094,835	6,508,837	113.7	78.1
6/30/2017	0.1253	25,012,153	2,417,627	27,429,780	6,747,438	370.7	51.6
6/30/2016	0.1216	29,004,501	2,911,176	31,915,677	6,323,947	458.6	44.9
6/30/2015	0.1170	7,237,607	888,092	8,125,699	5,936,107	121.9	76.8

Schedule of Employer's TRA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 519,795	\$ 519,795	\$ -	\$ 5,940,509	8.75 %
6/30/2024	602,983	602,983	-	6,891,234	8.75
6/30/2023	588,685	588,685	-	6,885,208	8.55
6/30/2022	576,440	576,440	-	6,911,756	8.34
6/30/2021	548,665	548,665	-	6,748,648	8.13
6/30/2020	512,940	512,940	-	6,476,518	7.92
6/30/2019	508,736	508,736	-	6,598,396	7.71
6/30/2018	488,163	488,163	-	6,508,837	7.50
6/30/2017	506,058	506,058	-	6,747,438	7.50
6/30/2016	474,296	474,296	-	6,323,947	7.50

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

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

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

2022
No changes noted.

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

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

2019
No changes noted.

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

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

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

2015
The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014
The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2024
No changes noted.

2023
No changes noted.

2022
No changes noted.

2021
No changes noted.

2020
No changes noted.

2019
No changes noted.

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

2017
No changes noted.

2016
No changes noted.

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

2014
The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the 0.1178 (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0256 %	\$ 946,510	\$ 24,475	\$ 970,985	\$ 2,166,880	43.7 %	86.7 %
6/30/2023	0.0278	1,554,545	42,904	1,597,449	2,213,168	70.2	83.1
6/30/2022	0.0294	2,328,490	68,350	2,396,840	2,204,880	105.6	76.7
6/30/2021	0.0296	1,264,053	38,597	1,302,650	2,133,666	59.2	87.0
6/30/2020	0.0292	1,750,673	53,984	1,804,657	2,027,746	86.3	79.0
6/30/2019	0.0305	1,686,277	52,498	1,738,775	2,161,201	78.0	80.2
6/30/2018	0.0294	1,630,991	53,386	1,684,377	1,971,902	82.7	79.5
6/30/2017	0.0312	1,991,787	25,015	2,016,802	2,007,560	99.2	75.9
6/30/2016	0.0324	2,630,719	34,439	2,665,158	2,013,520	130.7	68.9
6/30/2015	0.0314	1,627,311	-	1,627,311	1,813,493	89.7	78.2

Schedule of Employer's PERA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 175,993	\$ 175,993	\$ -	\$ 2,346,578	7.50 %
6/30/2024	162,516	162,516	-	2,166,880	7.50
6/30/2023	165,988	165,988	-	2,213,168	7.50
6/30/2022	165,366	165,366	-	2,204,880	7.50
6/30/2021	160,025	160,025	-	2,133,666	7.50
6/30/2020	152,081	152,081	-	2,027,746	7.50
6/30/2019	162,090	162,090	-	2,161,201	7.50
6/30/2018	147,893	147,893	-	1,971,902	7.50
6/30/2017	150,567	150,567	-	2,007,560	7.50
6/30/2016	151,014	151,014	-	2,013,520	7.50

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2024

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

2023

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

2022

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

2021

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

2020

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

2019

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

2018

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

2017

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

2016

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

2015

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

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

2024

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

2023

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

2022

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

2021

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

2020

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

2019

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

2018

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

2017

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

2016

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

2015

On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Changes in the District's OPEB Liability and Related Ratios

