

**Independent School District No. 47
Sauk Rapids, Minnesota**

Basic Financial Statements

June 30, 2025

**Independent School District No. 47
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**Independent School District No. 47
Board of Education and Administration
June 30, 2025**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Ryan Butkowski	Chairperson	December 31, 2028
Mark Hauck	Vice Chairperson	December 31, 2028
Robyn Holthaus	Treasurer	December 31, 2026
Lisa Loidolt	Clerk	December 31, 2026
Tracy Morse	Director	December 31, 2028
Samantha Dwyer	Director	December 31, 2028
Dan Johnson	Director	December 31, 2026
 <u>Administration</u>		
Brad Bergstrom	Superintendent	
Tracey Fiereck	Director of Business Services	

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Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, 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. 47, as of June 30, 2025, and the respective changes in financial position, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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. 47, Sau Rapids, Minnesota 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

Independent School District No. 47 has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 47 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 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 October 1, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

St. Cloud, Minnesota
October 1, 2025

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Independent School District No. 47 Management's Discussion and Analysis

This section of Independent School District No. 47, Sauk Rapids-Rice Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the District's basic financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model required by GASB Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999. GASB Statement No. 34 establishes reporting requirements that include basic financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

Comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A.

Financial Summary

- The General Fund unassigned fund balance decreased by \$28,180.
- The total fund balance of the General Fund decreased by \$902,220.
- Net position increased by \$145,708.
- Overall governmental wide revenues were \$77,813,446 and expenditures were \$71,860,228.
- The school board approved a plan during the 2018-2019 school year to restrict and set limits on the admission of non-resident students to the school district. Since 2020-2021, the district has been conducting annual reviews of enrollment and adjusting caps on a per-grade basis to ensure optimal resource allocation in each school building, all the while keeping class sizes within the desired range.

Overview of the Basic Financial Statements

The financial section of the annual report consists of four parts - Independent Auditor's Report; required supplementary information, which includes the MD&A (this section); the basic financial statements and the supplementary information. The basic financial statements include several statements that present different views of the District:

- The first statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund-financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- 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.

Independent School District No. 47 Management's Discussion and Analysis

Overview of the Basic Financial Statements (Continued)

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

District-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 following the governmental funds statements that explains the relationship (or differences) between them.

**Independent School District No. 47
Management's Discussion and Analysis**

Overview of the Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

- **Fiduciary Funds:** The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. 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.

Net Position

The District's combined net position was \$47,436,264 on June 30, 2025, (see details in Table A-1). This was an increase of \$145,708 from June 30, 2024.

**Statement of Net Position
As of June 30, 2025
Table A-1**

	Governmental Activities 2025	2024	Percentage Change
Assets			
Total current assets	\$ 65,465,414	\$ 52,483,932	24.73%
Total capital assets	106,357,596	106,915,510	-0.52%
Total assets	<u>171,823,010</u>	<u>159,399,442</u>	<u>7.79%</u>
Deferred Outflows of Resources			
	<u>8,568,768</u>	<u>9,968,963</u>	<u>-14.05%</u>
Total assets and deferred outflows of resources	<u>\$ 180,391,778</u>	<u>\$ 169,368,405</u>	<u>6.51%</u>
Liabilities			
Current liabilities	\$ 14,553,502	\$ 15,170,277	-4.07%
Long-term liabilities	94,186,933	89,543,989	5.19%
Total liabilities	<u>108,740,435</u>	<u>104,714,266</u>	<u>3.84%</u>
Deferred Inflows of Resources			
	<u>24,215,079</u>	<u>17,363,583</u>	<u>39.46%</u>
Net Position			
Net investment in capital assets	58,590,553	52,974,813	10.60%
Restricted amounts	13,308,308	13,415,915	-0.80%
Unrestricted amounts	(24,462,597)	(19,100,172)	28.08%
Total net position	<u>47,436,264</u>	<u>47,290,556</u>	<u>0.31%</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 180,391,778</u>	<u>\$ 169,368,405</u>	<u>6.51%</u>

**Independent School District No. 47
Management's Discussion and Analysis**

Overview of the Basic Financial Statements (Continued)

Change in Net Position

In Table A-2, Change in Net Position, operations are reported on a district-wide basis with no reference to funds.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2025	2024	
Revenues			
Program revenues			
Charges for services	\$ 3,695,374	\$ 3,185,694	16.00%
Operating grants and contributions	25,165,324	24,273,393	3.67%
Capital grants and contributions	1,410,270	4,512,999	-68.75%
General revenues			
Property taxes	11,565,303	11,312,108	2.24%
State aid-formula grants	33,793,874	32,333,024	4.52%
Other	213,651	206,525	3.45%
Investment income	1,797,394	1,914,433	-6.11%
Gain on sale of assets	172,256	174,022	-1.01%
Total revenues	<u>77,813,446</u>	<u>77,912,198</u>	<u>-0.13%</u>
Expenditures			
Administration	\$ 2,306,680	\$ 2,166,328	6.48%
District support services	1,758,788	1,696,862	3.65%
Elementary and secondary regular education	24,816,014	23,966,628	3.54%
Vocational education instruction	848,999	805,326	5.42%
Special education instruction	15,209,255	13,936,093	9.14%
Instructional support services	5,151,890	5,284,410	-2.51%
Pupil support services	5,833,982	5,611,270	3.97%
Sites and buildings	9,608,708	8,477,362	13.35%
Fiscal and other fixed cost programs	459,324	352,443	30.33%
Food service	3,131,467	3,254,863	-3.79%
Community service	2,417,502	2,165,279	11.65%
Unallocated depreciation	16,731	25,294	-33.85%
Interest and fiscal charges on long-term debt	300,888	1,076,669	-72.05%
Total expenditures	<u>71,860,228</u>	<u>68,818,827</u>	<u>4.42%</u>
Change in net position	5,953,218	9,093,371	-34.53%
Beginning of year net position	47,290,556	39,067,886	21.05%
Accounting changes	(5,807,510)	764,032	
Error correction	-	(1,634,733)	
Beginning of year net position, as restated	<u>41,483,046</u>	<u>38,197,185</u>	<u>8.60%</u>
Ending of year net position	<u>\$ 47,436,264</u>	<u>\$ 47,290,556</u>	<u>0.31%</u>

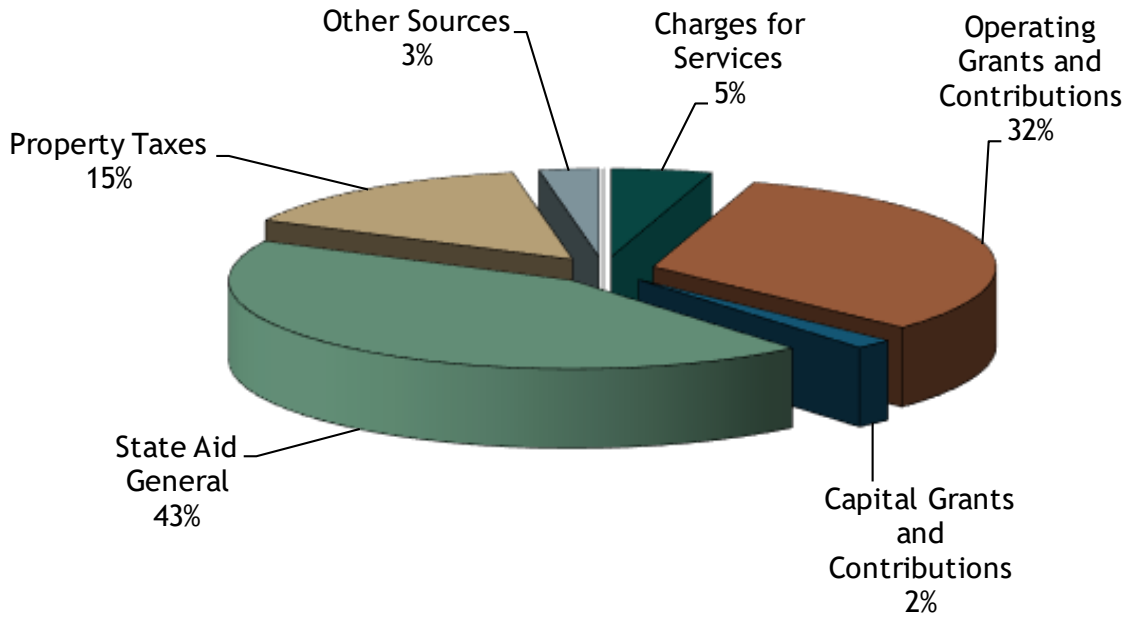
Independent School District No. 47
Management's Discussion and Analysis

Overview of the Basic Financial Statements (Continued)

Change in Net Position (Continued)

The District's total revenues were \$77,813,446 for the year ended June 30, 2025. Property taxes and state aids accounted for 15% and 43%, respectively, of total revenues. For the fiscal year ending June 30, 2025, the overall percentage of revenue funds received from state aid has remained similar to the previous year (see Figure A-1).

