

**Independent School District No. 277  
Minnetrista, Minnesota**

**Basic Financial Statements**

**June 30, 2025**

**Independent School District No. 277  
Table of Contents**

|  |          |
|--|----------|
| <b>Board of Education and Administration</b>   | <b>1</b> |
| <b>Independent Auditor's Report</b>  | <b>3</b> |
| <b>Management's Discussion and Analysis</b>  | <b>7</b> |
| <b>Basic Financial Statements</b>  |          |
| Government-Wide Financial Statements   |          |
| Statement of Net Position  | 20       |
| Statement of Activities  | 21       |
| Fund Financial Statements  |          |
| Balance Sheet - Governmental Funds   | 22       |
| Reconciliation of the Balance Sheet to the Statement of Net Position<br>- Governmental Funds   | 23       |
| Statement of Revenues, Expenditures, and Changes in Fund Balances<br>- Governmental Funds  | 24       |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in<br>Fund Balances to the Statement of Activities - Governmental Funds | 25       |
| Statement of Revenues, Expenditures, and Changes in Fund Balance<br>- Budget and Actual - General Fund   | 26       |
| Statement of Net Position - Proprietary Fund   | 27       |
| Statement of Revenues, Expenses, and Changes in Fund Net Position<br>- Proprietary Fund  | 28       |
| Statement of Cash Flows - Proprietary Fund   | 29       |
| Statement of Fiduciary Net Position  | 30       |
| Statement of Changes in Fiduciary Net Position   | 30       |
| Notes to Basic Financial Statements  | 31       |
| <b>Required Supplementary Information</b>  |          |
| Schedule of Changes in Total OPEB Liability and Related Ratios   | 68       |
| Schedule of District's and Non-Employer Proportionate Share of<br>Net Pension Liability - General Employees Plan Retirement Funds              | 70       |
| Schedule of District's and Non-Employer Proportionate Share of<br>Net Pension Liability - TRA Retirement Funds                                 | 70       |
| Schedule of District Contributions - General Employees Plan Retirement Funds   | 71       |
| Schedule of District Contributions - TRA Retirement Funds  | 71       |
| Notes to the Required Supplementary Information  | 72       |
| <b>Supplementary Information</b>   |          |
| Combining Balance Sheet - Nonmajor Governmental Funds  | 82       |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances<br>- Nonmajor Governmental Funds                                   | 83       |
| Combining Statement of Net Position - Internal Service Funds   | 84       |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Position<br>- Internal Service Funds  | 85       |
| Combining Statement of Cash Flows - Internal Service Funds   | 86       |
| Uniform Financial Accounting and Reporting Standards Compliance Table  | 87       |

**Independent School District No. 277  
Table of Contents**

|  |           |
|--|-----------|
| <b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> | <b>89</b> |
| <b>Schedule of Findings and Corrective Action Plans on Internal Control</b>  | <b>91</b> |
| <b>Minnesota Legal Compliance</b>  | <b>95</b> |

**Independent School District No. 277  
Board of Education and Administration  
June 30, 2025**

| Board of Education | Position    | Term Expires    |
|--------------------|-------------|-----------------|
| Gary Wollner       | Chairperson | January 1, 2026 |
| Heidi Marty        | Vice-Chair  | January 1, 2028 |
| Loren Davis        | Clerk       | January 1, 2026 |
| Ralph Harrison     | Treasurer   | January 1, 2028 |
| Brian Roath        | Director    | January 1, 2028 |
| David Olson        | Director    | January 1, 2028 |
| Brian Carlson      | Director    | January 1, 2026 |

Administration

|                       |  |
|-----------------------|--|
| Kevin Borg            | Superintendent                                     |
| Mark Femrite          | Assistant Superintendent for Teaching and Learning |
| Kathy Miller          | Director of Finance                                |
| Scott Lhotka          | Director of Community Education                    |
| Cory Wolf             | Director of Technology Services                    |
| Emily Rustman         | Director of Special Services                       |
| Jolene Herfel         | Principal - Mound Westonka High School             |
| Christy Keeley-Zachow | Principal - Grandview Middle School                |
| Scott Eidsness        | Principal - Shirley Hills Primary                  |
| Mike Moch             | Principal - Hilltop Primary                        |

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## Independent Auditor's Report

To the School Board  
Independent School District No. 277  
Minnetrista, Minnesota

### **Report on the Audit of the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 277, Minnetrista, Minnesota, as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 277, Minnetrista, Minnesota, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 277 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Emphasis of Matter - Error Corrections in Previously Issued Financial Statements**

As discussed in Note 10, adjustments were made to correct errors identified that related to previously issued financial statements. Our opinions are not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

The management of Independent School District No. 277 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, which 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, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2025, on our consideration of the District's internal control over basic 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 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.

BerganKDV, Ltd.

Minneapolis, Minnesota  
September 29, 2025

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## **Independent School District No. 277 Management's Discussion and Analysis**

This section of Independent School District No. 277's (the "District") annual financial report presents the District's management discussion and analysis of the District's financial performance during the year that ended on June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999.

### **Overview of the Financial Statements**

The financial section of the annual report consists of four parts - Independent Auditor's Report, Required Supplementary Information that includes the Management's Discussion and Analysis ([MD&A] this section), the Basic Financial Statements, and Supplemental Information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

### ***District-Wide Statements***

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

## Independent School District No. 277 Management's Discussion and Analysis

### Overview of the Financial Statements (Continued)

#### *District-Wide Statements (Continued)*

- To assess overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base, the condition of school buildings, and other facilities.

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

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

#### *Fund Financial Statements*

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

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

The District has three kinds of funds:

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

**Independent School District No. 277  
Management's Discussion and Analysis**

**Financial Analysis of the District as a Whole**

- Net Position - The District's combined net position was 29,083,026 on June 30,2025.

**Table 1  
Statement of Net Position  
Governmental Activities**

|                                      | 2024                 | 2025                 | Percentage<br>Change<br>2024-25 |
|--------------------------------------|----------------------|----------------------|---------------------------------|
| <b>Assets</b>                        |                      |                      |                                 |
| Current and other assets             | \$ 83,025,168        | \$ 77,551,943        | -6.6%                           |
| Capital assets                       | 69,814,049           | 75,965,731           | 8.8%                            |
| Total assets                         | <u>152,839,217</u>   | <u>153,517,674</u>   | <u>0.4%</u>                     |
| <b>Deferred Outflow of Resources</b> |                      |                      |                                 |
| Deferred outflows                    | <u>\$ 6,235,686</u>  | <u>\$ 6,018,962</u>  | <u>-3.5%</u>                    |
| <b>Liabilities</b>                   |                      |                      |                                 |
| Long-term liabilities                | \$ 99,883,853        | \$ 88,749,678        | -11.1%                          |
| Other liabilities                    | 7,430,665            | 13,923,451           | 87.4%                           |
| Total liabilities                    | <u>107,314,518</u>   | <u>102,673,129</u>   | <u>-4.3%</u>                    |
| <b>Deferred Inflow of Resources</b>  |                      |                      |                                 |
| Deferred inflows                     | <u>22,400,345</u>    | <u>27,780,481</u>    | <u>24.0%</u>                    |
| <b>Net Position</b>                  |                      |                      |                                 |
| Net investment in capital assets     | 39,963,875           | 37,233,660           | -6.8%                           |
| Restricted                           | 1,692,523            | 2,812,367            | 66.2%                           |
| Unrestricted                         | <u>(12,296,358)</u>  | <u>(10,963,001)</u>  | <u>-10.8%</u>                   |
| Total net position                   | <u>\$ 29,360,040</u> | <u>\$ 29,083,026</u> | <u>-0.9%</u>                    |

**Independent School District No. 277  
Management's Discussion and Analysis**

**Financial Analysis of the District as a Whole (Continued)**

A summary of the revenue and expenses is presented in Table 2.

**Table 2  
Change in Net Position**

|  | 2024                 | 2025                 | Percentage<br>Change<br>2024-25 |
|--|----------------------|----------------------|---------------------------------|
| <b>Revenues</b>                              |                      |                      |                                 |
| Program revenues                             |                      |                      |                                 |
| Charges for services                         | \$ 4,915,418         | \$ 4,902,667         | -0.3%                           |
| Operating grants and contributions           | 9,888,481            | 11,952,670           | 20.9%                           |
| Capital grants and contributions             | 36,105               | 5,267                | -85.4%                          |
| General revenues                             |                      |                      |                                 |
| Property taxes                               | 15,894,548           | 21,106,969           | 32.8%                           |
| State aid - formula grants                   | 18,536,514           | 19,397,982           | 4.6%                            |
| Other  | 1,753,562            | 3,251,603            | 85.4%                           |
| Total revenues                               | <u>51,024,628</u>    | <u>60,617,158</u>    | <u>18.8%</u>                    |
| <b>Expenses</b>                              |                      |                      |                                 |
| Administration                               | 1,246,637            | 1,426,831            | 14.5%                           |
| District Support Services                    | 1,698,103            | 2,080,559            | 22.5%                           |
| Elementary and Secondary Regular Instruction | 16,059,266           | 18,521,338           | 15.3%                           |
| Vocational Education Instruction             | 357,407              | 436,782              | 22.2%                           |
| Special Education Instruction                | 7,693,807            | 9,338,106            | 21.4%                           |
| Instructional Support Services               | 1,962,592            | 2,259,971            | 15.2%                           |
| Pupil Support Services                       | 2,647,845            | 3,167,123            | 19.6%                           |
| Sites, Buildings, and Equipment              | 4,402,158            | 5,755,831            | 30.8%                           |
| Fiscal and Other Fixed Cost Programs         | 206,071              | 254,471              | 23.5%                           |
| Food Service                                 | 2,067,971            | 2,303,543            | 11.4%                           |
| Community Education and Services             | 4,368,606            | 4,918,559            | 12.6%                           |
| Unallocated depreciation                     | 1,030,186            | -                    | -100.0%                         |
| Interest on long-term debt                   | 1,670,833            | 2,053,036            | 22.9%                           |
| Total expenses                               | <u>45,411,482</u>    | <u>52,516,150</u>    | <u>15.6%</u>                    |
| Change in net position                       | <u>5,613,146</u>     | <u>8,101,008</u>     | 44.3%                           |
| End of year net position, as restated        | <u>\$ 20,982,018</u> | <u>\$ 29,083,026</u> | 38.6%                           |

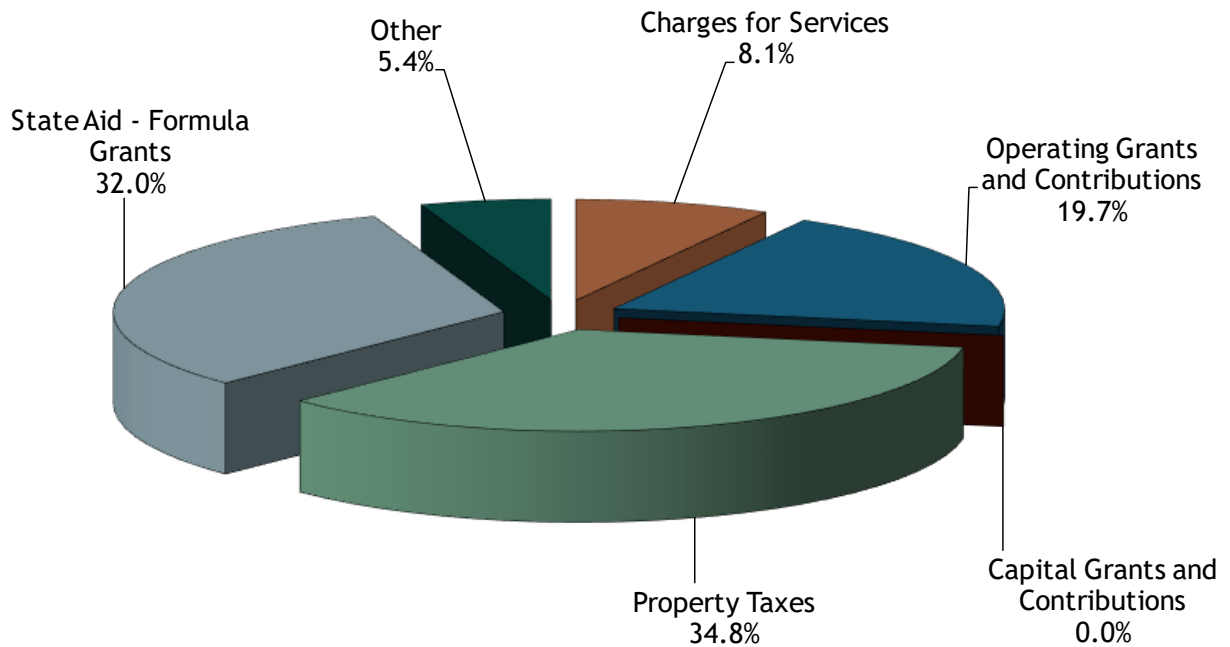
Independent School District No. 277  
Management's Discussion and Analysis

**Financial Analysis of the District as a Whole (Continued)**

**Changes in Net Position** - The District's total revenues were \$60,617,158 for the year ended June 30, 2025. Property taxes and state formula aid accounted for 66.8% of total revenue for the year (see Figure A). Another 33.2% came from other general revenues combined with interest earnings and the remainder from program revenues.

Total revenues surpassed expenses, increasing net position \$8,101,008 over last year.

**Figure A**  
**Sources of the District's Revenues for Fiscal Year 2025**

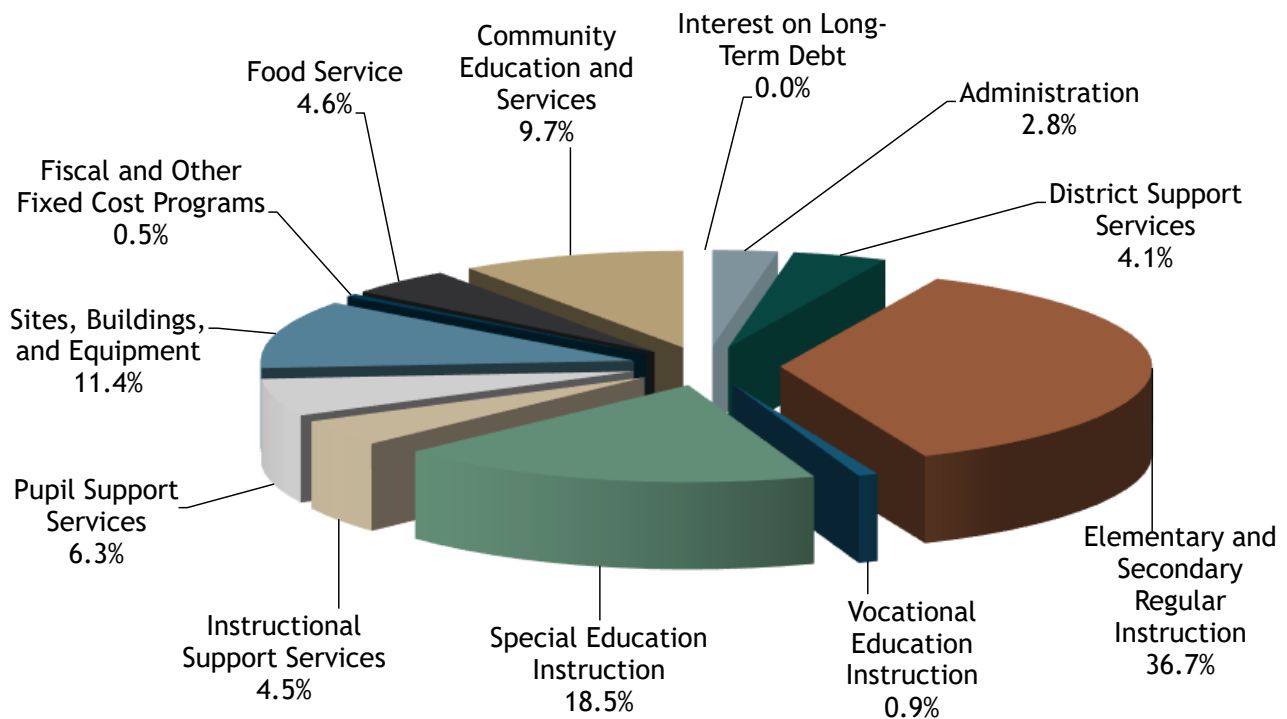


Independent School District No. 277  
Management's Discussion and Analysis

Financial Analysis of the District as a Whole (Continued)

**Changes in Net Position (Continued)** - The total cost of all programs and services was \$52,516,150. The District's expenses predominately related to the educating and caring for students (regular instructional programs, vocational instruction, special education programs and instructional and pupil support) were 64% of expenses incurred; see Figure B. The purely administrative activities of the District accounted for just 3% of total costs.