	2025	2024	2023	2022	2021	2020	2019
Total OPEB Liability							
Service Costs	\$ 37,995	\$ 36,888	\$ 36,684	\$ 35,616	\$ 34,715	\$ 33,704	\$ 40,655
Interest Costs	22,290	11,371	11,337	18,068	17,819	19,870	19,516
Assumption Changes	-	(39,885)	-	35,090	-	(6,323)	-
Differences between expected and actual experience	-	81,814	-	(88,240)	-	(14,183)	-
Benefit Payment	(73,179)	(49,696)	(43,601)	(45,447)	(45,345)	(42,052)	(43,515)
Net Change in Total OPEB Liability	(12,894)	40,492	4,420	(44,913)	7,189	(8,984)	16,656
Total OPEB Liability - Beginning	569,777	529,285	524,865	569,778	562,589	571,573	554,917
Total OPEB Liability - Ending	<u>\$ 556,883</u>	<u>\$ 569,777</u>	<u>\$ 529,285</u>	<u>\$ 524,865</u>	<u>\$ 569,778</u>	<u>\$ 562,589</u>	<u>\$ 571,573</u>
Covered - Employee Payroll	\$ 8,578,092	\$ 8,328,245	\$ 8,677,603	\$ 8,564,591	\$ 8,315,137	\$ 8,238,226	\$ 8,238,226
City's total OPEB liability as a percentage of covered employee payroll	6.49 %	6.84 %	6.10 %	6.13 %	6.85 %	6.83 %	6.94 %

Note: This schedule intended to show 10-year trends. Additional years will be reported as they become available.

Independent School District No. 2895
Jackson, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Changes in the District's OPEB Liability and Related Ratios (Continued)

Changes in assumptions:

2025

No changes noted.

2024

The health care trend rates and mortality tables were updated. The inflation rate was changed from 2.00% to 2.50%. The discount rate was changed from 2.10% to 3.90%.

2023

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

2022

The health care trend rates, mortality tables, salary increase rates for non-teachers, withdrawal rates, and retire plan participation percentages were updated. The inflation rate was changed from 2.50% to 2.00%. The discount rate was changed from 3.10% to 2.10%.

2021

No changes noted.

2020

The health care trend rates, mortality tables, and salary increase assumptions were updated. The discount rate changed from 3.40% to 3.10%.

2019

No changes noted.

Changes in Plan Provisions:

None

Changes in benefits:

None

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COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2895

Jackson, Minnesota

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2025

	Special Revenue		Formerly Major	
	Food Service	Community Service	Building Construction	Total
Assets				
Cash and temporary investments	\$ 447,824	\$ 316,251	\$ 80,921	\$ 844,996
Receivables				
Taxes				
Current	-	54,204	-	54,204
Delinquent	-	4,182	-	4,182
Accounts and interest	-	16,529	-	16,529
Intergovernmental	1,793	10,034	-	11,827
Inventories	21,335	-	-	21,335
Total Assets	\$ 470,952	\$ 401,200	\$ 80,921	\$ 953,073
Liabilities				
Salaries and wages payable	\$ 1,509	\$ 44,802	\$ -	\$ 46,311
Accounts and other payables	2,839	13,915	140	16,894
Due to other governments	-	3,956	-	3,956
Unearned revenue	17,270	-	-	17,270
Total Liabilities	21,618	62,673	140	84,431
Deferred Inflows of Resources				
Property taxes levied for subsequent year	-	129,791	-	129,791
Unavailable revenue				
Delinquent property taxes	-	4,182	-	4,182
Total Deferred Inflows of Resources	-	133,973	-	133,973
Fund Balances				
Nonspendable				
Inventories	21,335	-	-	21,335
Restricted				
Community education	-	362,736	-	362,736
Early childhood family education	-	13,043	-	13,043
Adult basic education	-	80	-	80
Community service	-	2,048	-	2,048
Swimming pool	-	91,305	-	91,305
Food service	427,999	-	-	427,999
Building construction	-	-	80,781	80,781
Unassigned	-	(264,658)	-	(264,658)
Total Fund Balances	449,334	204,554	80,781	734,669
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 470,952	\$ 401,200	\$ 80,921	\$ 953,073