Figure A-1 Sources of District's Revenues for Fiscal 2025



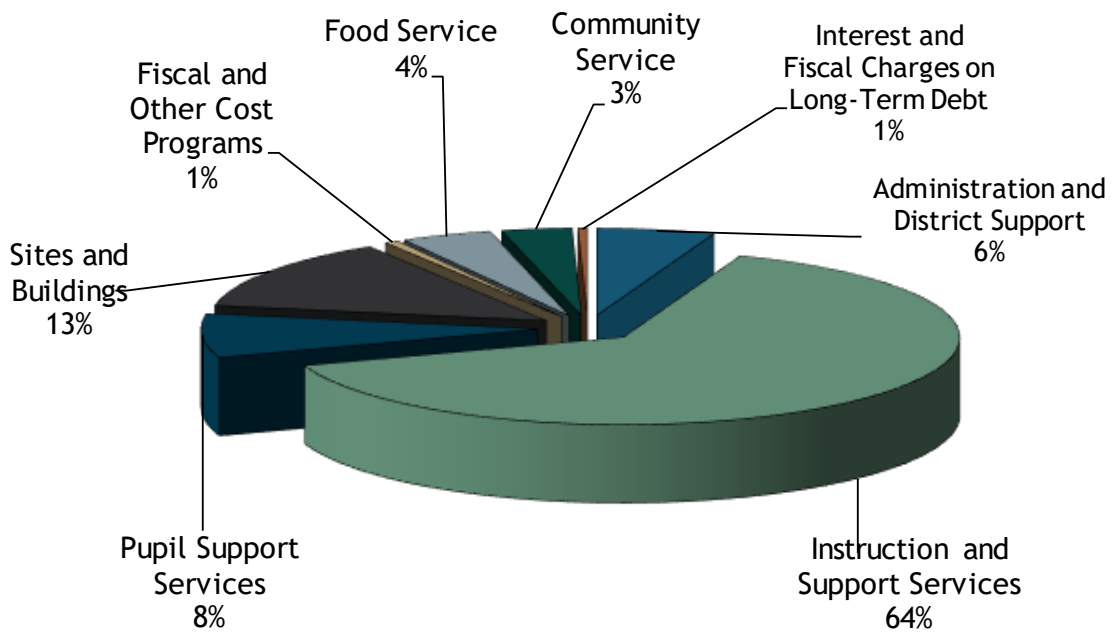
Independent School District No. 47
Management's Discussion and Analysis

Overview of the Basic Financial Statements (Continued)

Change in Net Position (Continued)

The total costs of all programs and services were \$71,860,228. Most of these costs are instruction and support services and pupil support services, 64% and 8%, respectively (see Figure A-2). The majority of District expenditures in operating areas are for human resources. Salaries and benefits make up approximately 74% of total expenditures. Many of the other operational costs are fixed costs, such as utilities and core supplies.

Figure A-2 District Expenses for Fiscal 2025



**Independent School District No. 47
Management's Discussion and Analysis**

Overview of the Basic Financial Statements (Continued)

Change in Net Position (Continued)

The net cost of governmental activities is the total cost less program revenues applicable to each category. All governmental activities include not only funds received for the general operation of the District, but also include resources from the entrepreneurial-type funds of Food Service and Community Education. Funding for the general operation of the District is controlled by the State and the District does not have the latitude to allocate money received in Food Service or Community Education for the fiscal services to enhance general operation resources. Table A-3 presents these costs.

**Net Cost of Governmental Activities
Table A-3**

	Total Cost of Services		Total Percentage Change 2025-2024	Net Cost of Services		Total Percentage Change 2025-2024
	2025	2024		2025	2024	
Administration	\$ 2,306,680	\$ 2,166,328	6.48%	\$ 2,306,680	\$ 2,166,328	6.48%
District Support Services	1,758,788	1,696,862	3.65%	1,693,652	1,604,963	5.53%
Elementary and Secondary						
Regular Education	24,816,014	23,966,628	3.54%	17,969,483	17,333,770	3.67%
Vocational Education Instruction	848,999	805,326	5.42%	835,089	751,398	11.14%
Special Education Instruction	15,209,255	13,936,093	9.14%	2,090,769	2,152,656	-2.87%
Instructional Support Services	5,151,890	5,284,410	-2.51%	3,986,087	3,550,297	12.27%
Pupil Support Services	5,833,982	5,611,270	3.97%	3,430,734	3,097,036	10.77%
Sites and Buildings	9,608,708	8,477,362	13.35%	8,198,438	4,478,863	83.05%
Fiscal and Other Fixed						
Cost Programs	459,324	352,443	30.33%	459,324	352,443	30.33%
Food Service	3,131,467	3,254,863	-3.79%	(414,746)	(258,643)	60.35%
Community Service	2,417,502	2,165,279	11.65%	716,131	515,667	38.87%
Depreciation - Unallocated	16,731	25,294	-33.85%	16,731	25,294	-33.85%
Interest and Fiscal Charges on Long-Term Debt	300,888	1,076,669	-72.05%	300,888	1,076,669	-72.05%
Total	\$ 71,860,228	\$ 68,818,827	4.42%	\$ 41,589,260	\$ 36,846,741	12.87%

The increase of total cost of services and net cost of services is primarily due to increases to employment agreements and continued ongoing maintenance projects.

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$46,081,985 an overall increase of \$13,910,729. Included in that, a \$14,144,419 increase is directly related to the bond sale for the new Early Childhood Center and the Outdoor Activity Complex projects. The General Fund decreased by \$902,220, as a result of increasing expenditures and revenue increases that are not keeping pace with inflation. The Food Service fund balance increased by \$432,827 this increase was the result of the MN Free School Meals Program, interest revenue and lack of staff to fill vacant positions. The Community Service fund had a decrease to fund balance of \$77,821, due to an increase in staffing costs. The Debt Service fund ended the year with an increase in fund balance of \$313,524, resulting from retention of the debt excess funds which will be used to pay a portion of the new building bonds.

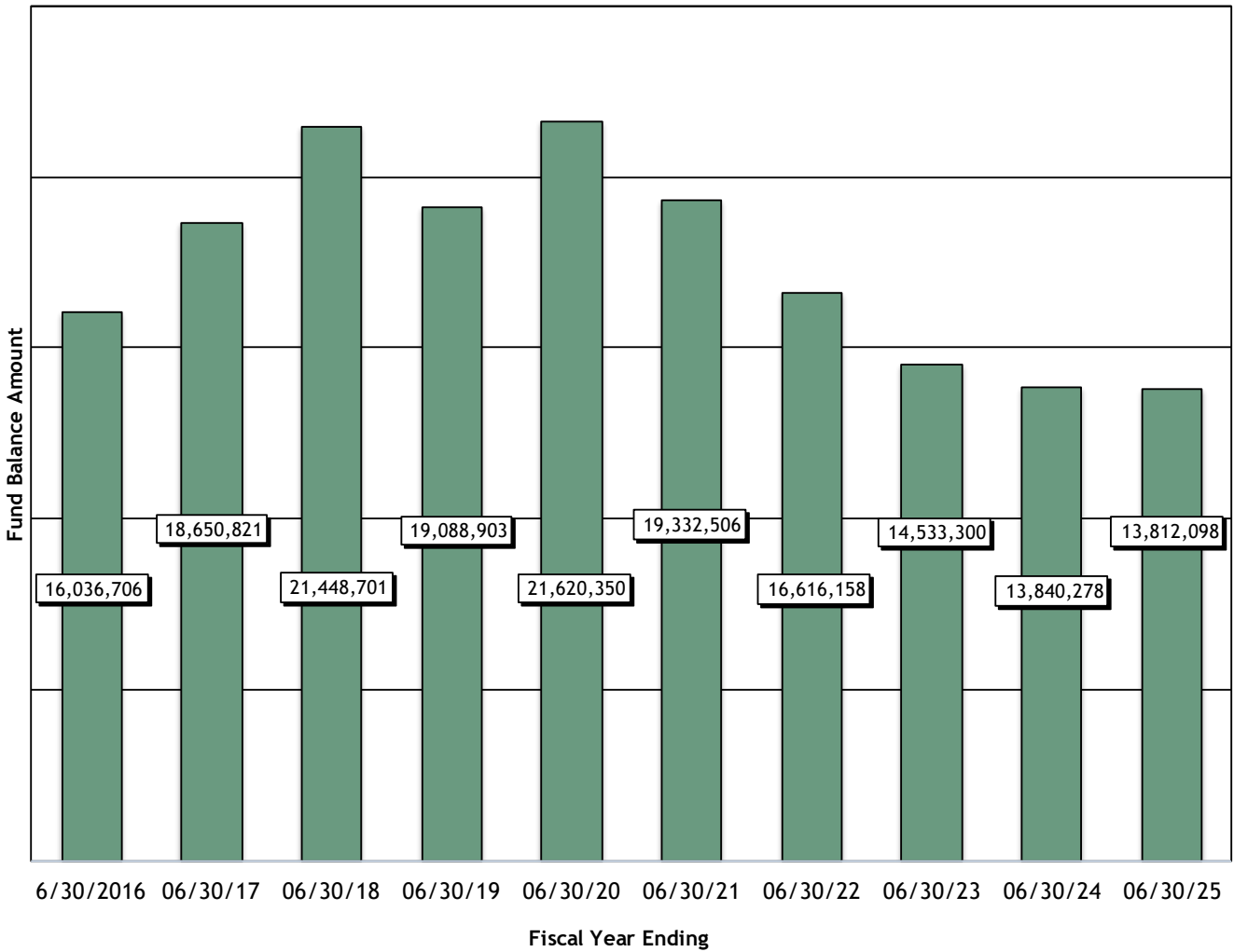
Independent School District No. 47
Management's Discussion and Analysis

Overview of the Basic Financial Statements (Continued)

Fund Balance (Continued)

We continue to monitor our general unassigned fund balance. These dollars are the least restrictive funds available to the school district. In the year ending June 30, 2025, the District's unassigned fund balance decreased by \$28,180. We currently have \$13,812,098 in our unassigned fund balance.

Figure A-3 Unassigned Fund Balance



**Independent School District No. 47
Management's Discussion and Analysis**

Overview of the Basic Financial Statements (Continued)

General Fund

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

General Fund Revenues are outlined in Table A-4 below:

**Summary of General Fund Revenues
Table A-4**

	June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2025	2024		
Local Sources				
Property taxes	5,361,492	5,383,371	\$ (21,879)	-0.41%
Other	3,993,986	3,438,301	555,685	16.16%
State sources	53,787,046	51,785,050	2,001,996	3.87%
Federal sources	1,189,229	4,804,843	(3,615,614)	-75.25%
Sales and other conversion of assets	127,330	145,574	(18,244)	-12.53%
Total General Fund revenue	\$ 64,459,083	\$ 65,557,139	\$ (1,098,056)	-1.67%

Total General Fund revenue decreased by \$1,098,056, or 1.67%, from the previous year.

General fund revenue is received in two major categories as follows:

1. State Education Finance Appropriations
 - a. General Education Aid - The largest share of the education finance appropriation, general education aid, is intended to provide the basic financial support for the education program and is enrollment driven.
 - b. Categorical Aids - Categorical revenue formulas are used to meet costs of that program (i.e., special education) or promote certain types of programs (i.e., career and technical aid, staff development, operating capital, long-term facilities maintenance).
2. Property Tax Levies
 - a. The largest share of the levy is from board-approved local optional revenue, which is also enrollment driven.