**Figure B**  
**The District's Expenses for Fiscal Year 2025**



**Independent School District No. 277  
Management's Discussion and Analysis**

**Financial Analysis of the District as a Whole (Continued)**

**Table 3  
Net Cost of Governmental Activities**

|  | Total Cost of Services |                      | Percentage        | Net Cost of Services |                      | Percentage        |
|--|------------------------|----------------------|-------------------|----------------------|----------------------|-------------------|
|  | 2024                   | 2025                 | Change<br>2024-25 | 2024                 | 2025                 | Change<br>2024-25 |
| Administration                               | \$ 1,246,637           | \$ 1,426,831         | 14.5%             | \$ 1,246,637         | \$ 1,426,799         | 14.5%             |
| District Support Services                    | 1,698,103              | 2,080,559            | 22.5%             | 1,648,623            | 2,031,142            | 23.2%             |
| Elementary and Secondary Regular Instruction | 16,059,266             | 18,521,338           | 15.3%             | 13,054,142           | 15,178,791           | 16.3%             |
| Vocational Education Instruction             | 357,407                | 436,782              | 22.2%             | 345,434              | 423,886              | 22.7%             |
| Special Education Instruction                | 7,693,807              | 9,338,106            | 21.4%             | 1,949,701            | 1,884,422            | -3.3%             |
| Instructional Support Services               | 1,962,592              | 2,259,971            | 15.2%             | 1,905,324            | 2,204,230            | 15.7%             |
| Pupil Support Services                       | 2,647,845              | 3,167,123            | 19.6%             | 2,533,171            | 3,101,033            | 22.4%             |
| Sites, buildings, and equipment              | 4,402,158              | 5,755,831            | 30.8%             | 4,366,053            | 5,745,564            | 31.6%             |
| Fiscal and other fixed cost programs         | 206,071                | 254,471              | 23.5%             | 206,071              | 254,471              | 23.5%             |
| Community Education and Services             | 2,067,971              | 2,303,543            | 11.4%             | (75,140)             | 251,940              | -435.3%           |
| Food Service                                 | 4,368,606              | 4,918,559            | 12.6%             | 690,443              | 1,100,232            | 59.4%             |
| Unallocated depreciation                     | 1,030,186              | -                    | Undefined         | 1,030,186            | -                    | Undefined         |
| Interest on long-term debt                   | 1,670,833              | 2,053,036            | 22.9%             | 1,670,833            | 2,053,036            | 22.9%             |
| <b>Total</b>                                 | <b>\$ 45,411,482</b>   | <b>\$ 52,516,150</b> | <b>15.6%</b>      | <b>\$ 30,571,478</b> | <b>\$ 35,655,546</b> | <b>16.6%</b>      |

The cost of all governmental activities for 2024-25 was \$52,516,150.

- Some of the cost was paid by the users of the District's programs was \$4,902,667.
- The federal and state governments subsidized certain programs with grants and contributions was \$11,952,670.
- Most of the District's costs were paid for by District taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$21,106,969 in property taxes and \$19,397,982 of state aid based on the statewide education aid formula.
- In addition, \$3,251,603 of investment earnings and other general revenues was recognized.

**Financial Analysis of the District's Funds**

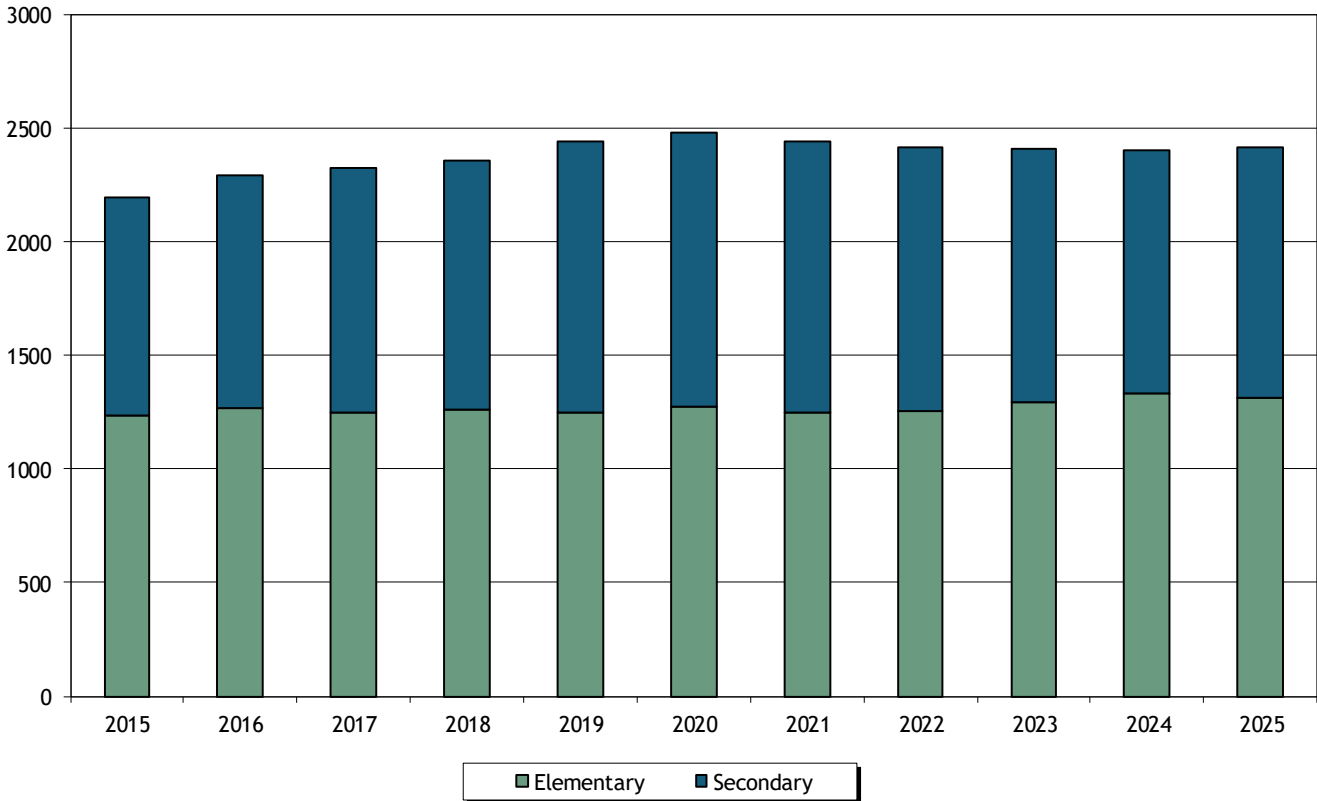
The financial performance of the District as a whole is reflected in its governmental funds as well. When the District completed the year, the governmental funds reported a combined fund balance of \$42,308,486 an decrease of \$12,019,273 from last year's ending fund balance of \$54,327,729.

Independent School District No. 277  
Management's Discussion and Analysis

**Financial Analysis of the District's Funds (Continued)**

Revenues for the District's governmental funds were \$59,889,554 and other financing sources were \$42,291 while total expenditures were \$72,533,848, resulting in \$12,602,003 of expenditures over revenues. The following graph shows the number of students served by the District.

**Students Served (Average Daily Membership)**



During 2024-25, the District's total enrollment slightly increased from the previous fiscal year. The district enrollment projections predict that a trend of stable to increasing enrollment will occur based on new housing construction occurring and planned in the District.

**General Fund**

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

**Independent School District No. 277  
Management's Discussion and Analysis**

**General Fund (Continued)**

The following schedule presents a summary of General Fund Revenues.

|                 | Year Ended<br>June 30, 2024 | Year Ended<br>June 30, 2025 | Percentage<br>Change<br>2024-25 |
|-----------------|-----------------------------|-----------------------------|---------------------------------|
| Local sources   |                             |                             |                                 |
| Property taxes  | \$ 10,921,996               | \$ 12,623,125               | 15.6%                           |
| Other           | 2,176,634                   | 2,708,823                   | 24.5%                           |
| State sources   | 24,967,294                  | 27,260,112                  | 9.2%                            |
| Federal sources | 958,412                     | 809,093                     | -15.6%                          |
| <br>Total       | <br><u>\$ 39,024,336</u>    | <br><u>\$ 43,401,153</u>    | <br><u>11.2%</u>                |

Total General Fund revenue increased by \$4,376,817 or 11.2%, from the previous year. This is primarily due to an increased enrollment, General Education and Special Education Aid.

Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on revenue.

The following schedule presents a summary of General Fund expenditures.

|                                       | Year Ended<br>June 30, 2024 | Year Ended<br>June 30, 2025 | Percentage<br>Change<br>2024-25 |
|---------------------------------------|-----------------------------|-----------------------------|---------------------------------|
| Salaries                              | \$ 21,104,502               | \$ 22,675,080               | 7.4%                            |
| Benefits                              | 7,151,621                   | 7,845,535                   | 9.7%                            |
| Purchased services                    | 6,418,478                   | 7,301,992                   | 13.8%                           |
| Supplies, materials, and<br>equipment | 4,226,767                   | 3,818,408                   | -9.7%                           |
| Other expenses                        | 224,382                     | 127,426                     | -43.2%                          |
| <br>Total                             | <br><u>\$ 39,125,749</u>    | <br><u>\$ 41,768,441</u>    | <br><u>6.8%</u>                 |

**Financial Analysis of the District's Funds**

Total General Fund expenditures increased \$2,642,692, or 6.8%, from the previous year primarily due to increases in wages and benefits and general inflation of purchased services, capital improvements, as well as technology initiatives including a one-to-one device for students.

In 2024-25, General Fund revenues were over expenditures and other financing uses by \$1,670,161

After deducting statutory reserves, the unassigned fund balance was \$3,373,598 at June 30, 2024. The unassigned fund balance is \$3,874,650 at June 30, 2025.

## Independent School District No. 277 Management's Discussion and Analysis

### Financial Analysis of the District's Funds (Continued)

#### *General Fund Budget Highlights*

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

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

While the District's final budget for the General Fund anticipated that revenues and would exceed expenditures by \$682,880; the actual results for the year show revenue and other financing uses exceed expenditures by \$1,632,712.

- Actual revenues were \$1,509,347 more than expected, about a 3.6% variance.
- The actual expenditures were \$559,515 less than budgeted, about a 1.4% variance.

#### **Nonmajor Funds**

The Community Service Fund experienced a current year fund balance increase of \$177,706 due to increased participation. The Community Service fund balance was \$394,495 as of June 30, 2025.

The Food Service Fund had deficit in operations of \$144,309 due to purchase of equipment. It has a restricted fund balance of \$1,227,353 on June 30, 2025. This balance will be used to offset future operating losses and to fund equipment improvements.

The Debt Service Fund expenditures exceeded revenues by \$127,545 in 2024-25. The remaining fund balance of \$1,111,621 at June 30, 2025, is available for meeting future debt service obligations.

#### **Capital Asset and Debt Administration**

##### *Capital Assets*

By the end of 2025, the District had invested \$75,965,731 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table 4). Total depreciation expense for the year was \$2,342,134. More detailed information can be found in Note 3 of the financial statements.

**Independent School District No. 277  
Management's Discussion and Analysis**

**Capital Asset and Debt Administration (Continued)**

***Capital Assets (Continued)***

**Table 4  
Capital Assets - Governmental Activities**

|  | 2024                 | 2025                 | Total Percent<br>Change<br>2024-25 |
|--|----------------------|----------------------|------------------------------------|
| Land                                       | \$ 2,345,834         | \$ 2,345,834         | 0.0%                               |
| Land improvements                          | 5,619,467            | 5,671,033            | 0.9%                               |
| Buildings                                  | 74,483,557           | 74,486,393           | 0.0%                               |
| Furniture and equipment                    | 11,461,694           | 12,145,751           | 6.0%                               |
| Vehicles                                   | 222,229              | 222,229              | 0.0%                               |
| Construction in progress                   | 1,821,093            | 18,537,232           | 0.0%                               |
| Less accumulated depreciation, as restated | (35,100,607)         | (37,442,741)         | 6.7%                               |
| <b>Total</b>                               | <b>\$ 60,853,267</b> | <b>\$ 75,965,731</b> | <b>24.8%</b>                       |

***Long-Term Liabilities***

At year-end, the District had \$64,590,914 in G.O. bonds and notes from direct borrowing outstanding, as shown in Table 5. The District also had \$431,876 in compensated absences payable at June 30, 2025. Finally, the District had \$23,384,019 in long-term pension and OPEB liabilities. More detailed information can be found in Note 4 of the financial statements.

**Table 5  
Outstanding Long-Term Liabilities**

|                                     | 2024                 | 2025                 | Total Percent<br>Change<br>2024-25 |
|-------------------------------------|----------------------|----------------------|------------------------------------|
| G.O. bonds payable                  | \$ 67,615,000        | \$ 63,220,000        | -6.5%                              |
| Notes from direct borrowing payable | 1,632,658            | 1,370,914            | -16.0%                             |
| Compensated absences                | 81,176               | 431,876              | 432.0%                             |
| Net pension liability               | 24,953,253           | 19,274,442           | -22.8%                             |
| Net OPEB liability                  | 4,182,985            | 4,109,577            | -1.8%                              |
| <b>Total</b>                        | <b>\$ 98,465,072</b> | <b>\$ 88,406,809</b> | <b>-10.2%</b>                      |

## **Independent School District No. 277 Management's Discussion and Analysis**

### **Factors Bearing on the District's Future**

With the exception of voter-approved excess operating referendum and building bond referendum, the District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The 2023 legislative sessions provided a 4% and 2% increase in the basic education funding formula allowance for the 2023-24 and 2024-25 years. The District will strive to maximize resources available through efficient and effective management of its operations.

The District will strive to maintain its longstanding commitment to academic excellence and educational opportunities for students within a framework of financial fiduciary responsibility.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have questions about this report or need additional financial information, contact: Business Services Office, Westonka Public Schools, Independent School District No. 277, Educational Service Center, 5901 Sunnyfield Road East, Minnetrista, Minnesota 55364, (952) 491-8021.

## **BASIC FINANCIAL STATEMENTS**

Independent School District No. 277  
Statement of Net Position  
June 30, 2025

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>  |                            |
| Cash and investments   | \$ 60,973,365              |
| Current property taxes receivable                                  | 10,803,399                 |
| Delinquent property taxes receivable                               | 317,434                    |
| Accounts receivable  | 150,847                    |
| Interest receivable  | 1,047,193                  |
| Due from Department of Education                                   | 3,329,270                  |
| Due from Federal Government through Department of Education        | 658,587                    |
| Due from other Minnesota school districts                          | 21,231                     |
| Inventory  | 47,459                     |
| Prepaid items  | 203,158                    |
| Capital assets (net of accumulated depreciation)                   |                            |
| Land   | 2,345,834                  |
| Construction in progress   | 18,537,232                 |
| Land improvements  | 2,407,601                  |
| Buildings  | 48,847,219                 |
| Equipment  | 3,730,923                  |
| Vehicles   | 96,922                     |
| Total assets   | 153,517,674                |
| <b>Deferred Outflows of Resources</b>                              |                            |
| Deferred outflows related to pensions                              | 5,666,026                  |
| Deferred outflows related to OPEB                                  | 352,936                    |
| Total deferred outflows of resources                               | 6,018,962                  |
| Total assets and deferred outflows of resources                    | \$ 159,536,636             |
| <b>Liabilities</b>   |                            |
| Accounts payable   | \$ 6,846,093               |
| Salaries and benefits payable                                      | 258,482                    |
| Interest payable   | 1,118,710                  |
| Due to other Minnesota school districts                            | 556,711                    |
| Unearned revenue   | 82,865                     |
| Bond principal payable, net  |                            |
| Payable within one year  | 4,570,000                  |
| Payable after one year   | 64,053,479                 |
| Notes from direct borrowing  |                            |
| Payable within one year  | 248,104                    |
| Payable after one year   | 1,122,810                  |
| Compensated absences payable                                       |                            |
| Payable within one year  | 115,443                    |
| Payable after one year   | 316,433                    |
| Total OPEB liability   |                            |
| Payable within one year  | 127,043                    |
| Payable after one year   | 3,982,534                  |
| Net pension liability  | 19,274,422                 |
| Total liabilities  | 102,673,129                |
| <b>Deferred Inflows of Resources</b>                               |                            |
| Property taxes levied for subsequent year's expenditures           | 20,122,678                 |
| Deferred amount on refunding                                       | 50,750                     |
| Deferred inflows related to pensions                               | 6,582,101                  |
| Deferred inflows related to OPEB                                   | 1,024,952                  |
| Total deferred inflows of resources                                | 27,780,481                 |
| <b>Net Position</b>  |                            |
| Net investment in capital assets                                   | 37,233,660                 |
| Restricted   | 2,812,367                  |
| Unrestricted   | (10,963,001)               |
| Total net position   | 29,083,026                 |
| Total liabilities, deferred inflows of resources, and net position | \$ 159,536,636             |

See notes to basic financial statements.