Independent School District No. 2895
Jackson, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	Special Revenue		Formerly Major	
	Food Service	Community Service	Building Construction	Total
Revenues				
Local property tax levies	\$ -	\$ 112,907	\$ -	\$ 112,907
Other local and county revenue	15,734	692,415	3,550	711,699
Interest earned on investments	16,088	9,954	19,494	45,536
Revenue from state sources	515,147	109,557	-	624,704
Revenue from federal sources	418,196	-	-	418,196
Sales and other conversion of assets	39,572	-	-	39,572
Total Revenues	<u>1,004,737</u>	<u>924,833</u>	<u>23,044</u>	<u>1,952,614</u>
Expenditures				
Current				
Community education and services	-	878,101	-	878,101
Pupil support services	982,261	10,868	-	993,129
Capital outlay	-	-	395,295	395,295
Debt service				
Interest and other charges	-	-	1,151	1,151
Total Expenditures	<u>982,261</u>	<u>888,969</u>	<u>396,446</u>	<u>2,267,676</u>
Net Change In Fund Balances	22,476	35,864	(373,402)	(315,062)
Fund Balances, July 1	<u>426,858</u>	<u>168,690</u>	<u>454,183</u>	<u>1,049,731</u>
Fund Balances, June 30	<u>\$ 449,334</u>	<u>\$ 204,554</u>	<u>\$ 80,781</u>	<u>\$ 734,669</u>

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Independent School District No. 2895
Jackson, Minnesota
General Fund
Comparative Balance Sheets
June 30, 2025 and 2024

	2025	2024
Assets		
Cash and temporary investments	\$ 6,604,234	\$ 5,829,552
Receivables		
Taxes		
Current	945,871	969,622
Delinquent	21,215	37,745
Accounts	25,568	15,216
Intergovernmental	1,578,518	1,515,093
Inventories	32,817	11,430
Prepaid items	13,225	27,895
	<u>9,221,448</u>	<u>8,406,553</u>
Total Assets	\$ 9,221,448	\$ 8,406,553
Liabilities		
Salaries payable	\$ 606,468	\$ 631,173
Accounts and other payables	110,309	46,850
Due to other school districts	131,970	120,111
Due to other governments	67,342	66,781
Accrued expenses	816,304	673,812
Total Liabilities	1,732,393	1,538,727
Deferred Inflows of Resources		
Property taxes levied for subsequent year	2,183,011	2,215,460
Unavailable revenue		
Delinquent property taxes	21,215	37,745
Total Deferred Inflows of Resources	2,204,226	2,253,205
Fund Balances		
Nonspendable		
Inventories	32,817	11,430
Prepaid items	13,225	27,895
Restricted		
Staff development	75,114	53,321
Literacy incentive aid	13,739	6,703
Operating capital	523,393	460,667
Learning and development	2,527	4,211
Gifted and talented	11,295	8,259
Basic skills	817,747	397,235
Integration and development	-	9,361
School library aid	8,284	4,352
Safe schools	85,024	79,002
READ Act - literacy aid	42,126	-
READ Act - tchr training compensation	24,257	-
Long term facility maintenance	539,397	594,978
Medical assistance	209,212	151,369
Lakefield Fields Project	16,801	91
Strength and Conditioning	36,413	26,346
Husky Wrestling Capital Improvement Project	183	183
Student activities	42,027	36,792
Scholarships	1,122	1,372
Career pathways	53,821	60,296
Assigned	350,000	350,000
Unassigned	2,386,305	2,330,758
Total Fund Balances	5,284,829	4,614,621
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 9,221,448	\$ 8,406,553

Independent School District No. 2895

Jackson, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Continued on the Following Page)