**Independent School District No. 47
Management's Discussion and Analysis**

Overview of the Basic Financial Statements (Continued)

General Fund (Continued)

General Fund Expenditures are itemized in Table A-5:

**Summary of General Fund Expenditures
Table A-5**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2025	June 30, 2024		
Salaries	\$ 36,697,620	\$ 36,238,206	\$ 459,414	1.27%
Employee benefits	12,602,200	12,589,607	12,593	0.10%
Purchased services	9,213,285	8,207,816	1,005,469	12.25%
Supplies, material, and equipment	2,188,537	2,256,031	(67,494)	-2.99%
Other expenditures	4,492,053	8,490,417	(3,998,364)	-47.09%
Total expenditures	\$ 65,193,695	\$ 67,782,077	\$ (2,588,382)	-3.82%

General Fund expenditures in the current fiscal year decreased by \$2,588,383, representing a 3.82% decrease compared to the previous year. This is a result of significant budget adjustments and also the remainder of the COVID-19 funds were spent in fiscal year 2024.

Purchased services and expenses related to supplies, materials, and equipment cover a broad range of expenditures. This includes fees for services, postage, utility bills, diesel and gasoline costs, property insurance, maintenance and repairs, leasing expenses, travel expenses, telephone bills, tuition fees, contracted transportation, instructional supplies, textbooks, as well as capital investments in equipment, and technology.

Budgetary Highlights

During the year ended June 30, 2025, the District revised its operating budget one time. The original budget was adopted in March of 2024 (a budget must be in place prior to the beginning of the fiscal year on July 1). The final budget was adopted in February of 2025. The final budget encompasses known changes due to student enrollment, staffing levels, and other significant information items that are estimates. A similar revision is made each year for the same reasons.

**Independent School District No. 47
Management's Discussion and Analysis**

Capital Assets and Debt Administration

Capital Assets

The District investment in capital assets for its governmental activities equates to \$106,357,596 (net of accumulated depreciation/ amortization). This investment in capital assets includes land, buildings and systems, improvements, machinery, equipment and leased equipment (see Table A-6). Additional information on capital assets can be found in Note 4 of this report.

**Capital Assets - Governmental Activities
Table A-6**

	2025	2024	Percent Change 2025-2024
Land and land improvements	\$ 13,756,770	\$ 12,284,043	11.99%
Construction in progress	1,483,581	1,582,817	-6.27%
Buildings	136,732,884	135,260,996	1.09%
Equipment	13,143,904	11,772,631	11.65%
Less accumulated depreciation/amortization	(58,759,543)	(53,984,977)	8.84%
Total	\$ 106,357,596	\$ 106,915,510	-0.52%

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$68,103,206. Additional information on long-term debt can be found in Note 5 of this report.

**Outstanding Long-Term Liabilities
Table A-7**

	Total School District		Percent Change 2025-2024
	2025	2024	
G.O. Bonds payable	\$ 59,815,000	\$ 49,785,000	20.15%
Financed purchases from direct borrowing	329,025	879,549	-62.59%
Lease liability	64,680	122,309	0.00%
Premium/issuance costs	1,670,000	1,638,689	1.91%
Compensated absences and severance payable	6,224,501	260,503	2289.42%
Total	\$ 68,103,206	\$ 52,686,050	29.26%

**Independent School District No. 47
Management's Discussion and Analysis**

State Economic Factors and Next Year's Budget

- The budget for the 2025-2026 fiscal year was completed using the latest funding information available and based on estimates related to student counts that were available in March of 2025.
- Inflation continues to outpace funding increases.
- We continue to graduate classes larger than the new classes coming in.
- Interest revenue has provided significant revenue for the District in the last couple of years. We are starting to see a decrease in interest rates. This will have an impact on the budget going forward.
- Anticipated increases in the cost of operation of all facilities were taken into consideration in the budget development process.
- A budget revision will be done mid-year to reflect all known and anticipated changes to the budget as of that date.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Independent School District No. 47 Sauk Rapids-Rice Public Schools, Attention: Director of Business Services, 1833 Osauka Road, Sauk Rapids, Minnesota, 56379.

BASIC FINANCIAL STATEMENTS

Independent School District No. 47
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and investments	\$ 51,528,828
Current property taxes receivable	5,796,243
Delinquent property taxes receivable	183,556
Accounts receivable	25,206
Interest receivable	146,657
Due from Department of Education	6,125,548
Due from Federal Government through Department of Education	789,768
Due from other Minnesota school districts	718,273
Due from other governmental units	13,700
Inventory	49,483
Prepaid items	88,152
Capital assets not being depreciated	
Land	2,473,698
Construction in progress	1,483,581
Capital assets less: accumulated depreciation	
Buildings	136,732,884
Land improvements	11,283,072
Equipment	12,864,265
Lease equipment	279,639
Less accumulated depreciation/ ammortization	<u>(58,759,543)</u>
Total assets	<u>171,823,010</u>
 Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	8,384,386
Deferred outflows of resources related to OPEB	<u>184,382</u>
Total deferred outflows of resources	<u>8,568,768</u>
 Total assets and deferred outflows of resources	
	<u>\$ 180,391,778</u>
 Liabilities	
Accounts payable	\$ 530,069
Contracts payable	62,455
Salaries and benefits payable	5,974,627
Interest payable	622,252
Due to other Minnesota school districts	477,530
Unearned revenue	370,370
Bond principal payable, net of premium	
Payable within one year	4,945,000
Payable after one year	56,540,000
Lease liability	
Payable within one year	59,619
Payable after one year	5,061
Financed purchase from direct borrowing	
Payable within one year	109,675
Payable after one year	219,350
Compensated absences payable	
Payable within one year	1,269,433
Payable after one year	4,955,068
Total other post employment benefits (OPEB) liability	
Payable within one year	132,472
Payable after one year	1,869,663
Net pension liability	<u>30,597,791</u>
Total liabilities	<u>108,740,435</u>
 Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	11,871,081
Deferred inflows of resources related to deferred charge on refunding	505,050
Deferred inflows of resources related to pensions	11,158,071
Deferred inflows of resources related to OPEB	<u>680,877</u>
Total deferred inflows of resources	<u>24,215,079</u>
 Net Position	
Net investment in capital assets	58,590,553
Restricted for	
Debt service	1,255,622
Other purposes	12,052,686
Unrestricted	<u>(24,462,597)</u>
Total net position	<u>47,436,264</u>
 Total liabilities, deferred inflows of resources, and net position	
	<u>\$ 180,391,778</u>

See notes to basic financial statements.

Independent School District No. 47
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	\$ 2,306,680	\$ -	\$ -	\$ -	\$ (2,306,680)
District support services	1,758,788	-	65,136	-	(1,693,652)
Elementary and secondary regular instruction	24,816,014	1,577,135	5,269,396	-	(17,969,483)
Vocational education instruction	848,999	-	13,910	-	(835,089)
Special education instruction	15,209,255	634,205	12,484,281	-	(2,090,769)
Instructional support services	5,151,890	-	1,165,803	-	(3,986,087)
Pupil support services	5,833,982	275	2,402,973	-	(3,430,734)
Sites and buildings	9,608,708	-	-	1,410,270	(8,198,438)
Fiscal and other fixed cost programs	459,324	-	-	-	(459,324)
Food service	3,131,467	286,087	3,260,126	-	414,746
Community education and services	2,417,502	1,197,672	503,699	-	(716,131)
Unallocated depreciation	16,731	-	-	-	(16,731)
Interest and fiscal charges on long-term debt	300,888	-	-	-	(300,888)
Total governmental activities	<u>\$ 71,860,228</u>	<u>\$ 3,695,374</u>	<u>\$ 25,165,324</u>	<u>\$ 1,410,270</u>	(41,589,260)
General revenues					
Taxes					
					5,354,359
					255,840
					5,955,104
					33,793,874
					213,651
					1,797,394
					172,256
					<u>47,542,478</u>
Change in net position					5,953,218
Net position - beginning					47,290,556
Accounting changes (Note 11)					(5,807,510)
Net position - beginning, as restated					<u>41,483,046</u>
Net position - ending					<u>\$ 47,436,264</u>

See notes to basic financial statements.

Independent School District No. 47
Balance Sheet - Governmental Funds
June 30, 2025

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 28,282,261	\$ 4,946,831	\$ 14,639,956	\$ 3,659,780	\$ 51,528,828
Current property taxes receivable	2,604,889	3,054,005	-	137,349	5,796,243
Delinquent property taxes receivable	83,842	95,259	-	4,455	183,556
Accounts receivable	9,167	-	-	16,039	25,206
Interest receivable	146,657	-	-	-	146,657
Due from Department of Education	6,018,651	49,616	-	57,281	6,125,548
Due from Federal Government through Department of Education	789,768	-	-	-	789,768
Due from other Minnesota school districts	599,435	-	-	118,838	718,273
Due from other governmental units	13,700	-	-	-	13,700
Inventory	-	-	-	49,483	49,483
Prepaid items	88,152	-	-	-	88,152
Total assets	\$ 38,636,522	\$ 8,145,711	\$ 14,639,956	\$ 4,043,225	\$ 65,465,414
Liabilities					
Accounts payable	\$ 503,917	\$ -	\$ 23,244	\$ 2,908	\$ 530,069
Contracts payable	62,455	-	-	-	62,455
Salaries and benefits payable	5,611,459	-	-	363,168	5,974,627
Due to other Minnesota school districts	477,530	-	-	-	477,530
Unearned revenue	319,263	-	-	51,107	370,370
Total liabilities	6,974,624	-	23,244	417,183	7,415,051
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	43,301	51,267	-	2,729	97,297
Property taxes levied for subsequent year's expenditures	5,308,877	6,267,837	-	294,367	11,871,081
Total deferred inflows of resources	5,352,178	6,319,104	-	297,096	11,968,378
Fund Balances					
Nonspendable	88,152	-	-	49,483	137,635
Restricted	8,721,011	1,826,607	14,616,712	3,279,463	28,443,793
Committed	2,087,662	-	-	-	2,087,662
Assigned	1,600,797	-	-	-	1,600,797
Unassigned	13,812,098	-	-	-	13,812,098
Total fund balances	26,309,720	1,826,607	14,616,712	3,328,946	46,081,985
Total liabilities, deferred inflows of resources, and fund balances	\$ 38,636,522	\$ 8,145,711	\$ 14,639,956	\$ 4,043,225	\$ 65,465,414