Independent School District No. 277  
Statement of Activities  
Year Ended June 30, 2025

| Functions/Programs                                    | Expenses             | Program Revenues        |  | Capital Grants<br>and<br>Contributions | Governmental<br>Activities | Net (Expense)<br>Revenues and<br>Changes in<br>Net Position |
|---|----------------------|-------------------------|--|--|----------------------------|---|
|   |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  |                            |   |
| <b>Governmental activities</b>                        |                      |                         |  |  |                            |   |
| Administration  | \$ 1,426,831         | \$ 32                   | \$ -                                     | \$ -                                   |                            | \$ (1,426,799)  |
| District support services                             | 2,080,559            | 49,417                  | -  | -                                      |                            | (2,031,142)   |
| Elementary and secondary regular instruction          | 18,521,338           | 1,260,455               | 2,082,092                                | -                                      |                            | (15,178,791)  |
| Vocational education instruction                      | 436,782              | -                       | 12,896                                   | -                                      |                            | (423,886)   |
| Special education instruction                         | 9,338,106            | -                       | 7,453,684                                | -                                      |                            | (1,884,422)   |
| Instructional support services                        | 2,259,971            | 25,741                  | 30,000                                   | -                                      |                            | (2,204,230)   |
| Pupil support services                                | 3,167,123            | 26,417                  | 39,673                                   | -                                      |                            | (3,101,033)   |
| Sites and buildings                                   | 5,755,831            | -                       | 5,000                                    | 5,267                                  |                            | (5,745,564)   |
| Fiscal and other fixed cost programs                  | 254,471              | -                       | -  | -                                      |                            | (254,471)   |
| Food service  | 2,303,543            | 242,811                 | 1,808,792                                | -                                      |                            | (251,940)   |
| Community education and services                      | 4,918,559            | 3,297,794               | 520,533                                  | -                                      |                            | (1,100,232)   |
| Interest and fiscal charges on long-term debt         | 2,053,036            | -                       | -  | -                                      |                            | (2,053,036)   |
| <b>Total governmental activities</b>                  | <b>\$ 52,516,150</b> | <b>\$ 4,902,667</b>     | <b>\$ 11,952,670</b>                     | <b>\$ 5,267</b>                        |                            | <b>(35,655,546)</b>   |
| <b>General revenues</b>                               |                      |                         |  |  |                            |   |
| <b>Taxes</b>  |                      |                         |  |  |                            |   |
|   |                      |                         |  |  |                            | 12,623,455  |
|   |                      |                         |  |  |                            | 1,079,410   |
|   |                      |                         |  |  |                            | 7,404,104   |
|   |                      |                         |  |  |                            | 19,397,982  |
|   |                      |                         |  |  |                            | 262,122   |
|   |                      |                         |  |  |                            | 2,947,190   |
|   |                      |                         |  |  |                            | 42,291  |
|   |                      |                         |  |  |                            | <u>43,756,554</u>   |
| <b>Change in net position</b>                         |                      |                         |  |  |                            | <u>8,101,008</u>  |
| <b>Net position - beginning, as previously stated</b> |                      |                         |  |  |                            | <u>29,360,040</u>   |
| <b>Error corrections (see note 10)</b>                |                      |                         |  |  |                            | <u>(8,378,022)</u>  |
| <b>Net position - beginning, as restated</b>          |                      |                         |  |  |                            | <u>20,982,018</u>   |
| <b>Net position - ending</b>                          |                      |                         |  |  |                            | <u>\$ 29,083,026</u>  |

See notes to basic financial statements.

**Independent School District No. 277**  
**Balance Sheet - Governmental Funds**  
**June 30, 2025**

|  | General                     | Debt Service               | Building<br>Construction    | Other<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------------------|----------------------------|-----------------------------|----------------------------|--------------------------------|
| <b>Assets</b>  |                             |                            |                             |                            |                                |
| <b>Cash and investments</b>  |                             |                            |                             |                            |                                |
| Cash and investments   | \$ 10,271,789               | \$ 4,906,719               | \$ 36,383,090               | \$ 2,007,417               | \$ 53,569,015                  |
| Current property taxes receivable  | 6,438,808                   | 3,804,484                  | -                           | 560,107                    | 10,803,399                     |
| Delinquent property taxes receivable   | 202,472                     | 98,868                     | -                           | 16,094                     | 317,434                        |
| Accounts receivable  | 61,803                      | -                          | -                           | 89,044                     | 150,847                        |
| Interest receivable  | 126,728                     | -                          | 906,051                     | -                          | 1,032,779                      |
| Due from Department of Education   | 3,156,714                   | 1,142                      | -                           | 171,414                    | 3,329,270                      |
| Due from Federal Government<br>through Department of Education                 | 584,016                     | -                          | -                           | 74,571                     | 658,587                        |
| Due from other Minnesota school districts                                      | 13,288                      | -                          | -                           | 7,943                      | 21,231                         |
| Inventory  | 34,874                      | -                          | -                           | 12,585                     | 47,459                         |
| Prepaid items  | 15,120                      | -                          | 116,942                     | -                          | 132,062                        |
| <b>Total assets</b>  | <u><u>\$ 20,905,612</u></u> | <u><u>\$ 8,811,213</u></u> | <u><u>\$ 37,406,083</u></u> | <u><u>\$ 2,939,175</u></u> | <u><u>\$ 70,062,083</u></u>    |
| <b>Liabilities</b>   |                             |                            |                             |                            |                                |
| Accounts payable   | \$ 329,470                  | \$ -                       | \$ 6,093,011                | \$ 91,308                  | \$ 6,513,789                   |
| Salaries and benefits payable  | 107,752                     | -                          | -                           | 150,730                    | 258,482                        |
| Due to other Minnesota school districts  | 556,711                     | -                          | -                           | -                          | 556,711                        |
| Unearned revenue   | -                           | -                          | -                           | 82,865                     | 82,865                         |
| <b>Total liabilities</b>   | <u><u>993,933</u></u>       | <u><u>-</u></u>            | <u><u>6,093,011</u></u>     | <u><u>324,903</u></u>      | <u><u>7,411,847</u></u>        |
| <b>Deferred Inflows of Resources</b>   |                             |                            |                             |                            |                                |
| Unavailable revenue - delinquent<br>property taxes                             | 144,232                     | 63,842                     | -                           | 10,998                     | 219,072                        |
| Property taxes levied for<br>subsequent year's expenditures                    | 11,361,193                  | 7,635,750                  | -                           | 1,125,735                  | 20,122,678                     |
| <b>Total deferred inflows of resources</b>                                     | <u><u>11,505,425</u></u>    | <u><u>7,699,592</u></u>    | <u><u>-</u></u>             | <u><u>1,136,733</u></u>    | <u><u>20,341,750</u></u>       |
| <b>Fund Balances</b>   |                             |                            |                             |                            |                                |
| Nonspendable   | 49,994                      | -                          | 116,942                     | 12,585                     | 179,521                        |
| Restricted   | 1,302,307                   | 1,111,621                  | 31,196,130                  | 1,464,954                  | 35,075,012                     |
| Committed  | 89,978                      | -                          | -                           | -                          | 89,978                         |
| Assigned   | 3,089,325                   | -                          | -                           | -                          | 3,089,325                      |
| Unassigned   | 3,874,650                   | -                          | -                           | -                          | 3,874,650                      |
| <b>Total fund balances</b>   | <u><u>8,406,254</u></u>     | <u><u>1,111,621</u></u>    | <u><u>31,313,072</u></u>    | <u><u>1,477,539</u></u>    | <u><u>42,308,486</u></u>       |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balances</b> | <u><u>\$ 20,905,612</u></u> | <u><u>\$ 8,811,213</u></u> | <u><u>\$ 37,406,083</u></u> | <u><u>\$ 2,939,175</u></u> | <u><u>\$ 70,062,083</u></u>    |

Independent School District No. 277  
 Reconciliation of the Balance Sheet to  
 the Statement of Net Position - Governmental Funds  
 June 30, 2025

|   |               |
|---|---------------|
| Total fund balances - governmental funds  | \$ 42,308,486 |
| Amounts reported for governmental activities in the Statement of Net Position are different because:  |               |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.  |               |
| Cost of capital assets  | 113,408,472   |
| Less accumulated depreciation   | (37,442,741)  |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.   |               |
| Long-term liabilities at year-end consist of:   |               |
| Bond principal payable  | (63,220,000)  |
| Deferred amount on refunding  | (50,750)      |
| Notes from direct borrowing   | (1,370,914)   |
| Compensated absences payable  | (431,876)     |
| Net pension liability   | (19,274,422)  |
| Total OPEB liability  | (4,109,577)   |
| Bond premiums are reported as a liability within the Statement of Net Position and are reported as an other financing source in the year the debt is issued in governmental funds.                          |               |
|   | (5,403,479)   |
| Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.                      |               |
| Deferred outflows of resources related to pensions  | 5,666,026     |
| Deferred inflows of resources related to pensions   | (6,582,101)   |
| Deferred outflows related to OPEB liability   | 352,936       |
| Deferred inflows related to OPEB liability  | (1,024,952)   |
| Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.       |               |
|   | 219,072       |
| The Post Employment Benefits Revocable Trust Internal Service Fund is used to charge change the benefits to the fund that incurs the cost. This amount represents assets available to fund the liabilities. |               |
|   | 7,157,556     |
| Governmental funds do not report a liability for accrued interest on bonds and notes from direct borrowing until due and payable.   |               |
|   | (1,118,710)   |
| Total net position - governmental activities  | \$ 29,083,026 |

**Independent School District No. 277**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**Year Ended June 30, 2025**

|  | General             | Debt Service        | Building<br>Construction | Other<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|---------------------|--------------------------|----------------------------|--------------------------------|
| <b>Revenues</b>                              |                     |                     |                          |                            |                                |
| Local property taxes                         | \$ 12,623,125       | \$ 7,410,801        | \$ -                     | \$ 1,080,506               | \$ 21,114,432                  |
| Other local and county revenues              | 2,640,809           | -                   | 1,922,352                | 3,615,402                  | 8,178,563                      |
| Revenue from state sources                   | 27,260,112          | 11,420              | -                        | 1,553,302                  | 28,824,834                     |
| Revenue from federal sources                 | 809,093             | -                   | -                        | 652,142                    | 1,461,235                      |
| Sales and other conversion of assets         | 68,014              | -                   | -                        | 242,476                    | 310,490                        |
| Total revenues                               | <u>43,401,153</u>   | <u>7,422,221</u>    | <u>1,922,352</u>         | <u>7,143,828</u>           | <u>59,889,554</u>              |
| <b>Expenditures</b>                          |                     |                     |                          |                            |                                |
| <b>Current</b>                               |                     |                     |                          |                            |                                |
| Administration                               | 1,372,432           | -                   | -                        | -                          | 1,372,432                      |
| District support services                    | 2,056,317           | -                   | -                        | -                          | 2,056,317                      |
| Elementary and secondary regular instruction | 17,718,362          | -                   | -                        | -                          | 17,718,362                     |
| Vocational education instruction             | 425,038             | -                   | -                        | -                          | 425,038                        |
| Special education instruction                | 9,098,899           | -                   | -                        | -                          | 9,098,899                      |
| Instructional support services               | 2,215,793           | -                   | -                        | -                          | 2,215,793                      |
| Pupil support services                       | 3,121,745           | -                   | -                        | -                          | 3,121,745                      |
| Sites and buildings                          | 3,426,675           | -                   | 4,259,788                | -                          | 7,686,463                      |
| Fiscal and other fixed cost programs         | 254,471             | -                   | -                        | -                          | 254,471                        |
| Food service                                 | -                   | -                   | -                        | 2,242,785                  | 2,242,785                      |
| Community education and services             | -                   | -                   | -                        | 4,858,687                  | 4,858,687                      |
| <b>Capital outlay</b>                        |                     |                     |                          |                            |                                |
| Administration                               | 9,501               | -                   | -                        | -                          | 9,501                          |
| District support services                    | 168,688             | -                   | -                        | -                          | 168,688                        |
| Elementary and secondary regular instruction | 652,779             | -                   | -                        | -                          | 652,779                        |
| Special education instruction                | 28,241              | -                   | -                        | -                          | 28,241                         |
| Sites and buildings                          | 965,141             | -                   | 11,972,025               | -                          | 12,937,166                     |
| Food service                                 | -                   | -                   | -                        | 64,170                     | 64,170                         |
| Community education and services             | -                   | -                   | -                        | 52,637                     | 52,637                         |
| <b>Debt service</b>                          |                     |                     |                          |                            |                                |
| Principal                                    | 243,515             | 4,395,000           | -                        | 18,229                     | 4,656,744                      |
| Interest and fiscal charges                  | 10,844              | 2,899,676           | -                        | 2,410                      | 2,912,930                      |
| Total expenditures                           | <u>41,768,441</u>   | <u>7,294,676</u>    | <u>16,231,813</u>        | <u>7,238,918</u>           | <u>72,533,848</u>              |
| Excess of revenues over (under) expenditures | 1,632,712           | 127,545             | (14,309,461)             | (95,090)                   | (12,644,294)                   |
| <b>Other Financing Sources (Uses)</b>        |                     |                     |                          |                            |                                |
| Proceeds from sale of capital assets         | 37,449              | -                   | -                        | 4,842                      | 42,291                         |
| Total other financing sources (uses)         | <u>37,449</u>       | <u>-</u>            | <u>-</u>                 | <u>4,842</u>               | <u>42,291</u>                  |
| Net change in fund balances                  | 1,670,161           | 127,545             | (14,309,461)             | (90,248)                   | (12,602,003)                   |
| <b>Fund Balances</b>                         |                     |                     |                          |                            |                                |
| Beginning of year, as previously stated      | 6,271,368           | 984,076             | 45,622,533               | 1,449,752                  | 54,327,729                     |
| Error corrections (see note 10)              | 464,725             | -                   | -                        | 118,035                    | 582,760                        |
| Beginning of year, as restated               | <u>6,736,093</u>    | <u>984,076</u>      | <u>45,622,533</u>        | <u>1,567,787</u>           | <u>54,910,489</u>              |
| End of year                                  | <u>\$ 8,406,254</u> | <u>\$ 1,111,621</u> | <u>\$ 31,313,072</u>     | <u>\$ 1,477,539</u>        | <u>\$ 42,308,486</u>           |

Independent School District No. 277  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the  
Statement of Activities - Governmental Funds  
Year Ended June 30, 2025

Net change in fund balances - total governmental funds \$ (12,602,003)

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

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

|                      |             |
|----------------------|-------------|
| Capital outlays      | 17,454,598  |
| Depreciation expense | (2,342,134) |
| Loss on disposal     | -           |

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (350,700)

Governmental funds recognize OPEB contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to OPEB on a full accrual perspective. 127,043

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective. 892,229

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on net position in the Statement of Activities. 4,656,744

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires 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. 89,074

Governmental funds report the effect of bond premiums and deferred amounts on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. 770,820

The post employment benefits revocable trust internal service fund is used to charge the benefits to the fund that incurs the cost. This amount represents the change in assets available to fund the liabilities. (587,800)

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. (6,863)