For the Year Ended June 30, 2025

(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025			2024	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 2,333,100	\$ 2,332,900	\$ 2,318,113	\$ (14,787)	\$ 2,145,296
Other local and county revenue	344,455	451,178	764,331	313,153	722,688
Interest earned on investments	50,000	190,000	215,210	25,210	195,832
Revenue from state sources	13,330,100	13,413,350	13,803,523	390,173	13,020,251
Revenue from federal sources	447,559	445,512	495,729	50,217	497,141
Total Revenues	16,505,214	16,832,940	17,596,906	763,966	16,581,208
Expenditures					
Current					
Administration					
Salaries	617,831	616,351	638,642	(22,291)	663,428
Employee benefits	218,615	204,755	206,809	(2,054)	214,859
Purchased services	84,600	90,600	111,493	(20,893)	100,412
Supplies and materials	3,200	6,200	12,525	(6,325)	4,074
Other expenditures	13,350	13,350	27,505	(14,155)	13,210
Total administration	937,596	931,256	996,974	(65,718)	995,983
District support services					
Salaries	203,236	195,775	183,758	12,017	187,789
Employee benefits	115,562	117,945	118,618	(673)	106,507
Purchased services	83,900	86,450	106,899	(20,449)	79,148
Supplies and materials	66,148	68,306	77,565	(9,259)	68,296
Other expenditures	620	620	759	(139)	710
Total district support services	469,466	469,096	487,599	(18,503)	442,450
Elementary and secondary regular instruction					
Salaries	4,810,567	4,892,648	4,929,477	(36,829)	4,700,373
Employee benefits	1,359,357	1,339,538	1,310,912	28,626	1,280,070
Purchased services	729,340	763,487	846,030	(82,543)	718,847
Supplies and materials	300,732	319,687	389,266	(69,579)	372,433
Other expenditures	2,000	2,000	139,815	(137,815)	1,946
Total elementary and secondary regular instruction	7,201,996	7,317,360	7,615,500	(298,140)	7,073,669
Vocational education instruction					
Salaries	203,855	201,605	216,093	(14,488)	195,534
Employee benefits	51,705	56,270	58,683	(2,413)	48,769
Purchased services	14,000	14,000	11,602	2,398	11,646
Supplies and materials	15,000	15,000	26,893	(11,893)	22,480
Other expenditures	-	-	6,102	(6,102)	-
Total vocational education instruction	284,560	286,875	319,373	(32,498)	278,429
Special education instruction					
Salaries	1,902,605	1,903,095	1,859,757	43,338	1,690,515
Employee benefits	499,542	451,118	430,416	20,702	411,470
Purchased services	372,796	318,796	327,967	(9,171)	361,988
Supplies and materials	24,205	23,855	28,844	(4,989)	28,393
Other expenditures	-	-	37,872	(37,872)	-
Total special education instruction	2,799,148	2,696,864	2,684,856	12,008	2,492,366

Independent School District No. 2895
Jackson, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025		2024		
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (Continued)					
Instructional support services					
Salaries	\$ 373,060	\$ 379,935	\$ 375,118	\$ 4,817	\$ 403,094
Employee benefits	99,085	106,822	109,194	(2,372)	109,836
Purchased services	50,000	68,550	58,000	10,550	52,566
Supplies and materials	95,975	120,525	98,504	22,021	84,303
Other expenditures	-	-	8,711	(8,711)	-
Total instructional support services	618,120	675,832	649,527	26,305	649,799
Pupil support services					
Salaries	438,375	389,030	375,694	13,336	333,944
Employee benefits	126,556	106,309	102,714	3,595	99,167
Purchased services	1,347,550	1,353,050	1,434,231	(81,181)	1,185,276
Supplies and materials	10,000	12,150	16,574	(4,424)	8,540
Other expenditures	-	-	10,463	(10,463)	-
Total pupil support services	1,922,481	1,860,539	1,939,676	(79,137)	1,626,927
Sites and buildings					
Salaries	470,000	500,000	464,266	35,734	446,807
Employee benefits	139,100	121,950	105,184	16,766	118,108
Purchased services	667,200	786,900	689,514	97,386	719,356
Supplies and materials	325,000	244,700	218,354	26,346	183,785
Other expenditures	(40,000)	(40,000)	(44,153)	4,153	(45,000)
Total sites and buildings	1,561,300	1,613,550	1,433,165	180,385	1,423,056
Fiscal and other fixed cost programs					
Employee benefits	250	250	250	-	-
Purchased services	149,500	179,900	179,756	144	127,264
Total fiscal and other fixed cost programs	149,750	180,150	180,006	144	127,264
Total current	15,944,417	16,031,522	16,306,676	(275,154)	15,109,943
Capital outlay					
District support services	-	-	14,599	(14,599)	774
Elementary and secondary regular instruction	124,000	148,285	200,243	(51,958)	116,175
Vocational education instruction	-	-	32,671	(32,671)	39,997
Special education instruction	-	-	-	-	284
Instructional support services	95,000	122,000	128,895	(6,895)	101,661
Pupil support services	3,000	2,900	1,218	1,682	1,747
Sites and buildings	305,000	305,000	326,204	(21,204)	124,020
Total capital outlay	527,000	578,185	703,830	(125,645)	384,658
Total Expenditures	16,471,417	16,609,707	17,010,506	(400,799)	15,494,601
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	33,797	223,233	586,400	363,167	1,086,607
Other Financing Sources (Uses)					
Sale of capital assets	-	83,510	83,808	298	187
Net Change In Fund Balances	33,797	306,743	670,208	363,465	1,086,794
Fund Balances, July 1	4,614,621	4,614,621	4,614,621	-	3,527,827
Fund Balances, June 30	\$ 4,648,418	\$ 4,921,364	\$ 5,284,829	\$ 363,465	\$ 4,614,621