**Independent School District No. 47
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2025**

Total fund balances - governmental funds	\$ 46,081,985
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	165,117,139
Less accumulated depreciation	(58,759,543)
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	(59,815,000)
Lease payable	(64,680)
Financed purchase from direct borrowing payable	(329,025)
Unamortized premium	(1,670,000)
Compensated absences payable	(6,224,501)
Total OPEB liability	(2,002,135)
Net pension liability	(30,597,791)
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	8,384,386
Deferred inflows of resources related to pensions	(11,158,071)
Deferred outflows of resources related to OPEB	184,382
Deferred inflows of resources related to OPEB	(680,877)
Deferred charges are not recognized in the governmental funds but amortized over the life of the debt in the Statement of Activities.	
	(505,050)
Delinquent property taxes receivables 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.	
	97,297
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	
	<u>(622,252)</u>
Total net position - governmental activities	<u><u>\$ 47,436,264</u></u>

Independent School District No. 47
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2025

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 5,361,492	\$ 5,960,637	\$ -	\$ 256,485	\$ 11,578,614
Other local and county revenues	3,993,986	181,300	50,007	1,372,605	5,597,898
Revenue from state sources	53,787,046	496,164	-	2,211,993	56,495,203
Revenue from federal sources	1,189,229	-	-	1,520,550	2,709,779
Sales and other conversion of assets	127,330	-	-	286,087	413,417
Total revenues	<u>64,459,083</u>	<u>6,638,101</u>	<u>50,007</u>	<u>5,647,720</u>	<u>76,794,911</u>
Expenditures					
Current					
Administration	2,318,181	-	-	-	2,318,181
District support services	1,710,359	-	-	-	1,710,359
Elementary and secondary regular instruction	24,214,594	-	-	-	24,214,594
Vocational education instruction	845,342	-	-	-	845,342
Special education instruction	15,272,429	-	-	-	15,272,429
Instructional support services	4,863,006	-	-	-	4,863,006
Pupil support services	5,795,513	-	-	-	5,795,513
Sites and buildings	5,678,311	-	368,757	-	6,047,068
Fiscal and other fixed cost programs	459,324	-	-	-	459,324
Food service	-	-	-	3,101,305	3,101,305
Community education and services	-	-	-	2,433,891	2,433,891
Capital outlay					
District support services	293	-	-	-	293
Elementary and secondary regular instruction	450,719	-	-	-	450,719
Vocational education instruction	799	-	-	-	799
Special education instruction	386,720	-	-	-	386,720
Instructional support services	114,863	-	-	-	114,863
Pupil support services	232,012	-	-	-	232,012
Sites and buildings	2,239,811	-	654,986	-	2,894,797
Food service	-	-	-	113,356	113,356
Debt service					
Principal	608,153	4,820,000	-	-	5,428,153
Interest and fiscal charges	3,266	1,504,577	-	-	1,507,843
Total expenditures	<u>65,193,695</u>	<u>6,324,577</u>	<u>1,023,743</u>	<u>5,648,552</u>	<u>78,190,567</u>
Excess of revenues over (under) expenditures	(734,612)	313,524	(973,736)	(832)	(1,395,656)
Other Financing Sources (Uses)					
Proceeds from sale of assets	180,275	-	-	-	180,275
Bond issuance	-	-	14,850,000	-	14,850,000
Bond premium	-	-	268,155	-	268,155
Insurance Recoveries	7,955	-	-	-	7,955
Transfers in	-	-	-	355,838	355,838
Transfers out	(355,838)	-	-	-	(355,838)
Total other financing sources (uses)	<u>(167,608)</u>	<u>-</u>	<u>15,118,155</u>	<u>355,838</u>	<u>15,306,385</u>
Net change in fund balances	(902,220)	313,524	14,144,419	355,006	13,910,729
Fund Balances					
Beginning of year	27,211,940	1,513,083	-	3,446,233	32,171,256
Change in reporting entity (Note 11)	-	-	472,293	(472,293)	-
Beginning of year, restated	<u>27,211,940</u>	<u>1,513,083</u>	<u>472,293</u>	<u>2,973,940</u>	<u>32,171,256</u>
End of year	<u>\$ 26,309,720</u>	<u>\$ 1,826,607</u>	<u>\$ 14,616,712</u>	<u>\$ 3,328,946</u>	<u>\$ 46,081,985</u>

**Independent School District No. 47
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 \$ 13,910,729

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 or amortization expense.

Capital outlays	4,430,310
Depreciation and amortization expense	(4,980,205)
Disposal of capital assets	(8,019)

Compensated absences are recognized as paid in the governmental funds but recognized as the loss is incurred in the Statement of Activities. (156,488)

OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (43,035)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but an increase in the net position in the Statement of Activities. 5,428,153

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. (39,989)

Bond premiums and deferred charges on refunding's are amortized on the Statement of Activities, whereas governmental funds record the entire amount at the time of issuance. 978,789

Proceeds from the issuance of long-term debt are recognized as an other financing source in the governmental funds but as a liability on the Statement of Net Position. (14,850,000)

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. 1,296,284

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. (13,311)

Change in net position - governmental activities \$ 5,953,218

Independent School District No. 47
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 5,492,448	\$ 5,372,582	\$ 5,361,492	\$ (11,090)
Other local and county revenues	2,483,524	3,061,535	3,993,986	932,451
Revenue from state sources	53,823,638	53,699,615	53,787,046	87,431
Revenue from federal sources	1,241,467	1,242,970	1,189,229	(53,741)
Sales and other conversion of assets	86,225	109,725	127,330	17,605
Total revenues	<u>63,127,302</u>	<u>63,486,427</u>	<u>64,459,083</u>	<u>972,656</u>
Expenditures				
Current				
Administration	2,325,939	2,304,288	2,318,181	13,893
District support services	1,820,866	1,837,584	1,710,359	(127,225)
Elementary and secondary regular instruction	23,320,803	23,365,213	24,214,594	849,381
Vocational education instruction	902,701	831,918	845,342	13,424
Special education instruction	15,044,338	15,113,476	15,272,429	158,953
Instructional support services	4,963,739	4,693,265	4,863,006	169,741
Pupil support services	5,749,502	5,862,119	5,795,513	(66,606)
Sites and buildings	5,906,835	6,204,378	5,678,311	(526,067)
Fiscal and other fixed cost programs	330,000	260,000	459,324	199,324
Capital outlay				
District support services	-	-	293	293
Elementary and secondary regular instruction	53,848	419,023	450,719	31,696
Vocational education instruction	-	-	799	799
Special education instruction	304,658	380,469	386,720	6,251
Instructional support services	100,000	100,000	114,863	14,863
Pupil support services	22,000	131,960	232,012	100,052
Sites and buildings	3,585,850	2,844,750	2,239,811	(604,939)
Debt service				
Principal	496,554	606,229	608,153	1,924
Interest and fiscal charges	5,190	5,190	3,266	(1,924)
Total expenditures	<u>64,932,823</u>	<u>64,959,862</u>	<u>65,193,695</u>	<u>233,833</u>
Excess of revenues over (under) expenditures	(1,805,521)	(1,473,435)	(734,612)	738,823
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	60,000	66,000	180,275	114,275
Insurance Recoveries	-	-	7,955	7,955
Transfers out	(400,000)	(369,028)	(355,838)	13,190
Total other financing sources (uses)	<u>(340,000)</u>	<u>(303,028)</u>	<u>(167,608)</u>	<u>135,420</u>
Net change in fund balances	<u>\$ (2,145,521)</u>	<u>\$ (1,776,463)</u>	(902,220)	<u>\$ 874,243</u>
Fund Balances				
Beginning of year			<u>27,211,940</u>	
End of year			<u>\$ 26,309,720</u>	

See notes to basic financial statements.

Independent School District No. 47
Statement of Fiduciary Net Position
June 30, 2025

	Custodial Fund	Private Purpose Trust Fund
Assets		
Current		
Cash and cash equivalents	\$ 62,890	\$ 32,843
Net Position		
Restricted for student activities	9,155	-
Restricted for grants	30,835	-
Restricted scholarships	22,900	32,843
Total net position	\$ 62,890	\$ 32,843

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

	Custodial Fund	Private Purpose Trust Fund
Additions		
Program revenues	\$ 19,824	\$ -
Contributions	22,500	-
Total additions	42,324	-
Deductions		
Program expense	26,968	-
Scholarships	16,500	-
Total deductions	43,468	-
Change in net position	(1,144)	-
Net Position		
Beginning of year	64,034	32,843
End of year	\$ 62,890	\$ 32,843

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Independent School District No. 47
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 7-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 Statement 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 segments 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. 47
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 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 Private Purpose Trust and Custodial Funds are 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; these funds are not incorporated into the government-wide statements.

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 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 balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

**Independent School District No. 47
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.

Capital Projects Fund - This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

Nonmajor Funds:

Food Service Special Revenue Fund - This fund is used to account for food service revenues and expenditures.

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.

Fiduciary Funds:

Custodial Fund - This fund is used to account for resources received and held by the District for student activities, scholarships, and grants.

Trust Fund - This fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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, shares in the Minnesota School District Liquid Asset Fund (MSDLAF), shares in MNTrust, brokered cash, certificates of deposit, U.S. Government Bonds, municipal bonds, money markets, and U.S. Treasury securities. MSDLAF and MNTrust securities and mutual funds are valued at amortized cost, which approximates fair value.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

Minnesota Statutes require all deposits be protected by federal deposit 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.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities, and mutual funds are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid Shares, MNTrust shares, or the mutual funds. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

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 represent 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 the fiscal year 2025. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

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 an expenditure at the time of consumption.

**Independent School District No. 47
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. Benton County is the collecting agency for the levy and remit(s) 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 \$5,000 or aggregate cost of more than \$25,000 for grouped assets and an estimated useful life in excess of one year. 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 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

K. Right-to-Use Lease Assets/Lease Liabilities

The District recorded right-to-use lease assets as a result of implementing GASB Statement No. 87, *Leases*. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, and (3) lease payments.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Right-to-Use Lease Assets/Lease Liabilities (Continued)

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District determines its estimated borrowing rate based on the applicable State and Local Government Securities rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a re-measurement of the leases and will remeasure the right-to-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

L. 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. A deferred outflows of resources related to pensions and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

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 five 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 yearend 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. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. 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.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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 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.

