ISD No. 742 - St. Cloud Area School District
St. Cloud, Minnesota

Basic Financial Statements

June 30, 2025

ISD No. 742 - St. Cloud Area School District
Table of Contents

Board of Education and Administration 1

Independent Auditor's Report 3

Management's Discussion and Analysis 7

Basic Financial Statements
Government-Wide Financial Statements
- Statement of Net Position 20
- Statement of Activities 23

Fund Financial Statements
- Balance Sheet – Governmental Funds 24
- Reconciliation of the Balance Sheet to the Statement of Net Position – Government Funds 27
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 28
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds 30
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund 31
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Food Service Special Revenue Fund 32
- Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Community Service Special Revenue Fund 33
- Statement of Net Position – Proprietary Funds 34
- Statement of Revenues, Expenses, and Changes in Fund Nets Position – Proprietary Funds 35
- Statement of Cash Flows – Proprietary Funds 36
- Statement of Changes in Fiduciary Net Position 37

Notes to Basic Financial Statements 39

Required Supplementary Information
- Schedule of Changes in Total OPEB Liability and Related Ratios 78
- Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability General Employees Retirement Fund 80
- Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability TRA Retirement Fund 80
- Schedule of District Contributions General Employees Retirement Fund 81
- Schedule of District Contributions TRA Retirement Fund 81
- Notes to the Required Supplementary Information 82

Supplementary Information
- Combining Schedule of Net Position – Internal Service Funds 92
- Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds 93
- Combining Schedule of Cash Flows – Internal Service Funds 94
- Uniform Financial Accounting and Reporting Standards Compliance Table 95

ISD No. 742 - St. Cloud Area School District
Table of Contents

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*	97
Schedule of Findings on Internal Control	99
Minnesota Legal Compliance	103

ISD No. 742 - St. Cloud Area School District
Board of Education and Administration
As of June 30, 2025

Board of Education	Position	Term Expires
Shannon Haws	Chairperson	December 31, 2028
Zachary Dorholt	Vice-Chairperson	December 31, 2026
Scott Andreasen	Treasurer	December 31, 2028
Heather Weems	Clerk	December 31, 2026
Al Dahlgren	Director	December 31, 2025
Natalie Copeland	Director	December 31, 2026
Diana Fenton	Director	December 31, 2028

Administration	
Dr. Laurie Putnam	Superintendent
Amy Skaalerud, CPA	Executive Director of Finance and Business Services
David Cooney	Controller

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent Auditor's Report

To the School Board
ISD No. 742 - St. Cloud Area School District
St. Cloud, 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 ISD No. 742 - St. Cloud Area School District, St. Cloud, 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 ISD No. 742 - St. Cloud Area School District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and each major special revenue 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 ISD No. 742 - St. Cloud Area School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter
The District 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 ISD No. 742 - St. Cloud Area School District 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 November 5, 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.

St. Cloud, Minnesota
November 5, 2025

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 742
Management's Discussion and Analysis

This section of Independent School District No. 742, St. Cloud Area 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 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 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 HIGHLIGHTS