Independent School District No. 2895
Jackson, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025			2024
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Revenues				
Other local and county revenues	\$ 15,000	\$ 15,000	\$ 15,734	\$ 18,671
Interest earned on investments	2,000	12,500	16,088	14,698
Revenue from state sources	486,200	512,205	515,147	489,880
Revenue from federal sources	395,300	395,850	418,196	444,280
Sales and other conversion of assets	45,000	40,000	39,572	41,199
Total Revenues	<u>943,500</u>	<u>975,555</u>	<u>1,004,737</u>	<u>1,008,728</u>
Expenditures				
Current				
Pupil support services				
Salaries	319,850	286,200	288,209	280,455
Employee benefits	68,165	59,335	57,404	56,990
Purchased services	9,250	21,250	26,446	9,816
Supplies and materials	486,250	516,750	565,202	521,570
Other expenditures	40,000	40,000	45,000	45,000
Total Expenditures	<u>923,515</u>	<u>923,535</u>	<u>982,261</u>	<u>913,831</u>
Net Change In Fund Balances	19,985	52,020	22,476	94,897
Fund Balances, July 1	<u>426,858</u>	<u>426,858</u>	<u>426,858</u>	<u>331,961</u>
Fund Balances, June 30	<u>\$ 446,843</u>	<u>\$ 478,878</u>	<u>\$ 449,334</u>	<u>\$ 426,858</u>

Independent School District No. 2895
Jackson, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 112,540	\$ 113,640	\$ 112,907	\$ (733)	\$ 110,039
Other local and county revenue	636,620	680,046	692,415	12,369	728,814
Interest earned on investments	-	7,500	9,954	2,454	8,964
Revenue from state sources	103,410	99,370	109,557	10,187	105,667
Total revenues	<u>852,570</u>	<u>900,556</u>	<u>924,833</u>	<u>24,277</u>	<u>953,484</u>
Expenditures					
Current					
Community education and services					
Salaries	520,500	531,600	506,078	25,522	516,037
Employee benefits	127,705	124,095	116,588	7,507	123,599
Purchased services	82,200	90,750	78,039	12,711	77,339
Supplies and materials	164,955	163,600	169,548	(5,948)	169,715
Other expenditures	-	-	7,848	(7,848)	-
Total community education and services	<u>895,360</u>	<u>910,045</u>	<u>878,101</u>	<u>31,944</u>	<u>886,690</u>
Pupil support services					
Salaries	8,300	8,460	8,686	(226)	9,101
Employee benefits	2,460	2,400	2,182	218	2,590
Total pupil support services	<u>10,760</u>	<u>10,860</u>	<u>10,868</u>	<u>(8)</u>	<u>11,691</u>
Total current	906,120	920,905	888,969	31,936	898,381
Capital outlay					
Community education and services	-	-	-	-	4,438
Total Expenditures	<u>906,120</u>	<u>920,905</u>	<u>888,969</u>	<u>31,936</u>	<u>902,819</u>
Net Change in Fund Balances	(53,550)	(20,349)	35,864	56,213	50,665
Fund Balances, July 1	<u>168,690</u>	<u>168,690</u>	<u>168,690</u>	-	<u>118,025</u>
Fund Balances, June 30	<u>\$ 115,140</u>	<u>\$ 148,341</u>	<u>\$ 204,554</u>	<u>\$ 56,213</u>	<u>\$ 168,690</u>