O. Severance Benefits

Certain certified and classified employees, including school administration, are eligible for severance pay upon retirement.

Certain administrators who have nine years of continuous service in the District are entitled to severance pay equal to a percentage of one half of one year's pay.

P. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the additions to/deductions have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

Q. 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.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. 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.

S. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- **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 but are not limited to, prepaids and inventory.
- **Restricted Fund Balances** - These amounts are subject to externally enforceable legal restrictions.
- **Committed Fund Balances** - These amounts are constrained by formal action of the School Board. The government's highest level of decision-making authority is the School Board. The formal action to establish, modify, or rescind a commitment must be made by majority vote of the School Board.
- **Assigned Fund Balances** - These are amounts that are constrained by the District's intent to be used for specific purposes that are neither restricted nor committed. Assignments may be made by a majority vote of the School Board. The board also delegates the power to assign fund balances to the District's Business Manager.
- **Minimum Fund Balance Policy** - The District will strive to maintain a minimum unassigned General Fund balance of 15% of the annual budget.
- **Stabilization Arrangement** - Fiscal stabilization funds in the amount of at least 3% of the prior year total General Fund expenditures shall be established by the Business Manager to protect the system from sudden shortfalls in revenue and to cover unanticipated expenditures. These stabilization funds may also be used to cover adverse financial or economic circumstances as they occur. These funds are reported as unassigned.

T. Net Position

Net position represents the difference between assets and 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, laws, or regulations of other governments.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Use of Estimates

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

V. 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, and Debt Service Funds. Budgetary control for the Capital Project Fund is accomplished through the use of project controls.
4. Budgets 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 policy in place to address custodial credit risk for deposits, stating deposit type securities shall be collateralized as required by *Minnesota Statutes* § 118A. As of June 30, 2025, the District's bank balance was not exposed to custodial credit risk. It was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name. The District's deposits had a book balance as listed below.

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

Pooled deposits

Certificates of deposit

\$ 280,000

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

Investments at June 30, 2025, were comprised of shares in the MSDLAF, including certificates of deposit and government securities at MSDLAF.

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

Type of Investments	Rating	Fair Value	Investment Maturities			
			Less than 1 year	1-2 years	2-5 years	5+ years
Pooled Investments						
Money market	NR	\$ 11,076	\$ 11,076	\$ -	\$ -	\$ -
Certificates of deposit	NR	3,890,476	3,890,476	-	-	-
Commercial paper	A+	397,626	397,626	-	-	-
Municipal bonds	AA	3,017,035	3,017,035	-	-	-
US Treasury securities	AA+	2,239,558	2,239,558	-	-	-
Other gov't backed securities	AA+	2,237,499	239,799	-	-	1,997,700
MSDLAF	NR	7,537,663	7,537,663	-	-	-
MSDLAF MAX	NR	16,664,160	16,664,160	-	-	-
MN Trust Investment Shares	NR	937	937	-	-	-
Total pooled investments		\$ 35,996,030	\$ 33,998,330	\$ -	\$ -	\$ 1,997,700
Non-pooled Investments						
Money Market	NR	\$ 67,947	\$ 67,947	\$ -	\$ -	\$ -
Mutual Funds	NR	510,871	510,871	-	-	-
Certificates of deposit	NR	718,600	718,600	-	-	-
Municipal Bonds	AAA	317,092	317,092	-	-	-
US Treasury securities	AA+	11,068,487	11,068,487	-	-	-
Other gov't backed securities	AA+	2,664,519	2,664,519	-	-	-
Total non-pooled investments		\$ 15,347,516	\$ 15,347,516	\$ -	\$ -	\$ -

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 ratings issued by nationally recognized statistical rating organizations. The District's investment policy indicates the District may invest in those instruments specified in those Statutes. As of June 30, 2024, the District's investments were rated as noted in the table on the previous page.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The District has an investment policy in place that addresses concentration of credit risk, stating the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, and maturities. However, it places no specific limit on the amount the District may invest in any one issuer. The District's investments were exposed to concentration of credit risk at June 30, 2025, as Federal Farm CR BKS (5.6%) represented more than 5% of pooled investments and Federal Home Loan Mtg Corp (6.4%) and FNMA (6.4%) represented more than 5% of non-pooled investments .

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy addresses interest rate risk, stating investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles. Furthermore, investment maturities shall be scheduled to coincide with projected District cash flow needs and shall provide for stability of income and reasonable liquidity.

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 addresses custodial credit risk for investments, stating all investment securities shall be held in third party safekeeping by an institution designated as custodial agent.

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

- \$589,894 of investments are valued using a quoted market price (Level 1 inputs)
- \$26,550,892 of investments are valued using a matrix pricing model (Level 2 inputs)

The following is a summary of total deposits and investments:

Deposits (Note 2.A.)	\$ 280,000
Pooled investments (Note 2.B.)	35,996,030
Non-pooled investments (Note 2.B.)	15,347,516
Petty cash	1,015
Total deposits and investments	\$ 51,624,561

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

Statement of Net Position	
Cash and investments	\$ 51,528,828
Statement of Fiduciary Net Position	
Cash and cash equivalents	95,733
Total deposits and investments	\$ 51,624,561

NOTE 3 - INTERFUND ACTIVITY

A. Interfund Transfers

The General Fund transferred \$355,838 to the Community Service Fund to cover deficit program activity in School Readiness and Preschool Screening.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,473,698	\$ -	\$ -	\$ 2,473,698
Construction in progress	1,582,817	3,020,446	3,119,682	1,483,581
Total capital assets not being depreciated	<u>4,056,515</u>	<u>3,020,446</u>	<u>3,119,682</u>	<u>3,957,279</u>
Other capital assets				
Buildings	135,260,996	1,471,888	-	136,732,884
Land improvements	9,810,345	1,472,727	-	11,283,072
Equipment	11,492,992	1,584,931	213,658	12,864,265
Leased equipment	279,639	-	-	279,639
Total other capital assets at historical cost	<u>156,843,972</u>	<u>4,529,546</u>	<u>213,658</u>	<u>161,159,860</u>
Less accumulated depreciation for				
Buildings	41,458,927	3,185,931	-	44,644,858
Land improvements	6,215,116	241,669	-	6,456,785
Equipment	6,171,115	1,496,677	205,639	7,462,153
Less accumulated amortization for				
Leased equipment	139,819	55,928	-	195,747
Total accumulated Depreciation and amortization	<u>53,984,977</u>	<u>4,980,205</u>	<u>205,639</u>	<u>58,759,543</u>
Total other capital assets, net	<u>102,858,995</u>	<u>(450,659)</u>	<u>8,019</u>	<u>102,400,317</u>
Governmental activities capital assets, net	<u>\$ 106,915,510</u>	<u>\$ 2,569,787</u>	<u>\$ 3,127,701</u>	<u>\$ 106,357,596</u>

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense of \$4,980,205 for the year ended June 30, 2025, was charged to the following governmental functions:

Administration	\$ 7,053
District Support Services	78,116
Elementary and Secondary Regular Instruction	813,791
Special Education	28,568
Instructional Support Services	318,998
Pupil Support Services	47,047
Food Service	52,544
Sites and Buildings	3,617,357
Unallocated	16,731
Total depreciation/amortization	\$ 4,980,205

NOTE 5 - LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. Bonds						
2020A School Building Bonds	02/06/20	2.00%-4.00%	\$ 35,810,000	02/01/40	\$ 35,810,000	\$ -
2020B School Building Bonds	07/16/20	2.00%-4.00%	5,375,000	02/01/36	4,515,000	305,000
2024A School Refunding Bonds	03/21/24	5.00%	9,220,000	02/01/26	4,640,000	4,640,000
2025A School Building Bonds	05/22/25	4.00%-6.00%	14,850,000	02/01/43	14,850,000	-
Financed purchase from direct borrowing					329,025	109,675
Lease liability					64,680	59,619
Unamortized Premium					1,670,000	-
Compensated absences Payable					6,224,501	1,269,433
Total all long-term liabilities					\$ 68,103,206	\$ 6,383,727

The long-term bond, financed purchases, and lease liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. Other long-term liabilities, such as compensated absences payable, lease liabilities and financed purchase from direct borrowing are typically liquidated through the General Fund.

The District issued the 2025A G.O. School Building Bonds to refund the 2015A School Building Bonds on May 22, 2025. The bond was issued for the new elementary school building.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments for Bonds, Financed Purchases, and Leases

Minimum annual principal and interest payments required to retire bond and loan liabilities:

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2026	\$ 4,945,000	\$ 1,795,780	\$ 6,740,780
2027	3,190,000	1,759,850	4,949,850
2028	2,760,000	1,616,050	4,376,050
2029	2,885,000	1,501,650	4,386,650
2030	3,010,000	1,385,750	4,395,750
2031-2035	16,410,000	5,611,600	22,021,600
2036-2040	16,765,000	3,461,588	20,226,588
2041-2043	9,850,000	814,425	10,664,425
Total	<u>\$ 59,815,000</u>	<u>\$ 17,946,693</u>	<u>\$ 77,761,693</u>

Year Ending June 30,	Financed Purchases from			
	Direct Borrowing		Lease Liability	
	Principal	Interest	Principal	Interest
2026	\$ 109,675	\$ -	\$ 59,619	\$ 1,279
2027	109,675	-	5,061	14
2028	109,675	-	-	-
Total	<u>\$ 329,025</u>	<u>\$ -</u>	<u>\$ 64,680</u>	<u>\$ 1,293</u>

C. Financed Purchases from Direct Borrowing

On March 1, 2022, the District entered into a financed purchase agreement for the acquisition of technology equipment. The agreement obligation and corresponding equipment totaled \$1,481,696. The agreement includes first year principal payment of \$600,000 and then annual principal payments of \$440,848.

On May 15, 2023, the District entered into a financed purchase agreement for the acquisition of technology equipment. The agreement obligation and corresponding equipment totaled \$551,172. The agreement includes annual principal and interest payments of \$137,793.

On June 15, 2024, the District entered into a financed purchase agreement for the acquisition of technology equipment. The agreement obligation and corresponding equipment totaled \$438,700. The agreement includes annual principal and interest payments of \$109,675.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)

D. Lease Liability

On July 21, 2021, the District entered into an agreement with MARCO for technology equipment. The lease agreement includes monthly principal and interest payments of \$5,075 for the term of the agreement. The lease agreement expires on July 22, 2026.