Change in net position - governmental activities \$ 8,101,008

**Independent School District No. 277**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance -**  
**Budget and Actual - General Fund**  
**Year Ended June 30, 2025**

|   | Budgeted Amounts  |                   | Actual<br>Amounts   | Variance with<br>Final Budget -<br>Over (Under) |
|---|-------------------|-------------------|---------------------|---|
|   | Original          | Final             |                     |   |
| <b>Revenues</b>                                 |                   |                   |                     |   |
| Local property taxes                            | \$ 12,458,597     | \$ 12,621,527     | \$ 12,623,125       | \$ 1,598  |
| Other local and county revenues                 | 2,211,262         | 2,069,595         | 2,640,809           | 571,214   |
| Revenue from state sources                      | 25,731,892        | 26,364,556        | 27,260,112          | 895,556   |
| Revenue from federal sources                    | 815,243           | 768,486           | 809,093             | 40,607  |
| Sales and other conversion of assets            | 74,187            | 67,642            | 68,014              | 372   |
| Total revenues                                  | <u>41,291,181</u> | <u>41,891,806</u> | <u>43,401,153</u>   | <u>1,509,347</u>                                |
| <b>Expenditures</b>                             |                   |                   |                     |   |
| <b>Current</b>                                  |                   |                   |                     |   |
| Administration                                  | 1,381,208         | 1,382,203         | 1,372,432           | (9,771)   |
| District support services                       | 1,793,812         | 1,660,744         | 2,056,317           | 395,573   |
| Elementary and secondary regular instruction    | 17,679,401        | 17,618,355        | 17,718,362          | 100,007   |
| Vocational education instruction                | 551,180           | 422,771           | 425,038             | 2,267   |
| Special education instruction                   | 8,099,371         | 8,999,067         | 9,098,899           | 99,832  |
| Instructional support services                  | 2,174,999         | 2,134,432         | 2,215,793           | 81,361  |
| Pupil support services                          | 3,208,372         | 2,926,486         | 3,121,745           | 195,259   |
| Sites and buildings                             | 3,213,636         | 3,106,235         | 3,426,675           | 320,440   |
| Fiscal and other fixed cost programs            | 226,678           | 254,471           | 254,471             | -   |
| <b>Capital outlay</b>                           |                   |                   |                     |   |
| Administration                                  | 997               | 997               | 9,501               | 8,504   |
| District support services                       | 650,595           | 573,505           | 168,688             | (404,817)                                       |
| Elementary and secondary regular instruction    | 562,894           | 598,168           | 652,779             | 54,611  |
| Special education instruction                   | 13,642            | 16,642            | 28,241              | 11,599  |
| Sites and buildings                             | 800,263           | 1,260,491         | 965,141             | (295,350)                                       |
| <b>Debt service</b>                             |                   |                   |                     |   |
| Principal                                       | 369,443           | 243,515           | 243,515             | -   |
| Interest and fiscal charges                     | 47,953            | 10,844            | 10,844              | -   |
| Total expenditures                              | <u>40,774,444</u> | <u>41,208,926</u> | <u>41,768,441</u>   | <u>559,515</u>                                  |
| Excess of revenues over<br>(under) expenditures | 516,737           | 682,880           | 1,632,712           | 949,832   |
| <b>Other Financing Sources (Uses)</b>           |                   |                   |                     |   |
| Proceeds from sale of capital assets            | -                 | 50,500            | 37,449              | (13,051)  |
| Total other financing sources (uses)            | <u>-</u>          | <u>50,500</u>     | <u>37,449</u>       | <u>(13,051)</u>                                 |
| Net change in fund balance                      | <u>\$ 516,737</u> | <u>\$ 733,380</u> | 1,670,161           | <u>\$ 936,781</u>                               |
| <b>Fund Balance</b>                             |                   |                   |                     |   |
| Beginning of year, as previously stated         |                   |                   | <u>6,271,368</u>    |   |
| Error corrections (see note 10)                 |                   |                   | <u>464,725</u>      |   |
| Beginning of year, as restated                  |                   |                   | <u>6,736,093</u>    |   |
| End of year                                     |                   |                   | <u>\$ 8,406,254</u> |   |

See notes to basic financial statements.

Independent School District No. 277  
Statement of Net Position - Proprietary Funds  
June 30, 2025

|                                     | Governmental<br>Activities -<br>Internal<br>Service Funds |
|-------------------------------------|---|
|                                     |   |
| <b>Assets</b>                       |   |
| Cash and cash equivalents           | \$ 5,943,870  |
| Investments                         | 1,460,480   |
| Interest receivable                 | 14,414  |
| Prepays                             | 71,096  |
| Total assets                        | \$ 7,489,860  |
| <b>Liabilities and Net Position</b> |   |
| <b>Liabilities</b>                  |   |
| Accounts payable                    | \$ 332,304  |
| <b>Net Position</b>                 |   |
| Unrestricted                        | 7,157,556   |
| Total liabilities and net position  | \$ 7,489,860  |

**Independent School District No. 277**  
**Statement of Revenues, Expenses, and Changes**  
**in Fund Net Position - Proprietary Funds**  
**Year Ended June 30, 2025**

|                             | Governmental<br>Activities -<br>Internal<br>Service Funds |
|-----------------------------|---|
| <b>Operating Revenue</b>    |   |
| Charges for services        | \$ 5,388,288  |
| <b>Operating Expenses</b>   |   |
| Employee benefits           | 6,131,945   |
| Professional services       | 250   |
| Total operating expenses    | 6,132,195   |
| Operating income            | (743,907)   |
| <b>Nonoperating Revenue</b> |   |
| Investment income           | 156,107   |
| Change in net position      | (587,800)   |
| <b>Net Position</b>         |   |
| Beginning of year           | 7,745,356   |
| End of year                 | \$ 7,157,556  |

Independent School District No. 277  
Statement of Cash Flows - Proprietary Funds  
Year Ended June 30, 2025

|  | <u>Governmental<br/>Activities -<br/>Internal<br/>Service Funds</u> |
|--|---|
| <b>Cash Flows - Operating Activities</b>   |   |
| Receipts from employee contributions   | \$ 5,380,255  |
| Payments to employees  | (5,915,756)   |
| Payments to vendors  | (250)   |
| Net cash flows - operating activities  | <u>(535,751)</u>  |
| <br><b>Cash Flows - Investment Activities</b>  |   |
| Sale (purchase) of investments   | 1,591,345   |
| Interest received  | 164,652   |
| Net cash flows - investment activities   | <u>1,755,997</u>  |
| <br>Net change in cash and cash equivalents  | <br>1,220,246   |
| <br><b>Cash and Cash Equivalents</b>   |   |
| Beginning of year  | <u>4,723,624</u>  |
| <br>End of year  | <br><u><u>\$ 5,943,870</u></u>                                      |
| <br><b>Reconciliation of Operating Income to<br/>Net Cash Flows - Operating Activities</b> |   |
| Operating income   | \$ (743,907)  |
| Adjustments to reconcile operating income<br>to net cash flows - operating activities      |   |
| Accounts payable   | 216,189   |
| Prepaid items  | (8,033)   |
| Net adjustments  | <u>208,156</u>  |
| Net cash flows - operating activities  | <u><u>\$ (535,751)</u></u>  |
| <br><b>Non-Cash Activities</b>   |   |
| Change in fair value of investments  | <u><u>\$ 34,520</u></u>   |

Independent School District No. 277  
Statement of Fiduciary Net Position  
Year Ended June 30, 2025

|                             | Custodial Fund |
|-----------------------------|----------------|
| <b>Assets</b>               |                |
| Cash and investments        | \$ 147,296     |
| Accounts receivable         | 1,000          |
|                             | \$ 148,296     |
| Total assets                | \$ 148,296     |
| <b>Net Position</b>         |                |
| Restricted for scholarships | \$ 148,296     |

Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2025

|                        | Custodial Fund |
|------------------------|----------------|
| <b>Additions</b>       |                |
| Contributions          | \$ 98,183      |
| Interest revenue       | 4,484          |
| Total additions        | 102,667        |
| <b>Deductions</b>      |                |
| Administrative         | 319            |
| Scholarships           | 86,621         |
| Total deductions       | 86,940         |
| Change in net position | 15,727         |
| <b>Net Position</b>    |                |
| Beginning of year      | 132,569        |
| End of year            | \$ 148,296     |

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

**A. Reporting Entity**

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under board control and are reported in the General Fund.

**B. Basic Financial Statement Information**

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

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

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statement Information (Continued)**

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

The Custodial Fund is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, this fund is not incorporated into the government-wide statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund is employee and District contributions. Operating expenses for proprietary funds include claims paid. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary and proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner.

**1. Revenue Recognition**

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

**2. Recording of Expenditures**

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance are available. Further, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

**Description of Funds:**

**Major Funds:**

General Fund - This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond and state loan principal, interest, and related costs.

Building Construction - Capital Projects - This fund is used to account for financial resources used for the maintenance projects authorized with the School Building Bonds.

**Nonmajor Funds:**

Food Service Special Revenue Fund - This fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this Fund to specifically support the food service program.

Community Service Special Revenue Fund - This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services. The District receipts property tax and local and state revenues in this Fund that were received for these specific purposes.

**Fiduciary Fund:**

Custodial Fund - This fund is used to account for resources received and held by the District on behalf of a third party to be used in making scholarship awards.

**Proprietary Funds:**

Post Employment Benefits Revocable Trust Internal Service Fund - This fund is used to account for the accumulation of resources to fund post-employment benefits.

Self-Insured Benefits Internal Service Fund - This fund is used to account for the activity of the self-insured employee health and dental plans.

**D. Deposits and Investments**

All governmental and fiduciary funds of the District participate in a government-wide investment pool. Cash and investment balances from all funds are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. Deposits and investments in the OPEB Internal Service Fund are not pooled with the rest of the District's deposits and investments.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Deposits and Investments**

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. Investments held by investment pools are measured at amortized cost.

Cash and investments at June 30, 2025, were comprised of deposits, certificates of deposits, and money market accounts, and government securities.

*Minnesota Statutes* requires all deposits be protected by federal depository insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

*Minnesota Statutes* authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

**E. Property Tax Receivable**

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

**F. Property Taxes Levied for Subsequent Year's Expenditures**

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2024, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2025. The remaining portion of the levy will be recognized when measurable and available.

**G. Inventory**

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

**H. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenditures at the time of consumption.

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Property Taxes**

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Hennepin County is the collecting agency for the levy and remits the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

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

**J. Capital Assets**

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$10,000. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

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

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 40 years for land improvements and buildings, and 5 to 20 years for equipment.

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

**K. Deferred Outflows/Inflows of Resources**

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Deferred Outflows/Inflows of Resources (Continued)**

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is a deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The fourth item is deferred inflows related to pension and OPEB activity as a result of the net difference between projected and actual earnings on plan investments and changes in proportionate share.

**L. Unearned Revenue**

Unearned revenue represents monies received prior to June 30, 2025, but earned subsequent to year-end.

**M. Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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.

**N. Compensated Absences**

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

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Pensions**

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

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

**P. Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2025.

**Q. Fund Equity**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in these funds can be spent.

- Nonspendable Fund Balances - These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include inventory and prepaid items.
- Restricted Fund Balances - These are subject to externally enforceable legal restrictions.
- Committed Fund Balances - These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action.
- Assigned Fund Balances - The School Board delegates the Superintendent and Director of Finance the power to assign balances for specific purposes.
- Unassigned Fund Balances - These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted and committed fund balances exceed the total net resources of that fund.
- Minimum Fund Balance Policy - The District's annual budget will be developed to maintain a minimum unassigned General Fund balance of 8% of the prior year's expenditures and a maximum of 18% of the prior year's expenditures.

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Net Position**

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

**S. Use of Estimates**

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

**T. Budgetary Information**

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

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Debt Service, and Capital Project Funds.
4. Budgets for the General, Special Revenue, Debt Service, and Capital Project Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

**A. Deposits**

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

**Custodial Credit Risk - Deposits:** This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy which requires deposits in excess of federal deposit coverage to be collateralized as required by *Minnesota Statutes* § 118A.03.

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

As of June 30, 2025, the District's bank balances were not exposed to custodial credit risk as they were insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

At June 30, 2025, the District had the following deposits:

|                                      |               |
|--------------------------------------|---------------|
| Checking - non-pooled                | \$ 67,246     |
| Certificate of deposits - pooled     | 1,915,012     |
| Certificate of deposits - non-pooled | 12,016,400    |
| Savings - pooled                     | 1,053,593     |
| Savings - non-pooled                 | 3,204,115     |
| Total                                | \$ 18,256,366 |

**B. Investments**

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

| Investment                   | Rating | Fair<br>Value | Investment Maturities |              |            |
|------------------------------|--------|---------------|-----------------------|--------------|------------|
|                              |        |               | Less than 1 year      | 1-2 years    | 2-5 years  |
| Pooled investments           |        |               |                       |              |            |
| Money market                 | NR     | \$ 6,557,357  | \$ 6,557,357          | \$ -         | \$ -       |
| LTD                          | NR     | 7,386,618     | 7,386,618             | -            | -          |
| Term Series                  | NR     | 2,250,000     | -                     | 2,250,000    | -          |
| Total pooled investments     |        | 16,193,975    | 13,943,975            | 2,250,000    | -          |
| Non-pooled Investments       |        |               |                       |              |            |
| Money market                 | NR     | 16,176,183    | 16,176,183            | -            | -          |
| Municipal bonds              | BB+    | 1,448,858     | 250,684               | 371,556      | 826,618    |
| US Treasury securities       | AA     | 4,045,129     | 4,045,129             | -            | -          |
| Term series                  | NR     | 5,000,000     | -                     | 5,000,000    | -          |
| Total non-pooled investments |        | 26,670,170    | 20,471,996            | 5,371,556    | 826,618    |
| Total                        |        | \$ 42,864,145 | \$ 34,415,971         | \$ 7,621,556 | \$ 826,618 |

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* §§ 118A.04 and 118A.05 limit investments to the top two rating issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to those specified in the above statutes. The District's investments in certificates of deposit are not rated. The District's investments in government securities were rated Ba1 or higher by Moody's. The remaining investment types are unrated and, therefore, not subject to credit risk.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

**Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District will diversify its investment to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The District's investments were not exposed to credit risk at June 30, 2025.

**Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy states the District's 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 cash flow requirements.

**Custodial Credit Risk - Investments:** This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states all investments shall be held in third party safekeeping by an institution designated as custodial agent. The custodial agent shall issue a safe keeping receipt to the District listing pertinent information related to the securities held.

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

- Investments of \$35,752,006 are valued using amortized cost or net asset value.
- Investments of \$1,618,152 are valued at quoted market prices (Level 1 inputs).
- Investments of \$5,493,987 are valued using a matrix pricing model (Level 2 inputs).