Independent School District No. 2895
Jackson, Minnesota
Building Construction Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025			2024
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Revenues				
Other local and county revenue	\$ -	\$ 3,500	\$ 3,550	\$ 474,849
Interest earned on investments	-	20,000	19,494	111,418
Total revenues	-	23,500	23,044	586,267
Expenditures				
Debt service				
Interest and other charges	1,500	1,500	1,151	3,141
Capital outlay				
Sites and buildings	551,500	498,500	395,295	2,722,828
Total Expenditures	553,000	500,000	396,446	2,725,969
Net Change in Fund Balances	(553,000)	(476,500)	(373,402)	(2,139,702)
Fund Balances, July 1	454,183	454,183	454,183	2,593,885
Fund Balances, June 30	<u>\$ (98,817)</u>	<u>\$ (22,317)</u>	<u>\$ 80,781</u>	<u>\$ 454,183</u>

Independent School District No. 2895
Jackson, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025			2024
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Revenues				
Local property tax levies	\$ 1,186,000	\$ 1,122,000	\$ 1,122,603	\$ 1,215,436
Other local and county revenues	100	100	-	84
Interest earned on investments	1,000	40,000	39,375	42,127
Revenue from state sources	1,186,000	1,249,700	1,250,193	1,188,311
Total Revenues	<u>2,373,100</u>	<u>2,411,800</u>	<u>2,412,171</u>	<u>2,445,958</u>
Expenditures				
Debt service				
Principal	1,430,000	1,430,000	1,430,000	1,380,000
Interest and other charges	932,675	932,675	934,225	1,000,933
Total Expenditures	<u>2,362,675</u>	<u>2,362,675</u>	<u>2,364,225</u>	<u>2,380,933</u>
Net Change in Fund Balances	10,425	49,125	47,946	65,025
Fund Balances, July 1	<u>518,217</u>	<u>518,217</u>	<u>518,217</u>	<u>453,192</u>
Fund Balances, June 30	<u>\$ 528,642</u>	<u>\$ 567,342</u>	<u>\$ 566,163</u>	<u>\$ 518,217</u>

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Independent School District No. 2895
Jackson, Minnesota
Schedules of Tax Capacity, Tax Levy and Tax Rates
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Tax Capacity		
Agricultural	\$ 23,229,857	\$ 22,565,996
Nonagricultural	<u>6,659,062</u>	<u>6,926,900</u>
Total	<u><u>\$ 29,888,919</u></u>	<u><u>\$ 29,492,896</u></u>
Tax Levy		
General	\$ 2,330,228	\$ 2,364,986
Community Service	129,840	117,960
Debt Service	<u>2,346,576</u>	<u>2,372,517</u>
Total	<u><u>\$ 4,806,644</u></u>	<u><u>\$ 4,855,463</u></u>
Tax Capacity Rates		
General	2.987	2.987
Community Service	0.412	0.381
Debt Service	<u>7.446</u>	<u>7.663</u>
Total	<u><u>10.845</u></u>	<u><u>11.031</u></u>



Fiscal Compliance Report - 6/30/2025

District: JACKSON COUNTY CENTRAL (2895-1)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$17,596,906	<u>\$17,596,883</u>	<u>\$23</u>	Total Revenue	\$23,044	<u>\$23,043</u>	<u>\$1</u>
Total Expenditures	\$17,010,506	<u>\$17,010,482</u>	<u>\$24</u>	Total Expenditures	\$396,446	<u>\$396,445</u>	<u>\$1</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$46,042	<u>\$46,042</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$42,027	<u>\$42,026</u>	<u>\$1</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$1,122	<u>\$1,122</u>	<u>\$0</u>	4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$75,114	<u>\$75,115</u>	<u>(\$1)</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$80,781	<u>\$80,781</u>	<u>\$0</u>
4.12 Literacy Incentive Aid	\$13,739	<u>\$13,739</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.20 American Indian Education Aid	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$2,412,171	<u>\$2,412,171</u>	<u>\$0</u>
4.24 Operating Capital	\$540,377	<u>\$540,377</u>	<u>\$0</u>	Total Expenditures	\$2,364,225	<u>\$2,364,225</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$2,527	<u>\$2,526</u>	<u>\$1</u>	<i>Restricted / Reserved:</i>			
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$11,295	<u>\$11,296</u>	<u>(\$1)</u>	<i>Restricted:</i>			
4.39 English Learner	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$566,163	<u>\$566,163</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.41 Basic Skills Programs	\$817,747	<u>\$817,747</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.43 School Library Aid	\$8,284	<u>\$8,284</u>	<u>\$0</u>				
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	08 TRUST			
4.49 Safe Schools Levy	\$85,024	<u>\$85,024</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$42,126	<u>\$42,125</u>	<u>\$1</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$24,257	<u>\$24,257</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>				
4.67 LTFM	\$539,397	<u>\$539,397</u>	<u>\$0</u>	18 CUSTODIAL			
4.71 Student Support Personnel Aid	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$209,212	<u>\$209,213</u>	<u>(\$1)</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>				<i>Restricted / Reserved:</i>			
4.64 Restricted Fund Balance	\$90,234	<u>\$90,236</u>	<u>(\$2)</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>	4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>				
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	20 INTERNAL SERVICE			
<i>Assigned:</i>				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$350,000	<u>\$350,000</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$2,386,305	<u>\$2,386,301</u>	<u>\$4</u>				
				25 OPEB REVOCABLE TRUST			
				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
				92 Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>