E. Changes in Long-Term Liabilities

	Beginning Balance	Accounting Change	Additions	Reductions	Net Change	Ending Balance
Long-term liabilities						
G.O. Bonds	\$ 49,785,000	\$ -	\$ 14,850,000	\$ 4,820,000	\$ -	\$ 59,815,000
Financed purchases from direct borrowing	879,549	-	-	550,524	-	329,025
Lease liability	122,309	-	-	57,629	-	64,680
Premium	1,638,689	-	268,155	236,844	-	1,670,000
Compensated absences payable	260,503	5,807,510	-	-	156,488	6,224,501
Total long-term liabilities liabilities	<u>\$ 52,686,050</u>	<u>\$ 5,807,510</u>	<u>\$ 15,118,155</u>	<u>\$ 5,664,997</u>	<u>\$ 156,488</u>	<u>\$ 68,103,206</u>

The change in compensated absences liability is presented as a net change. See Note 11 for explanation of the accounting change.

NOTE 6 - 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.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Capital Projects	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	\$ -	\$ -	\$ -	\$ 49,483	\$ 49,483
Prepaid items	88,152	-	-	-	88,152
Total nonspendable	<u>88,152</u>	<u>-</u>	<u>-</u>	<u>49,483</u>	<u>137,635</u>
Restricted/reserved for					
Student Activity	476,541	-	-	-	476,541
Scholarship	40,123	-	-	-	40,123
Staff Development	1,539	-	-	-	1,539
Student Support Personnel Aid	48,122	-	-	-	48,122
Literacy Aid	173,819	-	-	-	173,819
Literacy Incentive Aid	301,281	-	-	-	301,281
Operating Capital	5,733,576	-	-	-	5,733,576
Gifted and Talented	43,403	-	-	-	43,403
Teacher Comp Read Act	45,806	-	-	-	45,806
Safe Schools - Crime Levy	11,590	-	-	-	11,590
Long-Term Facilities					
Maintenance	1,575,711	-	-	-	1,575,711
Medical Assistance	253,243	-	-	-	253,243
School Library Aid	16,257	-	-	-	16,257
Community Education	-	-	-	292,851	292,851
Early Childhood and Family Education	-	-	-	209,595	209,595
School Readiness	-	-	-	93,896	93,896
Adult Basic Education	-	-	-	106,822	106,822
Restricted for					
Food Service	-	-	-	2,468,255	2,468,255
Community Service	-	-	-	108,044	108,044
Debt Service	-	1,826,607	-	-	1,826,607
Capital Projects	-	-	14,616,712	-	14,616,712
Total restricted/reserved	<u>8,721,011</u>	<u>1,826,607</u>	<u>14,616,712</u>	<u>3,279,463</u>	<u>28,443,793</u>
Committed for					
Separation benefits	2,087,662	-	-	-	2,087,662
Assigned for					
Budget carryover	1,282,295	-	-	-	1,282,295
Capital	49,704	-	-	-	49,704
Student activities	268,798	-	-	-	268,798
Total assigned	<u>1,600,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,600,797</u>
Unassigned					
	<u>13,812,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,812,098</u>
Total fund balance	<u>\$ 26,309,720</u>	<u>\$ 1,826,607</u>	<u>\$ 14,616,712</u>	<u>\$ 3,328,946</u>	<u>\$ 46,081,985</u>

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

Nonspendable for Inventory - A portion of the fund balance has been spent on inventory and is not available for other uses.

Nonspendable for Prepaid Items - A portion of the fund balance has been spent on prepaid items and is not available for other uses.

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 Scholarships - This balance represents available resources for the scholarship funds.

Restricted/Reserved for Staff Development - This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* § 122A.61, subdivision 1).

Restricted/Reserved for Student Support Personnel Aid - This balance represents available resources to be used for student support personnel that are in addition to current staff levels.

Restricted/Reserved for Literacy Aid - This balance represents resources available for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy.

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

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 Gifted and Talented - The part of general education aid revenue for the gifted and talented program that is unspent at years end must be reserved in this Balance Sheet account.

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

Restricted/Reserved for Safe Schools Revenue - The unspent resources available from the Safe Schools revenue must be restricted in this account for future use.

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 Statutes* § 123B.595, subd. 12).

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

Restricted/Reserved for Medical Assistance - This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* § 125A.21, subd. 3).

Restricted/Reserved for School Library Aid - This balance represents resources available for the school library aid uses listed in *Minnesota Statute* § 134.356, subd. 1.

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, 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. Related to Finance Code 344, School Readiness *Minnesota Statutes* § 124D.16.

Restricted/Reserved for Adult Basic Education (ABE) - This account will represent the balance of carryover monies for all activity involving ABE. This would include all state aid and any grants or local funding used in support of ABE.

Restricted for Food Service - This balance represents the accumulation of the activity to provide the food service program.

Restricted for Community Service - This balance represents the remaining aggregate resources for community service programs after other restrictions are removed.

Restricted for Debt Service - This balance represents the resources available for the payment of bond principal, interest, and related costs.

Restricted/Reserved for Capital Projects - This balance represents available resources in the Capital Projects Fund for projects.

Committed for Separation/Retirement Benefits - This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences, pensions, OPEB and termination benefits (as defined in GASB Statement Nos. 16, 27, 45, 47, and 50 and *Minnesota Statutes* § 123B.79, subd. 7).

Assigned for Budget Carryover - This balance represents amounts segregated from unrestricted funds for unspent budget amounts.

Assigned for Capital - This balance represents amounts segregated from unrestricted funds for capital improvements.

Assigned for Student Activities - This balance represents the aggregate activity for student accounts under School Board control.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

B. Net Position

Net position restricted for other purposes is comprised of the General Fund positive restricted balances and Special Revenue Funds balances adjusted to net position.

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2025, was \$2,993,162. The components of pension expense are noted in the following plan summaries.

The General Fund, Community Service Fund, and Food Service Fund typically liquidate the liability related to the pensions.

Teachers' Retirement Association

A. Plan Description

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

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.

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.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

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.

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.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

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. Contributions

Per *Minnesota Statutes* Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$2,448,039. The District's contributions were equal to the required contributions for each year as set by state statute.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 7 - 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 with 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 with 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. 47
Notes to Basic Financial Statements**

NOTE 7 - 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 Expected Real Rate of Return</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Private markets	25.0	5.9
Fixed income	25.0	0.75
Total	<u>100.0 %</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.

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.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2025, the District reported a liability of \$26,109,905 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 0.4109% at the end of the measurement period and 0.4043% 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	\$ 26,109,905
State's proportionate share of the net pension liability associated with the District	<u>1,707,668</u>
Total	<u><u>\$ 27,817,573</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$2,588,852. Included in this amount, the District recognized \$93,871 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 \$723,870 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. 47
Notes to Basic Financial Statements**

NOTE 7 - 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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,246,105	\$ 335,840
Net difference between projected and actual earnings on plan investments	-	3,630,424
Changes of assumptions	2,676,048	3,113,677
Changes in proportion	727,812	768,718
Contributions to TRA subsequent to the measurement date	2,448,039	-
Total	\$ 7,098,004	\$ 7,848,659

The \$2,448,039 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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

Year Ended June 30,	Pension Expense Amount
2026	\$ (1,569,021)
2027	2,408,151
2028	(2,027,831)
2029	(1,688,748)
2030	(321,245)
Total	\$ (3,198,694)

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 7 - 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 Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
\$ 45,981,070	\$ 26,109,905	\$ 9,755,465

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, 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 plan administered by PERA. PERA's defined benefit pension plan is 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 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. 47
Notes to Basic Financial Statements**

NOTE 7 - 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 \$814,062. The District's contributions were equal to the required contributions as set by state statute.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 7 - 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 \$4,487,886 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 \$116,048.

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 0.1214% at the end of the measurement period and 0.1259% for the beginning of the period.

School's proportionate share of net pension liability	\$ 4,487,886
State of Minnesota's proportionate share of the net pension liability associated with the School	<u>116,048</u>
Total	<u><u>\$ 4,603,934</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$404,310 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$3,111 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 \$206,493 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. 47
Notes to Basic Financial Statements**

NOTE 7 - 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 Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 427,756	\$ -
Changes in actuarial assumptions	23,212	1,744,622
Net difference between projected and actual investments earnings	-	1,268,933
Change in proportion	21,352	295,857
Contributions paid to PERA subsequent to the measurement date	814,062	-
Total	\$ 1,286,382	\$ 3,309,412

The \$814,062 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 June 30,	Pension Expense Amount
2026	\$ (1,539,481)
2027	(335,333)
2028	(618,309)
2029	(343,969)
Total	\$ (2,837,092)

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 7 - 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:

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
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	100.0 %	

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. 47
Notes to Basic Financial Statements**

NOTE 7 - 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 Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	\$ 9,802,267	\$ 4,487,887	\$ 116,324

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.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 8 - 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 Blue Cross Blue Shield. 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. No assets are acclimated in a trust.

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. The first access eligible age is 55 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	11
Active employees	622
Total	633

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 Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2025, the District contributed \$110,670 to the plan.

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation 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

Discount Rate	4.10%
Salary increases	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 With MP-2021 Generational Improvement Scale.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN

E. Actuarial Assumptions (Continued)

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

The discount rate is based on the 20-year Municipal Bond Yield of 4.10%.

Changes in Assumptions

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

F. Total OPEB Liability

The District's total OPEB liability of \$2,002,135 was measured as of July 1, 2024, and was determined by an actuarial valuation as of July 1, 2024.

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at July 1, 2024	<u>\$ 2,264,981</u>
Changes for the year	
Service cost	182,150
Interest	90,575
Assumption changes	17,957
Differences between expected and actual economic experience	(301,745)
Benefit payments	<u>(251,783)</u>
Net changes	<u>(262,846)</u>
Balances at July 1, 2025	<u><u>\$ 2,002,135</u></u>

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 4.1% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability/(Asset)		
1% Decrease in Discount Rate (3.1%)	Current Discount Rate (4.1%)	1% Increase in Discount Rate (5.1%)
\$ 2,134,941	\$ 2,002,135	\$ 1,875,216

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the District, as well as what the District's total 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.