Following is a summary of deposits and investments at June 30, 2025:

|                                |                             |
|--------------------------------|-----------------------------|
| Deposits (Note 3.A.)           | \$ 18,256,366               |
| Petty cash                     | 150                         |
| Investments - pooled           | 16,193,975                  |
| Investments - non-pooled       | 26,670,170                  |
|                                | <u>61,120,661</u>           |
| Total deposits and investments | <u><u>\$ 61,120,661</u></u> |

Deposits and investments are presented in the June 30, 2025, basic financial statements as follows:

|   |                             |
|---|-----------------------------|
| Statement of Net Position                         |                             |
| Cash and investments                              | \$ 60,973,365               |
| <br>Statement of fiduciary net position           |                             |
| Scholarship Custodial Fund - cash and investments | 147,296                     |
|   | <u>147,296</u>              |
| Total deposits and investments                    | <u><u>\$ 61,120,661</u></u> |

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 3 - CAPITAL ASSETS**

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

|  | Beginning<br>Balance | Error<br>Correction   | Increases            | Decreases   | Ending<br>Balance    |
|--|----------------------|-----------------------|----------------------|-------------|----------------------|
| Governmental activities                      |                      |                       |                      |             |                      |
| Capital assets not being depreciated         |                      |                       |                      |             |                      |
| Land   | \$ 2,345,834         | \$ -                  | \$ -                 | \$ -        | \$ 2,345,834         |
| Construction in progress                     | 1,821,093            | -                     | 16,716,139           | -           | 18,537,232           |
| Total capital assets not being depreciated   | <u>4,166,927</u>     | <u>-</u>              | <u>16,716,139</u>    | <u>-</u>    | <u>20,883,066</u>    |
| Capital assets being depreciated             |                      |                       |                      |             |                      |
| Land improvements                            | 5,619,467            | -                     | 51,566               | -           | 5,671,033            |
| Buildings                                    | 74,483,557           | -                     | 2,836                | -           | 74,486,393           |
| Equipment                                    | 11,461,694           | -                     | 684,057              | -           | 12,145,751           |
| Vehicles                                     | 222,229              | -                     | -                    | -           | 222,229              |
| Total capital assets being depreciated       | <u>91,786,947</u>    | <u>-</u>              | <u>738,459</u>       | <u>-</u>    | <u>92,525,406</u>    |
| Less accumulated                             |                      |                       |                      |             |                      |
| Land improvements                            | 2,011,952            | 1,056,898             | 194,582              | -           | 3,263,432            |
| Buildings                                    | 16,763,443           | 7,270,216             | 1,605,515            | -           | 25,639,174           |
| Equipment                                    | 7,243,859            | 633,668               | 537,301              | -           | 8,414,828            |
| Vehicles                                     | 120,571              | -                     | 4,736                | -           | 125,307              |
| Total accumulated depreciation               | <u>26,139,825</u>    | <u>8,960,782</u>      | <u>2,342,134</u>     | <u>-</u>    | <u>37,442,741</u>    |
| Total capital assets being depreciated, net  | <u>65,647,122</u>    | <u>(8,960,782)</u>    | <u>(1,603,675)</u>   | <u>-</u>    | <u>55,082,665</u>    |
| Governmental activities, capital assets, net | <u>\$ 69,814,049</u> | <u>\$ (8,960,782)</u> | <u>\$ 15,112,464</u> | <u>\$ -</u> | <u>\$ 75,965,731</u> |

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 3 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense of \$2,342,134 for the year ended June 30, 2025, was charged to the following governmental functions:

|  |                     |
|--|---------------------|
| Administration                               | \$ 154              |
| District Support Services                    | 15,423              |
| Elementary and Secondary Regular Instruction | 392,967             |
| Vocational Instruction                       | 2,606               |
| Special Education Instruction                | 6,044               |
| Community Education and Services             | 8,681               |
| Instructional Support Services               | 513                 |
| Pupil Support Services                       | 3,705               |
| Sites and Buildings                          | 1,866,422           |
| Food Service                                 | 45,619              |
|  | <u>2,342,134</u>    |
| Total depreciation expense                   | <u>\$ 2,342,134</u> |

**NOTE 4 - LONG-TERM DEBT**

**A. Components of Long-Term Liabilities**

|                                 | Issue<br>Date | Interest<br>Rates | Original<br>Issue | Final<br>Maturity | Principal<br>Outstanding | Due Within<br>One year |
|---------------------------------|---------------|-------------------|-------------------|-------------------|--------------------------|------------------------|
| Long-term liabilities           |               |                   |                   |                   |                          |                        |
| G.O. Bonds including            |               |                   |                   |                   |                          |                        |
| Refunding Bonds                 |               |                   |                   |                   |                          |                        |
| G.O. School Building Bonds      |               |                   |                   |                   |                          |                        |
| Series 2024A                    | 02/01/24      | 4.00-5.00%        | \$ 43,100,000     | 02/01/44          | \$ 41,705,000            | \$ 1,430,000           |
| G.O. School Building Bonds      |               |                   |                   |                   |                          |                        |
| Series 2020A                    | 11/05/20      | 5%                | 11,700,000        | 02/01/27          | 4,335,000                | 2,115,000              |
| G. O. School Building Bonds     |               |                   |                   |                   |                          |                        |
| Series 2016A                    | 08/04/16      | 3.00%-4.00%       | 20,815,000        | 02/01/32          | 16,365,000               | 835,000                |
| G.O. Tax Abatement Bonds        |               |                   |                   |                   |                          |                        |
| Series 2018A                    | 06/27/18      | 3.00%-5.00%       | 1,835,000         | 02/01/29          | 815,000                  | 190,000                |
| Total G.O. bonds                |               |                   |                   |                   | <u>63,220,000</u>        | <u>4,570,000</u>       |
| Unamortized bond premium        |               |                   |                   |                   | 5,403,479                | -                      |
| Notes from direct borrowing     |               |                   |                   |                   | 1,370,914                | 248,104                |
| Compensated absences payable    |               |                   |                   |                   | <u>431,876</u>           | <u>115,443</u>         |
| Total all long-term liabilities |               |                   |                   |                   | <u>\$ 70,426,269</u>     | <u>\$ 4,933,547</u>    |

The long-term bond and lease liabilities listed above were issued to finance acquisition and construction of capital facilities.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 4 - LONG-TERM DEBT (CONTINUED)**

**B. Minimum Debt Payments for Bonds**

Minimum annual principal and interest payments required to retire G.O. bonds are as follows:

| Year Ending<br>June 30, | G.O. Bonds           |                      |                      |
|-------------------------|----------------------|----------------------|----------------------|
|                         | Principal            | Interest             | Total                |
| 2026                    | \$ 4,570,000         | \$ 2,632,875         | \$ 7,202,875         |
| 2027                    | 3,285,000            | 2,410,100            | 5,695,100            |
| 2028                    | 2,895,000            | 2,310,000            | 5,205,000            |
| 2029                    | 3,075,000            | 2,194,200            | 5,269,200            |
| 2030                    | 3,105,000            | 2,097,650            | 5,202,650            |
| 2031-2035               | 14,795,000           | 8,869,750            | 23,664,750           |
| 2036-2040               | 15,990,000           | 5,391,250            | 21,381,250           |
| 2041-2044               | 15,505,000           | 1,587,200            | 17,092,200           |
| Total                   | <u>\$ 63,220,000</u> | <u>\$ 27,493,025</u> | <u>\$ 90,713,025</u> |

**C. Notes from Direct Borrowing**

On May 19, 2016, the District entered into a finance purchase agreement for building improvements. The finance purchase totaled \$2,803,400. The finance purchase agreement includes annual principal and interest payments of \$224,996. The finance purchase agreement included annual principal and interest payments of \$23,585. On July 25, 2020, the District entered into three finance purchase agreements for copier equipment. The finance purchases totaled \$171,847. The three finance purchase agreements include monthly principal and interest payments of \$2,304, \$1,649, and \$22, respectively. On May 3, 2022, the District entered into a finance purchase agreement for fitness equipment. The finance purchase totaled \$62,586. The finance purchase agreement included annual principal and interest payments of \$20,639. On July 26, 2023, the District entered into a finance purchase agreement for copier equipment. The finance purchase totaled \$154,226. The finance purchase agreement includes monthly principal and interest payments of \$3,110.

Minimum annual principal and interest payments required to retire notes from direct borrowing are as follows:

| Year Ending<br>June 30, | Notes form Direct Borrowing |                   |                     |
|-------------------------|-----------------------------|-------------------|---------------------|
|                         | Principal                   | Interest          | Total               |
| 2026                    | \$ 248,104                  | \$ 39,507         | \$ 287,611          |
| 2027                    | 231,661                     | 30,658            | 262,319             |
| 2028                    | 239,572                     | 22,747            | 262,319             |
| 2029                    | 215,786                     | 15,430            | 231,216             |
| 2030                    | 215,092                     | 9,903             | 224,995             |
| Therafter               | 220,699                     | 4,296             | 224,995             |
| Total                   | <u>\$ 1,370,914</u>         | <u>\$ 122,541</u> | <u>\$ 1,493,455</u> |

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 4 - LONG-TERM DEBT (CONTINUED)**

**D. Changes in Long-Term Liabilities**

|                              | Beginning<br>Balance | Additions         | Reductions          | Ending<br>Balance    |
|------------------------------|----------------------|-------------------|---------------------|----------------------|
| Long-term liabilities        |                      |                   |                     |                      |
| G.O. Bonds                   | \$ 67,615,000        | \$ -              | \$ 4,395,000        | \$ 63,220,000        |
| Unamortized bond premium     | 6,140,466            | -                 | 736,987             | 5,403,479            |
| Notes from direct borrowing  | 1,632,658            | -                 | 261,744             | 1,370,914            |
| Compensated absences payable | 81,176               | 350,700           | -                   | 431,876              |
|                              | <u>\$ 75,469,300</u> | <u>\$ 350,700</u> | <u>\$ 5,393,731</u> | <u>\$ 70,426,269</u> |

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 5 - FUND BALANCES/NET POSITION**

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

**A. Fund Balances**

Fund balances are classified as listed on the following page to reflect the limitations and restrictions of the respective funds.

|   | General<br>Fund     | Debt<br>Service     | Building<br>Construction | Nonmajor<br>Funds   | Total                |
|---|---------------------|---------------------|--------------------------|---------------------|----------------------|
| <b>Nonspendable</b>                     |                     |                     |                          |                     |                      |
| Inventory                               | \$ 34,874           | \$ -                | \$ -                     | \$ 12,585           | \$ 47,459            |
| Prepaid items                           | 15,120              | -                   | 116,942                  | -                   | 132,062              |
| Total nonspendable                      | <u>49,994</u>       | <u>-</u>            | <u>116,942</u>           | <u>12,585</u>       | <u>179,521</u>       |
| <b>Restricted/reserved for</b>          |                     |                     |                          |                     |                      |
| Student Activities                      | 539,194             | -                   | -                        | -                   | 539,194              |
| Capital Projects Levy                   | 423,200             | -                   | -                        | -                   | 423,200              |
| Operating Capital                       | 279,529             | -                   | -                        | -                   | 279,529              |
| Teacher Comp Read Act                   | 21,755              | -                   | -                        | -                   | 21,755               |
| Community Education                     | -                   | -                   | -                        | 318,986             | 318,986              |
| Early Childhood and<br>Family Education | -                   | -                   | -                        | 555                 | 555                  |
| School Readiness                        | -                   | -                   | -                        | 17,170              | 17,170               |
| Long-term Facility Maintenance          | 38,629              | -                   | -                        | -                   | 38,629               |
| Community Service                       | -                   | -                   | -                        | 57,784              | 57,784               |
| Food Service                            | -                   | -                   | -                        | 1,070,459           | 1,070,459            |
| Debt Service                            | -                   | 1,111,621           | -                        | -                   | 1,111,621            |
| Building projects                       | -                   | -                   | 31,196,130               | -                   | 31,196,130           |
| Total restricted/reserved               | <u>1,302,307</u>    | <u>1,111,621</u>    | <u>31,196,130</u>        | <u>1,464,954</u>    | <u>35,075,012</u>    |
| <b>Committed for</b>                    |                     |                     |                          |                     |                      |
| Separation/retirement<br>benefits       | <u>89,978</u>       | <u>-</u>            | <u>-</u>                 | <u>-</u>            | <u>89,978</u>        |
| <b>Assigned for</b>                     |                     |                     |                          |                     |                      |
| Special education                       | 500,000             | -                   | -                        | -                   | 500,000              |
| Class size reduction                    | 1,500,000           | -                   | -                        | -                   | 1,500,000            |
| Technology repairs                      | 118,513             | -                   | -                        | -                   | 118,513              |
| Westonka Wings                          | 70,812              | -                   | -                        | -                   | 70,812               |
| Furniture, fixtures, and<br>equipment   | <u>900,000</u>      | <u>-</u>            | <u>-</u>                 | <u>-</u>            | <u>900,000</u>       |
| Total assigned                          | <u>3,089,325</u>    | <u>-</u>            | <u>-</u>                 | <u>-</u>            | <u>3,089,325</u>     |
| Unassigned                              | <u>3,874,650</u>    | <u>-</u>            | <u>-</u>                 | <u>-</u>            | <u>3,874,650</u>     |
| Total fund balance                      | <u>\$ 8,406,254</u> | <u>\$ 1,111,621</u> | <u>\$ 31,313,072</u>     | <u>\$ 1,477,539</u> | <u>\$ 42,308,486</u> |

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 5 - FUND BALANCES/NET POSITION (CONTINUED)**

**A. Fund Balances (Continued)**

Nonspendable for Inventory - This balance represents a portion of the fund balance that is not available since the amounts have already been spent on inventory.

Nonspendable for Prepaid Items - This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the District on expenses for the next fiscal year.

Restricted/Reserved for Student Activities - This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Restricted/Reserved for Capital Projects Levy - This balance represents available resources from the capital projects levy to be used for building construction and other projects under *Minnesota Statutes* § 126C.10, subd. 14. All interest income attributable to the capital projects levy must be credited to this account.

Restricted/Reserved for Operating Capital - This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

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

Restricted/Reserved for Community Education - This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

Restricted/Reserved for Early Childhood and Family Education - This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness - This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* § 124D.16).

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) - This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statute* § 123B.595, subd. 12).

Restricted for Community Service - This balance represents the positive fund balance of the Community Service Fund.

Restricted/Reserved for Food Service - This balance represents the positive fund balance of the Food Service Fund.

Restricted/Reserved for Debt Service - This balance represents the positive fund balance of the debt service funds.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 5 - FUND BALANCES/NET POSITION (CONTINUED)**

**A. Fund Balances (Continued)**

Restricted/Reserved for Building Projects - This balance represents available resources from the issuance of the 2024A school building bonds.

Committed for Separation/Retirement Benefits - This balance represents an amount set aside by the School Board for retirement benefits.

Assigned - This balance represents estimated amounts that are set aside for special education, class size reduction, technology repairs, Westonka Wings program, and school renovation.

**B. Net Position**

Restricted net position is comprised of the total positive General Fund restricted fund balance plus the positive fund balances of the Food Service, Community Service, and Debt Service Funds, and the effects of the conversion to the government-wide statements.

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE**

**Teachers' Retirement Association**

The District participates in various pension plans. Total pension expense for the year ended June 30, 2025, was \$1,891,383. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

**A. Plan Description**

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

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

**B. Benefits Provided**

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE**

**Teachers' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

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

*Tier I Benefits*

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

With these provisions:

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

Or

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% 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 Benefits*

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE**

**Teachers' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

*Tier II Benefits (Continued)*

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

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

**C. Contribution Rate**

Per *Minnesota Statutes* Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$1,585,345. The District's contributions were equal to the required contributions for each year as set by state statute.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions**

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

**Actuarial Information**

|                           |  |
|---------------------------|--|
| Experience study          | August 2, 2023 (demographic and economic assumptions)*   |
| Actuarial cost method     | Entry Age Normal   |
| Actuarial assumptions     |  |
| Investment rate of return | 7.00%  |
| Price inflation           | 2.50%  |
| Wage growth rate          | 2.85% before July 1, 2028, and 3.25% after June 30, 2028.  |
| Projected salary increase | 2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.                        |
| Cost of living adjustment | 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually. |

**Mortality Assumptions**

|                   |   |
|-------------------|---|
| Pre-retirement    | PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.           |
| Post-retirement   | 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 the actuary.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions (Continued)**

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:

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

Changes in actuarial assumptions since the previous 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 Pub-2010 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 and 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.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**E. Discount Rate**

The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**F. Net Pension Liability**

On June 30, 2025, the District reported a liability of \$16,470,845 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. District proportionate share was 0.2592% at the end of the measurement period and 0.2511% 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                               | \$ 16,470,845 |
| State's proportionate share of the net pension liability associated with the District | 1,077,261     |

For the year ended June 30, 2025, the District recognized pension expense of \$1,647,870. Included in this amount, the District recognized \$59,218 as 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 \$456,637 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. 277  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**F. Net Pension Liability (Continued)**

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

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                       | \$ 781,827                           | \$ 207,847                          |
| Net difference between projected and actual earnings on plan investments | -                                    | 2,370,550                           |
| Changes of actuarial assumptions   | 1,640,478                            | 1,964,193                           |
| Changes in proportionate share   | 722,633                              | 160,772                             |
| District's contributions to TRA subsequent to the measurement date       | 1,585,345                            | -                                   |
| Total  | \$ 4,730,283                         | \$ 4,703,362                        |

The \$1,585,345 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a relation of the net pension liability in the year ended June 30, 2026.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Pension<br>Expense<br>Amount |
|------------------------|------------------------------|
| 2026                   | \$ (893,123)                 |
| 2027                   | 1,546,507                    |
| 2028                   | (1,151,328)                  |
| 2029                   | (912,001)                    |
| 2030                   | (148,479)                    |
| Total                  | \$ (1,558,424)               |

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Teachers' Retirement Association (Continued)**

**G. Pension Liability Sensitivity**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) and 1 percent higher (8.0%) than the current rate.

| Sensitivity of NPL to Changes in the Discount Rate |                                    |   |
|--|------------------------------------|---|
| 1% Decrease in<br>Discount Rate<br>(6.0%)          | Current<br>Discount Rate<br>(7.0%) | 1% Increase in<br>Discount Rate<br>(8.0%) |
| \$ 29,005,338                                      | \$ 16,470,845                      | \$ 6,153,849                              |

**H. Pension Plan Fiduciary Net Position**

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at [www.minnesotatra.org](http://www.minnesotatra.org), or 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.