02 FOOD SERVICES

Total Revenue	\$1,004,737	<u>\$1,004,738</u>	<u>(\$1)</u>
Total Expenditures	\$982,261	<u>\$982,260</u>	<u>\$1</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$21,335	<u>\$21,335</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$427,999	<u>\$428,000</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

04 COMMUNITY SERVICE

Total Revenue	\$924,833	<u>\$924,830</u>	<u>\$3</u>
Total Expenditures	\$888,969	<u>\$888,965</u>	<u>\$4</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$362,736	<u>\$362,734</u>	<u>\$2</u>
4.32 E.C.F.E	\$13,043	<u>\$13,042</u>	<u>\$1</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	(\$264,658)	<u>(\$264,657)</u>	<u>(\$1)</u>
4.47 Adult Basic Education	\$80	<u>\$80</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$93,353	<u>\$93,354</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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

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

47 OPEB DEBT SERVICE

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

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 2895
Jackson, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2895, Jackson, Minnesota, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Districts basic financial statements. and have issued our report thereon dated October 2, 2025.

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

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



Abdo
Mankato, Minnesota
October 2, 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**

Members of the School Board
Independent School District No. 2895
Jackson, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2895, Jackson, Minnesota, (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 2, 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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



Abdo
Mankato, Minnesota
October 2, 2025



FEDERAL FINANCIAL AWARD PROGRAMS
INDEPENDENT SCHOOL DISTRICT NO. 2895
JACKSON, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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

Members of the School Board
Independent School District No. 2895
Jackson, Minnesota

Opinion on Each Major Federal Program

We have audited the Independent School District No. 2895, Jackson, Minnesota (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2025. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the City 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 City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its 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.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings, responses and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit 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 compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities the each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise e the District's basic financial statements. We issued our report thereon dated October 2, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Abdo
Mankato, Minnesota
December 16, 2025



Independent School District No. 2895
Jackson, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Federal Program Clusters	Total Federal Expenditures
U.S. Department of Agriculture	Minnesota Department of Education	National School Lunch Program	10.555	\$ 363,959	
U.S. Department of Agriculture	Minnesota Department of Education	School Breakfast Program	10.553	44,177	
U.S. Department of Agriculture	Minnesota Department of Education	Special Milk Program for Children	10.556	119	
U.S. Department of Agriculture	Minnesota Department of Education	Summer Food Service Program for Children	10.559	<u>1,943</u>	
		Total Child Nutrition Cluster			\$ 410,198
U.S. Department of Education	SW/WC Service Cooperatives Flow Through Payments	Special Education Grants to States	84.027	44,761	
U.S. Department of Education	SW/WC Service Cooperatives Flow Through Payments	Special Education Preschool Grants	84.173	<u>8,500</u>	
		Total Special Education Cluster			53,261
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010		205,947
U.S. Department of Education	Minnesota Department of Education	Improving Teacher Quality State Grants	84.367		31,476
U.S. Department of Agriculture	Minnesota Department of Education	State Administrative Expenses for Child Nutrition	10.560		3,942
U.S. Department of Health and Human Services	Minnesota Department of Health	Block Grants for Prevention and Treatment of Substance Abuse	93.959		<u>199,308</u>
		Total Federal Expenditures			<u>\$ 904,132</u>

*Represents noncash assistance comprised of the value of commodities issued to the District for the year.