Total OPEB Liability/(Asset)		
1% Decrease in Trend Rate (5.5% Decreasing to 4.0% then 3.0%)	Current Trend Rate (6.5% Decreasing to 5.0% then 4.0%)	1% Increase in Trend Rate (7.5% Decreasing to 6.0% then 5.0%)
\$ 1,794,618	\$ 2,002,135	\$ 2,248,490

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 \$153,705. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 43,808	\$ 98,634
Liability losses	29,904	-
Liability gains	-	582,243
Contributions made subsequent to the measurement date	110,670	-
Total	\$ 184,382	\$ 680,877

The \$110,670 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 net pension liability in the year ended June 30, 2026.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

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

Year Ending June 30,	Total
2026	\$ (119,020)
2027	(119,031)
2028	(140,848)
2029	(145,737)
2030	(41,987)
Thereafter	(40,542)
Total	\$ (607,165)

NOTE 9 - COMMITMENTS

Project	Contractor	Contract Amount	Expensed to Date	Commitment
Multi Site Renovation	Various	\$ 659,968	\$ 261,480	\$ 398,488
SRRMS FA Replacement	Various	325,579	121,487	204,092
SRRMS Roofing	Various	307,563	182,718	124,845
EC New Building	Various	1,710,010	421,854	1,288,156
Outdoor Activity Complex (OAC)	Various	874,786	239,487	635,299
Total commitments		\$ 3,877,906	\$ 1,227,026	\$ 2,650,880

NOTE 10 - CONTINGENCY

The District is a defendant in a lawsuit. The likelihood of loss is unknown. The resolution of this matter should not have a material adverse effect on the financial condition of the District.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 11 - ACCOUNTING CHANGE

Governmental activities beginning net position was restated as a result of the implementation of GASB Statement No. 101, Compensated Absences. During the year ended June 30, 2025, the Capital Project fund was changed from a nonmajor governmental fund to a major governmental fund resulting in a decrease of beginning fund balance for the nonmajor governmental funds of \$472,293.

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances	
	Governmental Activities	Nonmajor Funds
6/30/2024, as previously reported	\$ 47,290,556	\$ 3,446,233
Change from nonmajor to major	-	(472,293)
Change in accounting principle	-	-
GASB Statement No. 101 implementation	(5,807,510)	-
6/30/2024, as adjusted or restated	\$ 41,483,046	\$ 2,973,940

NOTE 12 - GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 103, Financial Reporting Model Improvements. The changes required by this Statement provide clarity, enhance the relevance of information, provide more useful information for decision-making and provide for greater comparability amongst government entities. This Statement will be effective for the year ending June 30, 2026.

GASB Statement No. 104, Disclosure of Certain Capital Assets. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets. This Statement will be effective for the year ending June 30, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 47
Schedule of Changes in Total OPEB Liability
and Related Ratios

	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Total OPEB Liability				
Service cost	\$ 169,713	\$ 164,965	\$ 169,914	\$ 237,465
Interest	79,222	82,468	72,765	79,128
Differenced between expected and actual experience	-	(464,939)	-	104,679
Changes of assumptions	-	6,505	-	48,099
Plan changes	-	-	-	362,967
Benefit payments	(143,798)	(153,718)	(127,090)	(229,766)
Net change in total OPEB liability	<u>105,137</u>	<u>(364,719)</u>	<u>115,589</u>	<u>602,572</u>
Beginning of year	<u>2,231,655</u>	<u>2,336,792</u>	<u>1,972,073</u>	<u>2,087,662</u>
End of year	<u>\$ 2,336,792</u>	<u>\$ 1,972,073</u>	<u>\$ 2,087,662</u>	<u>\$ 2,690,234</u>
Covered payroll	\$ 24,683,536	\$ 27,747,444	\$ 28,579,867	\$ 32,053,466
Total OPEB liability as a percentage of covered-employee payroll	9.5%	7.1%	7.3%	8.4%

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

<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>
\$ 255,075	\$ 190,212	\$ 193,138	\$ 182,150
67,763	60,155	87,646	90,575
-	(566,311)	-	(301,745)
34,250	(159,915)	(10,158)	17,957
-	160,877	-	-
<u>(245,120)</u>	<u>(257,088)</u>	<u>(235,777)</u>	<u>(251,783)</u>
<u>111,968</u>	<u>(572,070)</u>	<u>34,849</u>	<u>(262,846)</u>
<u>2,690,234</u>	<u>2,802,202</u>	<u>2,230,132</u>	<u>2,264,981</u>
<u>\$ 2,802,202</u>	<u>\$ 2,230,132</u>	<u>\$ 2,264,981</u>	<u>\$ 2,002,135</u>
\$ 33,015,070	\$ 32,718,546	\$ 33,700,102	\$ 36,850,187
8.5%	6.8%	6.7%	5.4%

**Independent School District No. 47
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund**

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1073%	\$ 5,560,843	\$ -	\$ 5,560,843	\$ 6,200,133	89.69%	78.19%
2016	0.1065%	8,647,272	112,946	8,760,218	6,610,693	130.81%	68.91%
2017	0.1188%	7,584,114	95,394	7,679,508	7,655,773	99.06%	75.90%
2018	0.1150%	6,379,729	209,139	6,588,868	7,727,947	82.55%	79.53%
2019	0.1221%	6,750,635	209,824	6,960,459	8,644,427	78.09%	80.23%
2020	0.1219%	7,308,462	225,261	7,533,723	8,690,467	84.10%	79.06%
2021	0.1266%	5,406,387	165,143	5,571,530	9,113,200	59.32%	87.00%
2022	0.1286%	10,185,162	298,666	10,483,828	9,634,600	105.71%	76.67%
2023	0.1259%	7,040,187	193,968	7,234,155	10,009,693	70.33%	83.10%
2024	0.1214%	4,487,886	116,048	4,603,934	10,274,307	43.68%	89.08%

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.3383%	\$ 20,927,201	\$ 2,566,950	\$ 23,494,151	\$ 17,170,227	121.88%	76.77%
2016	0.3499%	83,459,499	8,376,703	91,836,202	18,202,280	458.51%	44.88%
2017	0.3734%	74,537,413	7,205,374	81,742,787	20,099,040	370.85%	51.57%
2018	0.3878%	24,357,470	2,288,270	26,645,740	21,424,627	113.69%	78.07%
2019	0.4028%	25,674,557	2,271,879	27,946,436	22,870,558	112.26%	78.21%
2020	0.4110%	30,365,231	2,544,449	32,909,680	23,882,689	127.14%	75.48%
2021	0.4176%	18,275,425	1,541,259	19,816,684	24,987,737	73.14%	86.63%
2022	0.4187%	33,527,281	2,486,311	36,013,592	25,880,731	129.55%	76.17%
2023	0.4043%	33,379,914	2,338,104	35,718,018	25,708,819	129.84%	76.42%
2024	0.4109%	26,109,905	1,707,668	27,817,573	27,222,251	95.91%	82.07%

**Independent School District No. 47
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years**

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 495,802	\$ 495,802	\$ -	\$ 6,610,693	7.50%
2017	574,183	574,183	-	7,655,773	7.50%
2018	579,596	579,596	-	7,727,947	7.50%
2019	648,332	648,332	-	8,644,427	7.50%
2020	651,785	651,785	-	8,690,467	7.50%
2021	683,490	683,490	-	9,113,200	7.50%
2022	722,595	722,595	-	9,634,600	7.50%
2023	750,727	750,727	-	10,009,693	7.50%
2024	770,573	770,573	-	10,274,307	7.50%
2025	814,062	814,062	-	10,854,160	7.50%

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

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 1,365,171	\$ 1,365,171	\$ -	\$ 18,202,280	7.50%
2017	1,507,428	1,507,428	-	20,099,040	7.50%
2018	1,606,847	1,606,847	-	21,424,627	7.50%
2019	1,763,320	1,763,320	-	22,870,558	7.71%
2020	1,891,509	1,891,509	-	23,882,689	7.92%
2021	2,031,503	2,031,503	-	24,987,737	8.13%
2022	2,158,453	2,158,453	-	25,880,731	8.34%
2023	2,198,104	2,198,104	-	25,708,819	8.55%
2024	2,381,947	2,381,947	-	27,222,251	8.75%
2025	2,448,039	2,448,039	-	27,977,589	8.75%

Independent School District No. 47
Notes to the Required Supplementary Information

TRA Retirement Fund

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.

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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 increased to 7.5% from 5.12%.

Independent School District No. 47
Notes to the Required Supplementary Information

TRA Retirement Fund (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 0.0% 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. 47
Notes to the Required Supplementary Information

TRA Retirement Fund (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. 47
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. 47
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. 47
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. 47
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. 47
Notes to the Required Supplementary Information

Other Post Employment Benefit

2024 Changes

Changes in Assumptions

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

2023 Changes

Changes in Assumptions

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

2022 Changes

Changes in Assumptions

- The health care trend rates, mortality tables, salary increase rates for non-teachers, and withdrawal rates were updated.
- The discount rate was changed from 2.10% to 3.80%.

Changes in Benefits

- An Early Retirement Incentive was added for teachers who retire after January 1, 2023 and prior to July 1, 2024 who have attained age 55 with at least 25 years of service. Eligible retirees receive a lump sum of \$17,900 less the annual Article XXV Section 25.3 HCSP catch-up contribution made to their health care savings plan.

2021 Changes

Changes in Assumptions

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

2020 Changes

Changes in Assumptions

- 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-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.50% to 2.40%.

Changes in Benefits

- An Early Retirement Incentive was offered to teachers who retire after January 1, 2020, and prior to July 1, 2022, who have attained age 55 with at least 25 years of service. Eligible retirees receive a lump sum of \$20,000 paid to a Health Care Savings Plan.