**Public Employees' Retirement Association**

**A. Plan Description**

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes* Chapters 353, 353D, 353E, 353G, and 356. *Minnesota Statutes* Chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plan is a tax qualified plan 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.

**B. Benefits Provided**

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**B. Benefits Provided (Continued)**

**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 5 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 Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the 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% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or a age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**C. Contributions**

*Minnesota Statutes* Chapter 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 6.5% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$551,473. The District's contributions were equal to the required contributions as set by state statute.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs**

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$2,803,577 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 \$72,495.

|   |              |
|---|--------------|
| District's proportionate share of net pension liability                               | \$ 2,803,577 |
| State's proportionate share of the net pension liability associated with the District | 72,495       |
| Total   | \$ 2,876,072 |

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0758% at the end of the measurement period and 0.0755% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$243,513 for its proportionate share of General Employees Plan's pension expense. Included in this amount, the District recognized \$1,944 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedule 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 \$128,996 for the year ended December 31, 2024 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. 277  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**D. Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

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

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience         | \$ 262,715                           | \$ -                                |
| Changes in actuarial assumptions                                    | 13,211                               | 1,057,681                           |
| Difference between projected and actual investments earnings        | -                                    | 821,058                             |
| Changes in proportion   | 108,344                              | -                                   |
| District's contributions to PERA subsequent to the measurement date | 551,473                              | -                                   |
| Total   | \$ 935,743                           | \$ 1,878,739                        |

The \$551,473 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Pension<br>Expense |
|------------------------|--------------------|
| 2026                   | \$ (822,002)       |
| 2027                   | (119,183)          |
| 2028                   | (338,408)          |
| 2029                   | (214,876)          |
| Total                  | \$ (1,494,469)     |

**Independent School District No. 277**  
**Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**E. Long-Term Expected Return on Investment**

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

| <u>Asset Class</u>   | <u>Final Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|----------------------|------------------------------------|---|
| Domestic equity      | 33.5 %                             | 5.10 %  |
| International stocks | 16.5                               | 5.30  |
| Fixed income         | 25.0                               | 0.75  |
| Private markets      | 25.0                               | 5.90  |
| Total                | <u>100.0 %</u>                     |   |

**F. Actuarial Methods and Assumptions**

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

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

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

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

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

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 6 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)**

**Public Employees' Retirement Association (Continued)**

**F. Actuarial Methods and Assumptions (Continued)**

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

**Changes in Actuarial Assumptions**

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

**Changes in Plan Provisions**

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

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2024 was 7.0%. 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 was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**H. Pension Liability Sensitivity**

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

|   | 1% Decrease in<br>Discount Rate<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | 1% Increase in<br>Discount Rate<br>(8.0%) |
|---|---|------------------------------------|---|
| District's proportionate share of<br>the PERA net pension liability | \$ 6,123,460                              | \$ 2,803,577                       | \$ 72,668                                 |

**I. Pension Plan Fiduciary Net Position**

Detailed information about the General Employees Fund's fiduciary net position is available in a separately issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The District's defined benefit OPEB plan provides a single employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Health Partners. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

**B. Benefits Paid**

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 56 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

**C. Members**

As of July 1, 2024, the following were covered by the benefit terms:

|  |                   |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 17                |
| Active employees   | <u>347</u>        |
| Total  | <u><u>364</u></u> |

**D. Contributions**

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Health Partners. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2025, the District contributed \$278,308 to the plan.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**E. Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation measured as of July 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

|                                 |  |
|---------------------------------|--|
| Salary increases                | 2.85% to 10.25% per service graded table   |
| Inflation                       | 2.50%  |
| Healthcare cost trend increases | 6.50% as of July 1, 2024, grading to 5.00% over 6 years and then to 4.00% over the next 48 years |
| Mortality Assumption            | Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers)         |

The actuarial assumptions used in the June 30, 2025, valuation report were based on the results of an actuarial experience study for the period July 1, 2024, through June 30, 2025.

The discount rate used to measure the total OPEB liability was 4.10% based on the 20-year Municipal Bond Yield.

**Plan Changes**

- The tax-deferred matching contribution for School Service employees was increased from \$700 to \$800 effective July 1, 2023 and to \$900 effective July 1, 2024. Note: The matching contributions are not included in the liability in this GASB 75 report, but they are used to offset GASB 75 severance payments.
- The Superintendent's post-employment subsidy changed from full district paid single medical premiums to full district paid employee plus spouse medical premiums.

**Assumption Changes**

- The health care trend rates were updated.
- The discount rate was changed from 3.90% to 4.10%.

**F. Total OPEB Liability**

The District's total OPEB liability of \$4,109,577 was measured as of July 1, 2024, and was determined by an actuarial valuation measured as of that date.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**F. Total OPEB Liability (Continued)**

Changes in the total OPEB liability are as follows:

|  | <u>Total<br/>OPEB<br/>Liability</u> |
|--|-------------------------------------|
| Balances at June 30, 2024                                      | \$ 4,182,985                        |
| Changes for the year   |                                     |
| Service cost   | 240,326                             |
| Interest cost  | 167,819                             |
| Assumption changes   | 33,804                              |
| Plan Changes   | 24,240                              |
| Differences between expected and actual<br>economic experience | (296,775)                           |
| Benefit payments   | <u>(242,822)</u>                    |
| Net changes  | <u>(73,408)</u>                     |
| Balances at June 30, 2025                                      | <u><u>\$ 4,109,577</u></u>          |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.90% in 2024 to 4.10% in 2025.

**G. OPEB Liability Sensitivity**

The following presents the District's net OPEB liability calculated using the discount rate of 3.8% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

|                              | 1% Decrease in<br>Discount Rate<br>(3.1%) | Current<br>Discount Rate<br>(4.1%) | 1% Increase in<br>Discount Rate<br>(5.1%) |
|------------------------------|---|------------------------------------|---|
| Total OPEB Liability (Asset) | \$ 4,348,143                              | \$ 4,109,577                       | \$ 3,875,431                              |

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**G. OPEB Liability Sensitivity (Continued)**

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 healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

|                              | 1% Decrease in<br>Discount Rate<br>(5.50% Decreasing<br>to 3.0%) | Current<br>Discount Rate<br>(6.50% Decreasing<br>to 4.0%) | 1% Decrease in<br>Discount Rate<br>(7.50% Decreasing<br>to 5.0%) |
|------------------------------|--|---|--|
| Total OPEB Liability (Asset) | \$ 3,765,065   | \$ 4,109,577  | \$ 4,505,012   |

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to OPEB**

For the year ended June 30, 2025, the District recognized OPEB expense of \$134,071. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Liability gain or loss                                | \$ -                                 | \$ 822,083                          |
| Contributions made subsequent to the measurement date | 278,308                              | -                                   |
| Changes in actuarial assumptions                      | 74,628                               | 202,869                             |
| Total   | \$ 352,936                           | \$ 1,024,952                        |

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 7 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)**

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources  
Related to OPEB (Continued)**

The \$278,308 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Total        |
|------------------------|--------------|
| 2026                   | \$ (260,197) |
| 2027                   | (276,860)    |
| 2028                   | (162,771)    |
| 2029                   | (172,426)    |
| 2030                   | (40,501)     |
| Thereafter             | (37,569)     |
| Total                  | \$ (950,324) |

**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2025.

On July 1, 2013, the District began to self-insure for dental insurance. Under this program, the fund provides up to a maximum of \$ 2,000 of benefit per covered person per calendar year. The General, Food Service, and Community Service Funds of the District participate in the program and make payments to the dental insurance plan recorded in the General Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Payments are made based on actuarial estimates of the amounts needed to pay claims. The Self-Insured Dental Benefits Internal Service Fund includes a reserve of \$255,861 for catastrophe losses. The total claims liability reported in the Fund at June 30, 2025, is \$6,505 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 8 - RISK MANAGEMENT (CONTINUED)**

On July 1, 2016, the District began to self-insure for health insurance. A stop-loss policy was purchased that limits the District's loss to \$100,000 of claims per person at which point the reinsurance coverage is available. The District also has aggregate stop-loss coverage in place which limits the District's liability to 115% of the current year's total expected annual claims at which point the reinsurance coverage is available.

The General, Food Service, Community Service, and Agency Funds of the District participate in the program and make payments to the Self Insured Medical Benefits Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Participants in the program make premium payments to the fund based on the insurance premium. The Self Insured Medical Benefits Internal Service Fund does not include a reserve for catastrophe losses. The total claims liability reported in the Fund at June 30, 2025, is \$161,688 and include amounts for known claims and for estimated incurred but not reported claims. These estimates are determined based on the probability that a loss has occurred and the amount of the loss can be reasonably estimated.

Changes in the Self-Insured Benefits Fund's claims liability amounts for the past three years were as follows:

|           | Balance,<br>Beginning of<br>Year | Claims,<br>Expense and<br>Estimates | Claims<br>Payments | Balance, End<br>of Year |
|-----------|----------------------------------|-------------------------------------|--------------------|-------------------------|
| 2022-2023 | \$ 229,303                       | \$ 4,088,665                        | \$ (4,103,507)     | \$ 214,461              |
| 2023-2024 | 214,461                          | 4,558,681                           | (4,657,027)        | 116,115                 |
| 2024-2025 | 116,115                          | 5,853,637                           | (5,637,448)        | 332,304                 |

**NOTE 9 - COMMITMENTS**

At June 30, 2025, the District had various construction contract commitments for projects outstanding totaling \$43,886,681.

**Independent School District No. 277  
Notes to Basic Financial Statements**

**NOTE 10 - ERROR CORRECTIONS IN PREVIOUSLY ISSUED FINANCIAL STATEMENTS**

For the year ended June 30, 2025, the District corrected errors related to previously issued financial statements. Error correction (1) related to the valuation of investment balances. Certain investments were reported at cost and were adjusted to reflect fair value. As a result, fund balance and net position was understated by \$582,760 for the year ended June 30, 2024. Error correction (2) related to accumulated depreciation being understated for certain assets in previous years, resulting in a restatement of \$8,960,782.

| Net Position / Fund Balance       | Governmental<br>Activities | General<br>Fund     | Other Nonmajor<br>Funds |
|-----------------------------------|----------------------------|---------------------|-------------------------|
| 6/30/2024, as previously reported | \$ 29,360,040              | \$ 6,271,368        | \$ 1,449,752            |
| Error correction (1)              | 582,760                    | 464,725             | 118,035                 |
| Error correction (2)              | <u>(8,960,782)</u>         | <u>-</u>            | <u>-</u>                |
| 6/30/2024, as restated            | <u>\$ 20,982,018</u>       | <u>\$ 6,736,093</u> | <u>\$ 1,567,787</u>     |

**REQUIRED SUPPLEMENTARY INFORMATION**

**Independent School District No. 277**  
**Schedule of Changes in Total OPEB Liability**  
**and Related Ratios**

|   | <u>June 30, 2025</u> | <u>June 30, 2024</u> | <u>June 30, 2023</u> | <u>June 30, 2022</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Total OPEB Liability</b>   |                      |                      |                      |                      |
| Service cost  | \$ 240,326           | \$ 235,723           | \$ 232,345           | \$ 341,084           |
| Interest cost   | 167,819              | 157,646              | 103,317              | 111,677              |
| Assumption changes  | 33,804               | (20,556)             | (318,148)            | 67,626               |
| Plan changes  | 24,240               | -                    | -                    | -                    |
| Differences between expected<br>and actual experience               | (296,775)            | -                    | (605,336)            | -                    |
| Benefit payments  | (242,822)            | (203,451)            | (171,240)            | (118,937)            |
| Other changes   | -                    | -                    | -                    | -                    |
| Net change in total<br>OPEB liability                               | <u>(73,408)</u>      | <u>169,362</u>       | <u>(759,062)</u>     | <u>401,450</u>       |
| Beginning of year   | <u>4,182,985</u>     | <u>4,013,623</u>     | <u>4,772,685</u>     | <u>4,371,235</u>     |
| End of year   | <u>\$ 4,109,577</u>  | <u>\$ 4,182,985</u>  | <u>\$ 4,013,623</u>  | <u>\$ 4,772,685</u>  |
| Covered payroll   | \$ 22,680,969        | \$ 19,762,735        | \$ 19,187,121        | \$ 19,090,220        |
| Total OPEB liability as a percentage<br>of covered-employee payroll | 18.12%               | 21.17%               | 20.92%               | 25.00%               |

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

| <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|----------------------|----------------------|----------------------|----------------------|
| \$ 316,997           | \$ 305,712           | \$ 278,558           | \$ 272,018           |
| 157,345              | 161,114              | 153,243              | 144,975              |
| (22,369)             | 116,710              | 10,113               | -                    |
| -                    | -                    | 46,759               | -                    |
| (776,315)            | -                    | (276,957)            | -                    |
| (125,190)            | (119,593)            | (165,557)            | (194,940)            |
| -                    | -                    | -                    | -                    |
| <u>(449,532)</u>     | <u>463,943</u>       | <u>46,159</u>        | <u>222,053</u>       |
| <u>4,820,767</u>     | <u>4,356,824</u>     | <u>4,310,665</u>     | <u>4,088,612</u>     |
| <u>\$ 4,371,235</u>  | <u>\$ 4,820,767</u>  | <u>\$ 4,356,824</u>  | <u>\$ 4,310,665</u>  |
| \$ 18,534,194        | \$ 17,674,747        | \$ 17,159,949        | \$ 15,532,150        |
| 23.58%               | 27.27%               | 25.39%               | 27.75%               |

**Independent School District No. 277**  
**Schedule of District's and Non-Employer Proportionate Share**  
**of Net Pension Liability**  
**Last Ten Years General Employees Retirement Fund**

| For Plan's<br>Fiscal Year<br>Ended<br>June 30, | District's<br>Proportion of<br>the Net<br>Pension<br>Liability<br>(Asset) | District's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(Asset) | District's<br>Share of State<br>of Minnesota's<br>Proportionated<br>Share of the<br>Net Pension<br>Liability | District's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability and<br>District's Share<br>of the State of<br>Minnesota's<br>Share of the<br>Net Pension of<br>Liability | District's<br>Covered<br>Payroll | District's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(Asset) as a<br>Percentage of<br>its Covered<br>Payroll | Plan Fiduciary<br>Net Position<br>as a<br>Percentage of<br>the Total<br>Pension<br>Liability |
|--|---|--|--|--|----------------------------------|--|--|
| 2015   | 0.0704%   | \$ 3,648,493   | \$ -   | \$ 3,648,493   | \$ 4,035,806                     | 90.4%  | 78.2%  |
| 2016   | 0.0693%   | 5,626,816  | 73,483   | 5,700,299  | 4,298,253                        | 130.9%   | 68.9%  |
| 2017   | 0.0688%   | 4,392,147  | 55,244   | 4,447,391  | 4,433,560                        | 99.1%  | 75.9%  |
| 2018   | 0.0770%   | 4,271,644  | 140,248  | 4,411,892  | 5,178,013                        | 82.5%  | 79.5%  |
| 2019   | 0.0809%   | 4,472,780  | 138,994  | 4,611,774  | 5,724,280                        | 78.1%  | 80.2%  |
| 2020   | 0.0759%   | 4,550,552  | 140,250  | 4,690,802  | 5,411,947                        | 84.1%  | 79.1%  |
| 2021   | 0.0729%   | 3,113,157  | 95,163   | 3,208,320  | 5,247,520                        | 59.3%  | 87.0%  |
| 2022   | 0.0732%   | 5,797,464  | 169,861  | 5,967,325  | 5,479,920                        | 105.8%   | 76.7%  |
| 2023   | 0.0755%   | 4,221,875  | 116,411  | 4,338,286  | 6,003,227                        | 70.3%  | 83.1%  |
| 2024   | 0.0758%   | 2,803,577  | 72,495   | 2,876,072  | 6,418,347                        | 43.7%  | 89.1%  |