Independent School District No. 2895
Jackson, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Independent School District No. 2895, Jackson, Minnesota, (the District) for the year ended June 30, 2025. The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2025, the District did not elect to use the 10% de minimis indirect cost rate.

Independent School District No. 2895
Jackson, Minnesota
Schedule of Findings, Responses 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 weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a) of the Uniform Guidance.	No

Identification of Clusters/Major Programs

	<u>Assistance Listing No.</u>
Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Major Federal Award Findings and Questioned Costs

There was one instance of noncompliance (finding 2025-001) that is required to be reported in accordance with Uniform Guidance. There was one significant deficiency that was required to be reported in accordance with the Uniform Guidance.

Section IV - Corrective Action Plans

Corrective Action Plans are attached as required to be reported under the Federal Single Audit Act.

Independent School District No. 2895
Jackson, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-001	Ineligible Student Approved for Food and Nutrition Program US Department of Agriculture – Child Nutrition Cluster
<i>Condition:</i>	During our review of 40 student applications for the 2024-2025 school year, we identified one instance in which a student was approved for free lunch benefits despite being income-ineligible based on the documentation provided.
<i>Criteria:</i>	According to 7 CFR § 245.6(a), schools participating in the National School Lunch Program and School Breakfast Program must determine student eligibility for free or reduced-price meals based on current household income and family size, or through direct certification. All applications must be accurately reviewed and approved based on required documentation and eligibility criteria.
<i>Cause:</i>	During our review of eligibility determinations for the 2024-2025 school year, it was found that one student was approved for free meal benefit despite not meeting the income eligibility guidelines or qualifying under any categorical eligibility (e.g., SNAP, or Medicare). The household application for this student reported income that exceeded the USDA-established thresholds for free or reduced-price meals. The error appears to have resulted in miscalculation of household income on the application and a lack of secondary review or quality control procedures for determining eligibility.
<i>Effect:</i>	The student received meal benefits for which they were not eligible, resulting in improper federal reimbursement claims submitted by the school.
<i>Recommendation:</i>	<p>We recommend that the Food and Nutrition Program Office implement stronger internal controls to ensure proper eligibility determination. This includes staff training on income calculations, implementing a secondary review of applications, and conducting periodic internal audits.</p>
<i>Management Response:</i>	<p>There is no disagreement with the audit finding.</p>



JACKSON COUNTY CENTRAL SCHOOLS

Serving our communities of Jackson County Central since 1997

ISD

#2895

SUPERINTENDENT

Dr. Mike Neubeck

WEBPAGE

www.jccschools.com

DISTRICT OFFICE

1128 N Highway

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Jackson, MN 56143

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Fax: 507-847-3078

JCC HIGH SCHOOL

1128 N Highway

PO Box 119

Jackson, MN 56143

Ph: 507-847-5310

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JCC MIDDLE SCHOOL

205 4th Ave. N

PO Box 338

Lakefield, MN 56150

Ph: 507-662-6625

Fax: 507-662-5063

PLEASANTVIEW ELEMENTARY SCHOOL

110 Milwaukee St.

PO Box 754

Lakefield, MN 56150

Ph: 507-662-6218

Fax: 507-662-6690

RIVERSIDE ELEMENTARY SCHOOL

820 Park St.

Jackson, MN 56143

2025-001

Ineligible Student Approved for Food and Nutrition Program

U.S. Department of Agriculture – Child Nutrition Cluster

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District will implement review of household applications.

3. Official Responsible for Ensuring CAP:

Maria Bezdicek, Business Manager, is the official responsible for ensuring corrective action for compliance.

4. Planned Completion Date for CAP:

The planned completion date is June 30, 2025.

5. Plan to Monitor Completion of CAP:

The School Board of ISD No. 2895 will be monitoring this corrective action plan.

Sincerely,

INTERIM SUPERINTENDENT
JCC SCHOOLS