Independent School District No. 47
Notes to the Required Supplementary Information

Other Post Employment Benefit (Continued)

2019 Changes

Changes in Assumptions

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from 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. 47
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Assets			
Cash and investments	\$ 2,576,985	\$ 1,082,795	\$ 3,659,780
Current property taxes receivable	-	137,349	137,349
Delinquent property taxes receivable	-	4,455	4,455
Accounts receivable	16,039	-	16,039
Due from Department of Education	-	57,281	57,281
Due from other Minnesota school districts	-	118,838	118,838
Inventory	49,483	-	49,483
	<u>\$ 2,642,507</u>	<u>\$ 1,400,718</u>	<u>\$ 4,043,225</u>
Liabilities			
Accounts payable	\$ 25	\$ 2,883	\$ 2,908
Salaries and benefits payable	73,637	289,531	363,168
Unearned revenue	51,107	-	51,107
Total liabilities	<u>124,769</u>	<u>292,414</u>	<u>417,183</u>
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	2,729	2,729
Property taxes levied for subsequent year's expenditures	-	294,367	294,367
Total deferred inflows of resources	<u>-</u>	<u>297,096</u>	<u>297,096</u>
Fund Balances			
Nonspendable	49,483	-	49,483
Restricted	2,468,255	811,208	3,279,463
Total fund balances	<u>2,517,738</u>	<u>811,208</u>	<u>3,328,946</u>
 Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,642,507</u>	<u>\$ 1,400,718</u>	<u>\$ 4,043,225</u>

Independent School District No. 47
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2025

	<u>Special Revenue Funds</u>			Total Nonmajor Funds
	<u>Food Service</u>	<u>Community Service</u>	<u>Capital Projects</u>	
Revenues				
Local property taxes	\$ -	\$ 256,485	\$ -	\$ 256,485
Other local and county revenues	101,275	1,271,330	-	1,372,605
Revenue from state sources	1,739,576	472,417	-	2,211,993
Revenue from federal sources	1,520,550	-	-	1,520,550
Sales and other conversion of assets	286,087	-	-	286,087
Total revenues	<u>3,647,488</u>	<u>2,000,232</u>	<u>-</u>	<u>5,647,720</u>
Expenditures				
Current				
Food service	3,101,305	-	-	3,101,305
Community education and services	-	2,433,891	-	2,433,891
Capital outlay				
Food service	113,356	-	-	113,356
Total expenditures	<u>3,214,661</u>	<u>2,433,891</u>	<u>-</u>	<u>5,648,552</u>
Excess of revenues over (under) expenditures	432,827	(433,659)	-	(832)
Other Financing Sources				
Transfers in	<u>-</u>	<u>355,838</u>	<u>-</u>	<u>355,838</u>
Net change in fund balances	432,827	(77,821)	-	355,006
Fund Balances				
Beginning of year	2,084,911	889,029	472,293	3,446,233
Change in reporting entity (Note 11)	-	-	(472,293)	(472,293)
Beginning of year, restated	<u>2,084,911</u>	<u>889,029</u>	<u>-</u>	<u>2,973,940</u>
End of year	<u>\$ 2,517,738</u>	<u>\$ 811,208</u>	<u>\$ -</u>	<u>\$ 3,328,946</u>

Independent School District No. 47
Uniform Financial Accounting And Reporting Standards
Compliance Table
Year Ended June 30, 2025

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 64,459,083	\$ 64,459,082	\$ 1	Total revenue	\$ 50,007	\$ 50,007	\$ -
Total expenditures	65,193,695	65,193,694	1	Total expenditures	1,023,743	1,023,743	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	88,152	88,152	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	476,541	476,541	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	40,123	40,123	-	4.13 Building Projects Funded by COP/LP	-	-	-
4.03 Staff Development	1,539	1,539	-	4.67 LTFM	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	14,616,712	14,616,712	-
4.12 Literacy Incentive Aid	301,281	301,281	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maintenance	-	-	-	07 DEBT SERVICE FUND			
4.20 American Indian Ed Aid	-	-	-	Total revenue	\$ 6,638,101	\$ 6,638,101	\$ -
4.24 Operating Capital	5,733,576	5,733,576	-	Total expenditures	6,324,577	6,324,578	(1)
4.26 \$25 Taconite	-	-	-	<i>Nonspendable:</i>			
4.27 Disabled Accessibility	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.28 Learning and Development	-	-	-	<i>Restricted/reserved:</i>			
4.34 Area Learning Center	-	-	-	4.25 Bond refunding	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.36 State Approved Alternative Learning Program	-	-	-	4.51 QZAB payments	-	-	-
4.37 Quality Compensation - Alternative Teacher Professional Pay System	-	-	-	4.67 LTFM	-	-	-
4.38 Gifted and Talented	43,403	43,403	-	<i>Restricted:</i>			
4.39 English Learner	-	-	-	4.64 Restricted fund balance	1,826,607	1,826,607	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Unassigned:</i>			
4.41 Basic Skills Programs	-	-	-	4.63 Unassigned fund balance	-	-	-
4.43 School Library Aid	16,257	16,257	-				
4.48 Achievement and Integration Revenue	-	-	-	08 TRUST FUND			
4.49 Safe School Crime	11,590	11,590	-	Total revenue	\$ -	\$ -	\$ -
4.51 QZAB payments	-	-	-	Total expenditures	-	-	-
4.52 OPEB liabilities not held in trust	-	-	-	4.01 Student Activities	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-	4.02 Scholarships	32,843	32,843	-
4.56 Literacy Aid	-	-	-	4.22 Net Position	-	-	-
4.57 Teacher Compensation for Read Act Training	-	-	-				
4.59 Basic Skills Extended Time	-	-	-	18 CUSTODIAL FUND			
4.56 Literacy Aid	173,819	173,819	-	Total revenue	\$ 42,324	\$ 42,325	\$ (1)
4.57 Teacher Comp Read Act	45,806	45,806	-	Total expenditures	43,468	43,469	(1)
4.67 Long-term Facilities Maintenance	1,575,711	1,575,711	-	4.01 Student Activities	9,155	9,156	(1)
4.71 Student Support Personnel	48,122	48,122	-	4.02 Scholarships	22,900	22,900	-
4.72 Medical Assistance	253,243	253,243	-	4.48 Achievement & Integration	-	-	-
<i>Restricted:</i>				4.64 Restricted Fund Balance	30,835	30,834	1
4.64 Restricted fund balance	-	-	-				
4.75 Title VII - Impact Aid	-	-	-	20 INTERNAL SERVICE FUND			
4.76 Payments in Lieu of Taxes	-	-	-	Total revenue	\$ -	\$ -	\$ -
<i>Committed:</i>				Total expenditures	-	-	-
4.18 Separation benefits	2,087,662	2,087,662	-	<i>Unassigned:</i>			
4.61 Committed	-	-	-	4.22 Net Position	-	-	-
<i>Assigned:</i>							
4.62 Assigned fund balance	1,600,797	1,600,797	-	25 OPEB REVOCABLE TRUST			
<i>Unassigned</i>				Total revenue	\$ -	\$ -	\$ -
4.22 Unassigned fund balance (net position)	13,812,098	13,812,100	(2)	Total expenditures	-	-	-
				<i>Unassigned:</i>			
02 FOOD SERVICES FUND				4.22 Net Position	-	-	-
Total revenue	\$ 3,647,488	\$ 3,647,487	\$ 1				
Total expenditures	3,214,661	3,214,661	-	45 OPEB IRREVOCABLE TRUST			
<i>Nonspendable:</i>				Total revenue	\$ -	\$ -	\$ -
4.60 Nonspendable fund balance	49,483	49,483	-	Total expenditures	-	-	-
<i>Restricted/reserved:</i>				<i>Unassigned:</i>			
4.52 OPEB Liabilities not Held in Trust	-	-	-	4.22 Net Position	-	-	-
<i>Restricted:</i>							
4.64 Restricted fund balance	2,468,255	2,468,252	3	47 OPEB DEBT SERVICE			
<i>Unassigned:</i>				Total revenue	\$ -	\$ -	\$ -
4.63 Unassigned fund balance	-	-	-	Total expenditures	-	-	-
				<i>Nonspendable:</i>			
04 COMMUNITY SERVICE FUND				4.60 Nonspendable fund balance	-	-	-
Total revenue	\$ 2,000,232	\$ 2,000,234	\$ (2)	<i>Restricted:</i>			
Total expenditures	2,433,891	2,433,893	(2)	4.25 Bond refundings	-	-	-
<i>Nonspendable:</i>				4.64 Restricted fund balance	-	-	-
4.60 Nonspendable fund balance	-	-	-	<i>Unassigned:</i>			
<i>Restricted/reserved:</i>				4.63 Unassigned fund balance	-	-	-
4.26 \$25 Taconite	-	-	-				
4.31 Community Education	292,851	292,851	-				
4.32 ECFE	209,595	209,592	3				
4.40 Teacher Development and Evaluation	-	-	-				
4.44 School Readiness	93,896	93,896	-				
4.47 Adult Basic Education	106,822	106,822	-				
4.52 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	108,044	108,046	(2)				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				



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

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, 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 October 1, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Finding and Corrective Action Plan on Internal Control as item Audit Finding 2025-001 that we consider 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(s) to the findings identified in our audit and described in the accompanying Schedule of Finding and Corrective Action Plan 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.

St. Cloud, Minnesota
October 1, 2025



Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, 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. 47, Sauk Rapids, 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 October 1, 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 was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

BerganKDV, Ltd.

St. Cloud, Minnesota
October 1, 2025

Independent School District No. 47
Schedule of Finding and Corrective Action Plan on Internal Control

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:

Significant Deficiency

Audit Finding 2025-001

Criteria or Specific Requirement:

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:

The District does not have adequate segregation of accounting duties.

Context:

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

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.

Cause:

There are a limited number of office employees.

Recommendation:

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

Independent School District No. 47
Schedule of Finding and Corrective Action Plan on Internal Control

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING: (CONTINUED)

Significant Deficiency

Audit Finding 2025-001

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
Administration will examine current segregation of accounting duties and identify areas of concern. As these areas are identified, Administration will develop practices that will address and mitigate such potential problems while working within current financial constraints. Specific areas of greatest concern will be identified first and then addressed, followed up by policies with a plan to reduce the risk of problems. Specifics will be noted in the policies as they are brought before the School Board. An individual who is responsible for the implementation of the specific control will be named as well as information on how the control added will potentially reduce risk of possible misstatement in the basic financial statements. As areas are addressed, other areas will be examined and corrected whenever possible.
3. Official Responsible for Ensuring CAP
Brad Bergstrom, Superintendent, 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 ongoing.
5. Plan to Monitor Completion of CAP
The School Board will be responsible to monitor the ongoing progress towards the completion of the CAP by approving the policies brought forth by Administration and review of the annual audit.