**Schedule of District's and Non-Employer Proportionate Share**  
**of Net Pension Liability**  
**Last Ten Years TRA Retirement Fund**

| For Plan's<br>Fiscal Year<br>Ended<br>June 30, | District's<br>Proportion of<br>the Net<br>Pension<br>Liability<br>(Asset) | District's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(Asset) | District's<br>Share of State<br>of Minnesota's<br>Proportionated<br>Share of the<br>Net Pension<br>Liability | District's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability and<br>District's Share<br>of the State of<br>Minnesota's<br>Share of the<br>Net Pension of<br>Liability | District's<br>Covered<br>Payroll | District's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability<br>(Asset) as a<br>Percentage of<br>its Covered<br>Payroll | Plan Fiduciary<br>Net Position<br>as a<br>Percentage of<br>the Total<br>Pension<br>Liability |
|--|---|--|--|--|----------------------------------|--|--|
| 2015   | 0.2268%   | \$ 14,029,823  | \$ 1,720,762   | \$ 15,750,585  | \$ 11,509,427                    | 121.9%   | 76.8%  |
| 2016   | 0.2313%   | 55,170,569   | 5,537,327  | 60,707,896   | 12,032,907                       | 458.5%   | 44.9%  |
| 2017   | 0.2334%   | 46,590,874   | 4,504,458  | 51,095,332   | 12,562,613                       | 370.9%   | 51.6%  |
| 2018   | 0.2430%   | 15,261,941   | 1,433,806  | 16,695,747   | 13,424,853                       | 113.7%   | 78.1%  |
| 2019   | 0.2465%   | 15,711,962   | 1,390,386  | 17,102,348   | 13,991,556                       | 112.3%   | 78.2%  |
| 2020   | 0.2514%   | 18,573,769   | 1,556,718  | 20,130,487   | 14,609,899                       | 127.1%   | 75.5%  |
| 2021   | 0.2560%   | 11,203,325   | 944,906  | 12,148,231   | 15,305,191                       | 73.2%  | 86.6%  |
| 2022   | 0.2528%   | 20,242,887   | 1,501,471  | 21,744,358   | 15,629,245                       | 129.5%   | 76.2%  |
| 2023   | 0.2511%   | 20,731,378   | 1,452,262  | 22,183,640   | 15,962,199                       | 129.9%   | 76.4%  |
| 2024   | 0.2592%   | 16,470,845   | 1,077,261  | 17,548,106   | 17,172,823                       | 95.9%  | 82.1%  |

**Independent School District No. 277  
Schedule of District Contributions  
General Employees Retirement Fund  
Last Ten Years**

| Fiscal Year<br>Ending<br>June 30, | Statutorily<br>Required<br>Contribution | Contributions<br>in Relation to<br>the Statutorily<br>Required<br>Contributions | Contribution<br>Deficiency<br>(Excess) | District's<br>Covered<br>Payroll | Contributions<br>as a<br>Percentage of<br>Covered<br>Payroll |
|-----------------------------------|---|---|--|----------------------------------|--|
| 2016                              | \$ 322,369                              | \$ 322,369  | \$ -                                   | \$ 4,298,253                     | 7.50%  |
| 2017                              | 332,517                                 | 332,517   | -                                      | 4,433,560                        | 7.50%  |
| 2018                              | 388,351                                 | 388,351   | -                                      | 5,178,013                        | 7.50%  |
| 2019                              | 429,321                                 | 429,321   | -                                      | 5,724,280                        | 7.50%  |
| 2020                              | 405,896                                 | 405,896   | -                                      | 5,411,947                        | 7.50%  |
| 2021                              | 393,564                                 | 393,564   | -                                      | 5,247,520                        | 7.50%  |
| 2022                              | 410,994                                 | 410,994   | -                                      | 5,479,920                        | 7.50%  |
| 2023                              | 450,242                                 | 450,242   | -                                      | 6,003,227                        | 7.50%  |
| 2024                              | 481,376                                 | 481,376   | -                                      | 6,418,347                        | 7.50%  |
| 2025                              | 551,473                                 | 551,473   | -                                      | 7,352,973                        | 7.50%  |

**Schedule of District Contributions  
TRA Retirement Fund  
Last Ten Years**

| Fiscal Year<br>Ending<br>June 30, | Statutorily<br>Required<br>Contribution | Contributions<br>in Relation to<br>the Statutorily<br>Required<br>Contributions | Contribution<br>Deficiency<br>(Excess) | District's<br>Covered<br>Payroll | Contributions<br>as a<br>Percentage of<br>Covered<br>Payroll |
|-----------------------------------|---|---|--|----------------------------------|--|
| 2016                              | \$ 902,469                              | \$ 902,468  | \$ -                                   | \$ 12,032,907                    | 7.50%  |
| 2017                              | 942,196                                 | 942,196   | -                                      | 12,562,613                       | 7.50%  |
| 2018                              | 1,006,864                               | 1,006,864   | -                                      | 13,424,853                       | 7.50%  |
| 2019                              | 1,078,749                               | 1,078,749   | -                                      | 13,991,556                       | 7.71%  |
| 2020                              | 1,157,104                               | 1,157,104   | -                                      | 14,609,899                       | 7.92%  |
| 2021                              | 1,244,312                               | 1,244,312   | -                                      | 15,305,191                       | 8.13%  |
| 2022                              | 1,303,479                               | 1,303,479   | -                                      | 15,629,245                       | 8.34%  |
| 2023                              | 1,364,768                               | 1,364,768   | -                                      | 15,962,199                       | 8.55%  |
| 2024                              | 1,502,622                               | 1,502,622   | -                                      | 17,172,823                       | 8.75%  |
| 2025                              | 1,585,345                               | 1,585,345   | -                                      | 18,118,229                       | 8.75%  |

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**TRA Retirement Funds**

**2024 Changes**

Changes in Actuarial Assumptions

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub-2010 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 and Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

Changes of Benefit Terms

- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.

**2023 Changes**

Changes in Actuarial Assumptions

- None

**2022 Changes**

Changes in Actuarial Assumptions

- None

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7.0%.

**2020 Changes**

Changes in Actuarial Assumptions

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

**2019 Changes**

Changes in Actuarial Assumptions

- None

**2018 Changes**

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**TRA Retirement Funds (Continued)**

**2018 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- The cost-of-living adjustment (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% on 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 July 1, 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 0% 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**2017 Changes**

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost-of-living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**2016 Changes**

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**TRA Retirement Funds (Continued)**

**2016 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

**2015 Changes**

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**General Employees Fund**

**2024 Changes**

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.

**2023 Changes**

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A 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 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2021 Changes**

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020 Changes**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2020 Changes (Continued)**

Changes in Actuarial Assumptions (Continued)

- 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

**2018 Changes**

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2018 Changes (Continued)**

Changes in Plan Provisions (Continued)

- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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. This 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 Changes**

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

**2016 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes**

Changes in Actuarial Assumptions

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

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**General Employees Fund (Continued)**

**2015 Changes (Continued)**

Changes in Plan Provisions

- 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; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**Post Employment Health Care Plan**

**2025 Changes**

Changes in Plan Provisions

- The tax-deferred matching contribution for School Service employees was increased from \$700 to \$800 effective July 1, 2023 and to \$900 effective July 1, 2024. Note: The matching contributions are not included in the liability in this GASB 75 report, but they are used to offset GASB 75 severance payments.
- The Superintendent's post-employment subsidy changed from full district paid single medical premiums to full district paid employee plus spouse medical premiums.

Assumption Changes

- The health care trend rates were updated.
- The discount rate was changed from 3.90% to 4.10%.

**2024 Changes**

Assumption Changes

- The discount rate was changed from 3.80% to 3.90%.

**2023 Changes**

Assumption Changes

- The discount rate was changed from 2.10% to 3.80%.
- 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-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.

**2022 Changes**

Assumption Changes

- The discount rate was changed from 2.40% to 2.10%.

**2021 Changes**

Assumption Changes

- The health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 3.10% to 2.40%.

**2020 Changes**

Assumption Changes

- The discount rate was changed from 3.50% to 3.10%.

**2019 Changes**

Changes in Plan Provisions

- A post-employment subsidized benefit was added for all food service employees.

**Independent School District No. 277**  
**Notes to the Required Supplementary Information**

**Post Employment Health Care Plan (Continued)**

**2019 Changes (Continued)**

Assumption Changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.

**SUPPLEMENTARY INFORMATION**

**Independent School District No. 277**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
**June 30, 2025**

|   | Special Revenue Funds |                      |                          | Total<br>Nonmajor<br>Funds |
|---|-----------------------|----------------------|--------------------------|----------------------------|
|   | Food Service          | Community<br>Service | Total Special<br>Revenue |                            |
| <b>Assets</b>   |                       |                      |                          |                            |
| Cash and investments  | \$ 967,299            | \$ 1,040,118         | \$ 2,007,417             | \$ 2,007,417               |
| Current property taxes receivable   | -                     | 560,107              | 560,107                  | 560,107                    |
| Delinquent property taxes<br>receivable                                   | -                     | 16,094               | 16,094                   | 16,094                     |
| Accounts receivable   | -                     | 89,044               | 89,044                   | 89,044                     |
| Due from Department of<br>Education                                       | 144,184               | 27,230               | 171,414                  | 171,414                    |
| Due from other Minnesota<br>school districts                              | -                     | 7,943                | 7,943                    | 7,943                      |
| Due from Federal Government<br>through Department of Education            | 74,571                | -                    | 74,571                   | 74,571                     |
| Inventory   | 12,585                | -                    | 12,585                   | 12,585                     |
|   | <b>\$ 1,198,639</b>   | <b>\$ 1,740,536</b>  | <b>\$ 2,939,175</b>      | <b>\$ 2,939,175</b>        |
| <b>Liabilities</b>  |                       |                      |                          |                            |
| Accounts payable  | \$ 21,454             | 69,854               | 91,308                   | \$ 91,308                  |
| Salaries and benefits payable   | 11,276                | 139,454              | 150,730                  | 150,730                    |
| Unearned revenue  | 82,865                | -                    | 82,865                   | 82,865                     |
| Total liabilities   | 115,595               | 209,308              | 324,903                  | 324,903                    |
| <b>Deferred Inflows of Resources</b>                                      |                       |                      |                          |                            |
| Unavailable revenue - delinquent<br>property taxes                        | -                     | 10,998               | 10,998                   | 10,998                     |
| Property taxes levied for<br>subsequent year's expenditures               | -                     | 1,125,735            | 1,125,735                | 1,125,735                  |
| Total deferred inflows<br>of resources                                    | -                     | 1,136,733            | 1,136,733                | 1,136,733                  |
| <b>Fund Balances</b>  |                       |                      |                          |                            |
| Nonspendable  | 12,585                | -                    | 12,585                   | 12,585                     |
| Restricted  | 1,070,459             | 394,495              | 1,464,954                | 1,464,954                  |
| Total fund balances   | 1,083,044             | 394,495              | 1,477,539                | 1,477,539                  |
| Total liabilities, deferred<br>inflows of resources, and<br>fund balances | \$ 1,198,639          | \$ 1,740,536         | \$ 2,939,175             | \$ 2,939,175               |

**Independent School District No. 277**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances -**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2025**

|   | Special Revenue Funds |                      |                          | Total<br>Nonmajor<br>Funds |
|---|-----------------------|----------------------|--------------------------|----------------------------|
|   | Food Service          | Community<br>Service | Total Special<br>Revenue |                            |
| <b>Revenues</b>                                 |                       |                      |                          |                            |
| Local property taxes                            | \$ -                  | \$ 1,080,506         | \$ 1,080,506             | \$ 1,080,506               |
| Other local and county<br>revenues              | 109,380               | 3,506,022            | 3,615,402                | 3,615,402                  |
| Revenue from state sources                      | 1,153,806             | 399,496              | 1,553,302                | 1,553,302                  |
| Revenue from federal sources                    | 652,142               | -                    | 652,142                  | 652,142                    |
| Sales and other conversion<br>of assets         | 242,476               | -                    | 242,476                  | 242,476                    |
| Total revenues                                  | 2,157,804             | 4,986,024            | 7,143,828                | 7,143,828                  |
| <b>Expenditures</b>                             |                       |                      |                          |                            |
| <b>Current</b>                                  |                       |                      |                          |                            |
| Food service                                    | 2,242,785             | -                    | 2,242,785                | 2,242,785                  |
| Community education and<br>services             | -                     | 4,858,687            | 4,858,687                | 4,858,687                  |
| <b>Capital outlay</b>                           |                       |                      |                          |                            |
| Food service                                    | 64,170                | -                    | 64,170                   | 64,170                     |
| Community education and<br>services             | -                     | 52,637               | 52,637                   | 52,637                     |
| <b>Debt service</b>                             |                       |                      |                          |                            |
| Principal                                       | -                     | 18,229               | 18,229                   | 18,229                     |
| Interest and fiscal charges                     | -                     | 2,410                | 2,410                    | 2,410                      |
| Total expenditures                              | 2,306,955             | 4,931,963            | 7,238,918                | 7,238,918                  |
| Excess of revenues over<br>(under) expenditures | (149,151)             | 54,061               | (95,090)                 | (95,090)                   |
| <b>Other Financing Sources</b>                  |                       |                      |                          |                            |
| Proceeds from sale of capital assets            | 4,842                 | -                    | 4,842                    | 4,842                      |
| Net change in fund balances                     | (144,309)             | 54,061               | (90,248)                 | (90,248)                   |
| <b>Fund Balances</b>                            |                       |                      |                          |                            |
| Beginning of year, as previously stated         | 1,161,983             | 287,769              | 1,449,752                | 1,449,752                  |
| Error corrections (see note 10)                 | 65,370                | 52,665               | 118,035                  | 118,035                    |
| Beginning of year, as restated                  | 1,227,353             | 340,434              | 1,567,787                | 1,567,787                  |
| End of year                                     | \$ 1,083,044          | \$ 394,495           | \$ 1,477,539             | \$ 1,477,539               |

**Independent School District No. 277**  
**Combining Statement of**  
**Net Position - Internal Service Funds**  
**June 30, 2025**

|                                     | Internal Service Funds                                    |                          |              |
|-------------------------------------|---|--------------------------|--------------|
|                                     | Post<br>Employment<br>Benefits<br>Revocable<br>Trust Fund | Self-Insured<br>Benefits | Total        |
| <b>Assets</b>                       |   |                          |              |
| Cash and cash equivalents           | \$ 1,904,091  | \$ 4,039,779             | \$ 5,943,870 |
| Investments                         | 1,460,480   | -                        | 1,460,480    |
| Interest receivable                 | 14,414  | -                        | 14,414       |
| Prepaid items                       | -   | 71,096                   | 71,096       |
| Total assets                        | \$ 3,378,985  | \$ 4,110,875             | \$ 7,489,860 |
| <b>Liabilities and Net Position</b> |   |                          |              |
| <b>Liabilities</b>                  |   |                          |              |
| Accounts payable                    | \$ -  | \$ 332,304               | \$ 332,304   |
| <b>Net Position</b>                 |   |                          |              |
| Unrestricted                        | 3,378,985   | 3,778,571                | 7,157,556    |
| Total liabilities and net position  | \$ 3,378,985  | \$ 4,110,875             | \$ 7,489,860 |

Independent School District No. 277  
Combining Statement of Revenues, Expenses, and Changes  
in Fund Net Position - Internal Service Funds  
Year Ended June 30, 2025

|                              | Internal Service Funds                                    |                          |                     |
|------------------------------|---|--------------------------|---------------------|
|                              | Post<br>Employment<br>Benefits<br>Revocable<br>Trust Fund | Self-Insured<br>Benefits | Total               |
| <b>Operating Revenues</b>    |   |                          |                     |
| Charges for services         | \$ -  | \$ 5,388,288             | \$ 5,388,288        |
| <b>Operating Expenses</b>    |   |                          |                     |
| Employee benefits            | 278,308   | 5,853,637                | 6,131,945           |
| Professional services        | 250   | -                        | 250                 |
| Total operating expenses     | <u>278,558</u>  | <u>5,853,637</u>         | <u>6,132,195</u>    |
| Operating gain (loss)        | (278,558)   | (465,349)                | (743,907)           |
| <b>Nonoperating Revenues</b> |   |                          |                     |
| Investment income            | <u>156,107</u>  | -                        | <u>156,107</u>      |
| Change in net position       | (122,451)   | (465,349)                | (587,800)           |
| <b>Net Position</b>          |   |                          |                     |
| Beginning of year            | <u>3,501,436</u>  | <u>4,243,920</u>         | <u>7,745,356</u>    |
| End of year                  | <u>\$ 3,378,985</u>                                       | <u>\$ 3,778,571</u>      | <u>\$ 7,157,556</u> |

**Independent School District No. 277**  
**Combining Statement of Cash Flows -**  
**Internal Service Funds**  
**Year Ended June 30, 2025**

|  | Internal Service Funds                                    |                          |                     |
|--|---|--------------------------|---------------------|
|  | Post<br>Employment<br>Benefits<br>Revocable<br>Trust Fund | Self-Insured<br>Benefits | Total               |
| <b>Cash Flows - Operating Activities</b>   |   |                          |                     |
| Receipts from employee contributions   | \$ -  | \$ 5,380,255             | \$ 5,380,255        |
| Payments to employees  | (278,308)   | (5,637,448)              | (5,915,756)         |
| Payments to vendors  | (250)   | -                        | (250)               |
| Net cash flows - operating activities  | <u>(278,558)</u>  | <u>(257,193)</u>         | <u>(535,751)</u>    |
| <b>Cash Flows - Investment Activities</b>  |   |                          |                     |
| Sale (purchase) of investments   | 1,591,345   | -                        | 1,591,345           |
| Interest received  | 164,652   | -                        | 164,652             |
| Net cash flows - investment activities   | <u>1,755,997</u>  | <u>-</u>                 | <u>1,755,997</u>    |
| Net change in cash and cash equivalents  | 1,477,439   | (257,193)                | 1,220,246           |
| <b>Cash and Cash Equivalents</b>   |   |                          |                     |
| Beginning of year  | <u>426,652</u>  | <u>4,296,972</u>         | <u>4,723,624</u>    |
| End of year  | <u>\$ 1,904,091</u>                                       | <u>\$ 4,039,779</u>      | <u>\$ 5,943,870</u> |
| <b>Reconciliation of Operating<br/>Income to Net Cash<br/>Flows - Operating Activities</b> |   |                          |                     |
| Operating loss   | \$ (278,558)  | \$ (465,349)             | \$ (743,907)        |
| Adjustments to reconcile operating<br>loss to net cash<br>flows - operating activities     |   |                          |                     |
| Accounts payable   | -   | 216,189                  | 216,189             |
| Prepays  | -   | (8,033)                  | (8,033)             |
| Net adjustments  | <u>-</u>  | <u>208,156</u>           | <u>208,156</u>      |
| Net cash flows - operating activities  | <u>\$ (278,558)</u>                                       | <u>\$ (257,193)</u>      | <u>\$ (535,751)</u> |
| <b>Non-Cash Activity</b>   |   |                          |                     |
| Changes in fair value of investments   | <u>\$ 34,520</u>  | <u>\$ -</u>              | <u>\$ 34,520</u>    |

Independent School District No. 277  
Uniform Financial Accounting and Reporting Standards  
Compliance Table  
Year Ended June 30, 2025

|   | Audit         | UFARS         | Audit-UFARS |   | Audit        | UFARS        | Audit-UFARS |
|---|---------------|---------------|-------------|---|--------------|--------------|-------------|
| <b>01 GENERAL FUND</b>  |               |               |             | <b>06 BUILDING CONSTRUCTION FUND</b>    |              |              |             |
| Total revenue   | \$ 43,401,153 | \$ 43,401,148 | \$ 5        | Total revenue                           | \$ 1,922,352 | \$ 1,922,352 | \$ -        |
| Total expenditures  | 41,768,441    | 41,768,437    | 4           | Total expenditures                      | 16,231,813   | 16,231,813   | -           |
| <i>Nonspendable:</i>  |               |               |             | <i>Nonspendable:</i>                    |              |              |             |
| 4.60 Nonspendable fund balance  | 49,994        | 49,994        | -           | 4.60 Nonspendable fund balance          | 116,942      | 116,942      | -           |
| <i>Restricted/reserved:</i>   |               |               |             | <i>Restricted/reserved:</i>             |              |              |             |
| 4.01 Student Activities   | 539,194       | 539,195       | (1)         | 4.07 Capital Projects Levy              | -            | -            | -           |
| 4.02 Scholarships   | -             | -             | -           | 4.09 Alternative Facility Program       | -            | -            | -           |
| 4.03 Staff Development  | -             | -             | -           | 4.13 Building Projects Funded by COP/LP | -            | -            | -           |
| 4.07 Capital Projects Levy  | 423,200       | 423,200       | -           | <i>Restricted:</i>                      |              |              |             |
| 4.09 Alternative Facility Program                                       | -             | -             | -           | 4.64 Restricted fund balance            | 31,196,130   | 31,196,130   | -           |
| 4.12 Literacy Incentive Aid   | -             | -             | -           | <i>Unassigned:</i>                      |              |              |             |
| 4.13 Building Projects Funded by COP/LP                                 | -             | -             | -           | 4.63 Unassigned fund balance            | -            | -            | -           |
| 4.14 Operating Debt   | -             | -             | -           | <b>07 DEBT SERVICE FUND</b>             |              |              |             |
| 4.16 Levy Reduction   | -             | -             | -           | Total revenue                           | \$ 7,422,221 | \$ 7,422,221 | \$ -        |
| 4.17 Taconite Building Maintenance                                      | -             | -             | -           | Total expenditures                      | 7,294,676    | 7,294,675    | 1           |
| 4.20 American Indian Education Aid                                      | -             | -             | -           | <i>Nonspendable:</i>                    |              |              |             |
| 4.24 Operating Capital  | 279,529       | 279,529       | -           | 4.60 Nonspendable fund balance          | -            | -            | -           |
| 4.26 \$25 Taconite  | -             | -             | -           | <i>Restricted/reserved:</i>             |              |              |             |
| 4.27 Disabled Accessibility   | -             | -             | -           | 4.25 Bond refunding                     | -            | -            | -           |
| 4.28 Learning and Development   | -             | -             | -           | 4.33 Maximum effort loan aid            | -            | -            | -           |
| 4.34 Area Learning Center   | -             | -             | -           | 4.51 QZAB payments                      | -            | -            | -           |
| 4.35 Contracted Alternative Programs                                    | -             | -             | -           | 4.67 LTFM                               | -            | -            | -           |
| 4.36 State Approved Alternative Learning Program                        | -             | -             | -           | <i>Restricted:</i>                      |              |              |             |
| 4.37 Quality Compensation - Alternative Teacher Professional Pay System | -             | -             | -           | 4.64 Restricted fund balance            | 1,111,621    | 1,111,622    | (1)         |
| 4.38 Gifted and Talented  | -             | -             | -           | <i>Unassigned:</i>                      |              |              |             |
| 4.39 English Learner  | -             | -             | -           | 4.63 Unassigned fund balance            | -            | -            | -           |
| 4.40 Teacher Development and Evaluation                                 | -             | -             | -           | <b>08 TRUST FUND</b>                    |              |              |             |
| 4.41 Basic Skills Programs  | -             | -             | -           | Total revenue                           | \$ -         | \$ -         | \$ -        |
| 4.43 School Library Aid   | -             | -             | -           | Total expenditures                      | -            | -            | -           |
| 4.45 Career Technical Programs  | -             | -             | -           | <i>Unassigned:</i>                      |              |              |             |
| 4.48 Achievement and Integration  | -             | -             | -           | 4.01 Student Activities                 | -            | -            | -           |
| 4.49 Safe School Revenue  | -             | -             | -           | 4.02 Scholarships                       | -            | -            | -           |
| 4.51 QZAB Payments  | -             | -             | -           | 4.22 Net position                       | -            | -            | -           |
| 4.52 OPEB Liabilities not Held in Trust                                 | -             | -             | -           | <b>18 CUSTODIAL FUND</b>                |              |              |             |
| 4.53 Unfunded Severance and Retirement Levy                             | -             | -             | -           | Total revenue                           | \$ 102,667   | \$ 102,666   | \$ 1        |
| 4.56 Literacy Aid   | -             | -             | -           | Total expenditures                      | 86,940       | 86,939       | 1           |
| 4.57 Teacher Compensation for Read Act Training                         | -             | -             | -           | <i>Unassigned:</i>                      |              |              |             |
| 4.57 Teacher Comp Read Act  | 21,755        | 21,755        | -           | 4.01 Student Activities                 | -            | -            | -           |
| 4.59 Basic Skills Extended Time   | -             | -             | -           | 4.02 Scholarships                       | 148,296      | 148,296      | -           |
| 4.67 Long-term Facilities Maintenance                                   | 38,629        | 38,629        | -           | 4.48 Achievement and Integration        | -            | -            | -           |
| 4.71 Student Support Personnel Aid                                      | -             | -             | -           | 4.64 Restricted                         | -            | -            | -           |
| <i>Restricted:</i>  |               |               |             | <b>20 INTERNAL SERVICE FUND</b>         |              |              |             |
| 4.72 Medical Assistance   | -             | -             | -           | Total revenue                           | \$ 5,388,288 | \$ 5,388,288 | \$ -        |
| 4.64 Restricted fund balance  | -             | -             | -           | Total expenditures                      | 5,853,637    | 5,853,638    | (1)         |
| 4.75 Title VII - Impact Aid   | -             | -             | -           | <i>Unassigned:</i>                      |              |              |             |
| 4.76 Payments in Lieu of Taxes  | -             | -             | -           | 4.22 Net position                       | 3,778,571    | 3,778,571    | -           |
| <i>Committed:</i>   |               |               |             | <b>25 OPEB REVOCABLE TRUST</b>          |              |              |             |
| 4.18 Committed for separation/retirement benefits                       | 89,978        | 89,978        | -           | Total revenue                           | \$ 156,107   | \$ 156,107   | \$ -        |
| 4.61 Committed  | -             | -             | -           | Total expenditures                      | 278,558      | 278,558      | -           |
| <i>Assigned:</i>  |               |               |             | <i>Unassigned:</i>                      |              |              |             |
| 4.62 Assigned fund balance  | 3,089,325     | 3,089,325     | -           | 4.22 Net position                       | 3,378,985    | 3,378,985    | -           |
| <i>Unassigned:</i>  |               |               |             | <b>45 OPEB IRREVOCABLE TRUST</b>        |              |              |             |
| 4.22 Unassigned fund balance  | 3,874,650     | 3,874,651     | (1)         | Total revenue                           | \$ -         | \$ -         | \$ -        |
| <b>02 FOOD SERVICE FUND</b>   |               |               |             | Total expenditures                      | -            | -            | -           |
| Total revenue   | \$ 2,157,804  | \$ 2,157,802  | \$ 2        | <i>Unassigned:</i>                      |              |              |             |
| Total expenditures  | 2,306,955     | 2,306,952     | 3           | 4.22 Net position                       | -            | -            | -           |
| <i>Nonspendable:</i>  |               |               |             | <b>47 OPEB DEBT SERVICE</b>             |              |              |             |
| 4.60 Nonspendable fund balance  | 12,585        | 12,585        | -           | Total revenue                           | \$ -         | \$ -         | \$ -        |
| <i>Restricted/reserved:</i>   |               |               |             | Total expenditures                      | -            | -            | -           |
| 4.52 OPEB liabilities not held in trust                                 | -             | -             | -           | <i>Nonspendable</i>                     |              |              |             |
| <i>Restricted:</i>  |               |               |             | 4.60 Nonspendable fund balance          | -            | -            | -           |
| 4.64 Restricted fund balance  | 1,070,459     | 1,070,460     | (1)         | <i>Restricted</i>                       |              |              |             |
| <i>Unassigned:</i>  |               |               |             | 4.64 Restricted fund balance            | -            | -            | -           |
| 4.63 Unassigned fund balance  | -             | -             | -           | <i>Unassigned</i>                       |              |              |             |
| <b>04 COMMUNITY SERVICE FUND</b>  |               |               |             | 4.63 Unassigned fund balance            | -            | -            | -           |
| Total revenue   | \$ 4,986,024  | \$ 4,986,023  | \$ 1        |   |              |              |             |
| Total expenditures  | 4,931,963     | 4,931,964     | (1)         |   |              |              |             |
| <i>Nonspendable:</i>  |               |               |             |   |              |              |             |
| 4.60 Nonspendable fund balance  | -             | -             | -           |   |              |              |             |
| <i>Restricted/reserved:</i>   |               |               |             |   |              |              |             |
| 4.26 \$25 Taconite  | -             | -             | -           |   |              |              |             |
| 4.31 Community Education  | 318,986       | 318,985       | 1           |   |              |              |             |
| 4.32 ECFE   | 555           | 555           | -           |   |              |              |             |
| 4.40 Teacher Development and Evaluation                                 | -             | -             | -           |   |              |              |             |
| 4.44 School Readiness   | 17,170        | 17,170        | -           |   |              |              |             |
| 4.47 Adult Basic Education  | -             | -             | -           |   |              |              |             |
| 4.52 OPEB Liabilities not Held in Trust                                 | -             | -             | -           |   |              |              |             |
| <i>Restricted:</i>  |               |               |             |   |              |              |             |
| 4.64 Restricted fund balance  | 57,784        | 57,784        | -           |   |              |              |             |

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**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Basic Financial Statements Performed in Accordance  
with *Government Auditing Standards***

**Independent Auditor's Report**

To the School Board  
Independent School District No. 277  
Minnetrista, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 277, Minnetrista, Minnesota, as of and for the year ending June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 29, 2025.

**Report on Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and **Corrective Action Plans on Internal Control**, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiency.

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and **Corrective Action Plans on Internal Control** as audit finding 2025-002 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and **Corrective Action Plans on Internal Control** as audit finding 2025-001 to be a significant deficiency.

### **Report on Compliance and Other Matters**

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

### **District's Response to the Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and **Corrective Action Plans on Internal Control**. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

BerganKDV, Ltd.

Minneapolis, Minnesota  
September 29, 2025

**Independent School District No. 277  
Schedule of Findings and Corrective  
Action Plans on Internal Control**

**FINANCIAL STATEMENT FINDINGS**

**Audit Finding 2025-001 - Lack of Segregation of Accounting Duties**

*Criteria:*

Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

*Condition:*

During the year ended June 30, 2025, the District had a lack of segregation of accounting duties due to a limited number of office employees. This condition increases the risk that errors could occur which would not be prevented or detected and corrected, on a timely basis. This lack of segregation can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Director of Finance has access to all areas of the accounting system.
- The District Accountant inputs employees' hours, generates direct deposit checks, and sends the transfer amount to the bank.
- The Director of Finance records and maintains all capital asset records.
- The District Accountant records the deposits and prepares the bank reconciliation.
- The Director of Finance records and maintains state, federal, and tax revenues and receivables.

Management is aware of this condition and has taken certain steps to compensate for the lack of segregation. However, due to the number of staff needed to properly segregate all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Because of this reason, management has determined a complete segregation of accounting duties is impractical to correct.

*Context:*

This finding impacts the internal control for all significant accounting functions.

*Cause:*

There are a limited number of office employees.

*Effect or Potential Effect:*

The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

*Recommendation:*

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

**Independent School District No. 277  
Schedule of Findings and Corrective  
Action Plans on Internal Control**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Audit Finding 2025-001 (Continued)**

Views of the *Responsible Officials and Planned Corrective Actions*:

**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 take the necessary corrective action to address the lack of segregation of duties identified as an audit finding. The District will also evaluate other key accounting processes and procedures to ensure adequate segregation of duties is achieved.
3. Official Responsible for Ensuring CAP  
Kathy Miller, Director of Finance, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2026.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**Independent School District No. 277  
Schedule of Findings and Corrective  
Action Plans on Internal Control**

**FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**Audit Finding 2025-002 - Error Corrections**

*Criteria:*

Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

*Condition:*

The District corrected material errors that were present in previously issued financial statements related to the valuation of investment balances and accumulated depreciation. Certain investments were understated and reported at cost and were adjusted to reflect fair value. Accumulated depreciation was understated due to depreciation expense not being initiated correctly within the accounting system for certain assets in previous years.

*Context:*

This finding impacts the internal control over year end closing and reconciliation processes.

*Cause:*

There are a limited number of office employees.

*Effect or Potential Effect:*

Investment balances and accumulated depreciation were understated.

*Recommendation:*

Review the year end closing and reconciliation processes to ensure all adjustments are identified.

*Views of the Responsible Officials and Planned Corrective Actions:*

**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 review the year end closing process to ensure all necessary adjustments are identified.
3. Official Responsible for Ensuring CAP  
Kathy Miller, Director of Finance, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2026.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

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## Minnesota Legal Compliance

### Independent Auditor's Report

To the School Board  
Independent School District No. 277  
Minnetrista, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 277, Minnetrista, Minnesota, as of and for the year ended June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 29, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting - bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters. However, our audit as 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 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.

*BerganKDV, Ltd.*

Minneapolis, Minnesota  
September 29, 2025