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

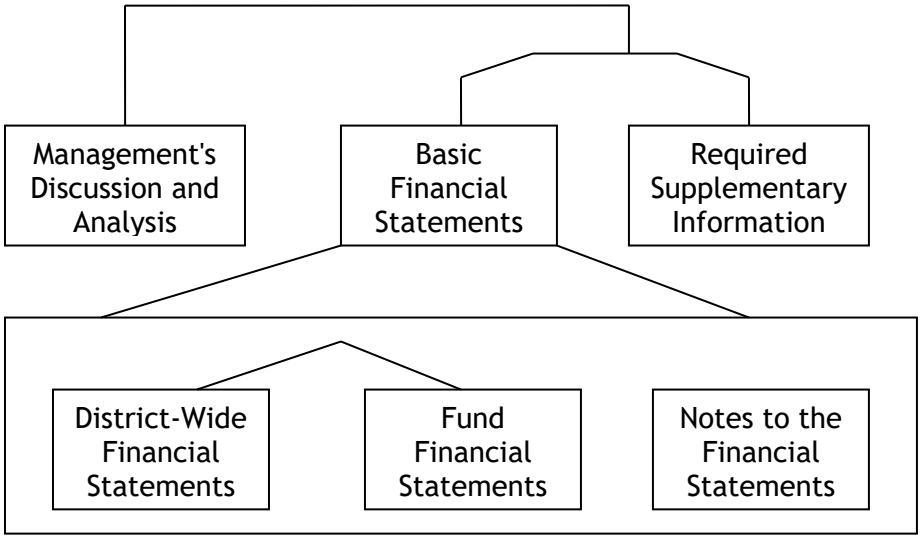
- Net position increased by $5,628,772. The annual change in net position was $10,293,914 but was offset by a decrease in beginning net position in the amount of $4,665,142 primarily due to a change in accounting principle as required by GASB Statement No. 101 which relates to compensated absences.
- Overall revenues on the Statement of Activities were $215,004,250 while overall expenses totaled $204,710,336.
- The restricted General Fund balance decreased by $128,916 from $5,001,343 to $4,872,427. This decrease was due to a decrease in the fund balance restricted for operating capital from $2,181,735 to $2,048,165.
- The unassigned General Fund balance increased by $153,814 from $18,707,956 to $18,861,770. The amount unassigned for general purposes increased $138,603 from $18,725,983 to $18,864,586 because of interest revenue received. The remainder of the unassigned balance represents the negative reserve for long-term facilities maintenance.
- The assigned General Fund balance decreased by $3,602,734 from $4,540,492 to $937,758 due to spending down of the additional one-time funds received during fiscal year 2024 because of the overlap between the final year of federal ESSER funds and the new state special education cross subsidy reduction aid. The Board previously authorized the spending of these funds on a variety of one-time projects and purchases.
- The amount of bonded indebtedness decreased $8,890,000 from $222,005,000 to $213,115,000.
- Contracts with major bargaining expired on June 30, 2025. New contracts have been approved with some bargaining groups that will expire on June 30, 2027, and contracts with the remaining bargaining groups are currently being negotiated.

OVERVIEW OF THE 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 two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund-financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. There are three types of these.
- The first type are governmental funds statements that tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- The second type is fiduciary funds statements which provide information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others to whom the resources belong.
- The third type is proprietary funds statements which provide information about activities the District operates like a business. The District currently has three internal service funds that account for the District's self-insured risks and other post employment benefits.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The diagram below shows how the various parts of this annual report is arranged and related to one another.



Summary < ---------- > Detail

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The major features of the District's financial statements, including the portion of the District's activities they cover, and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

Fund Financial Statements				
	District-Wide Statements	**Governmental Funds**	**Fiduciary Funds**	**Proprietary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that is not fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as being the fiscal host for the Central MN Joint Powers.	The activities the District operates like a business, such as retiree severance funds and self-insurance funds.
Required Financial Statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Fiduciary Position • Statement of Changes in Fiduciary Net Position	• Statement of Net Position • Statement of Revenues, Expenses, and Changes in Fund Net Position • Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of Assets/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 they have changed. Net position, the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the District's financial health or position.

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

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

- Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation, administration, food 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 three kinds of funds:

- Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

- Proprietary Funds: The District uses Internal Service Funds to account for operations of the District's self-insured Dental and Health Insurance plans and to account for its OPEB benefits. The activities of these funds are reported in a separate Statement of Net Position, Statement of Revenues, Expenses, and changes in Fund Net Position, and Statement of Cash Flows. This activity is also included in the Government-Wide Statement of Net Position and Statement of Activities.

- 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 (consisting of a Custodial Fund held for others) 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)

Net Position

The District's combined net position was $70,549,147 at June 30, 2025 (see details in Table A-1). This was an increase of $5,628,772 from $64,920,375 at June 30, 2024. The annual change in net position was $10,293,914 but was offset by a decrease in beginning net position in the amount of $4,665,142 primarily due to a change in accounting principle as required by GASB Statement No. 101 which relates to compensated absences.

Table A-1

Condensed Statement of Net Position

	2025	2024
Assets		
Current and other assets	$ 176,765,175	$ 191,377,555
Capital assets	300,740,970	290,726,548
Total assets	$ 477,506,145	$ 482,104,103
Deferred Outflows of Resources	$ 26,168,045	$ 28,285,329
Liabilities		
Long-term liabilities	$ 249,848,618	$ 362,284,580
Other liabilities	119,733,849	42,084,505
Total liabilities	$ 369,582,467	$ 404,369,085
Deferred Inflows of Resources	$ 63,542,576	$ 41,099,972
Net Position		
Net investment in capital assets	$ 137,113,216	$ 125,316,837
Restricted	10,744,002	10,479,967
Unrestricted	(77,308,071)	(70,876,429)
Total net position	$ 70,549,147	$ 64,920,375

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS) (CONTINUED)

Change in Net Position

The District's revenues were greater than expenses for the year ended June 30, 2025. A summary of the revenues and expenses is presented in Table A-2 below.

Table A-2

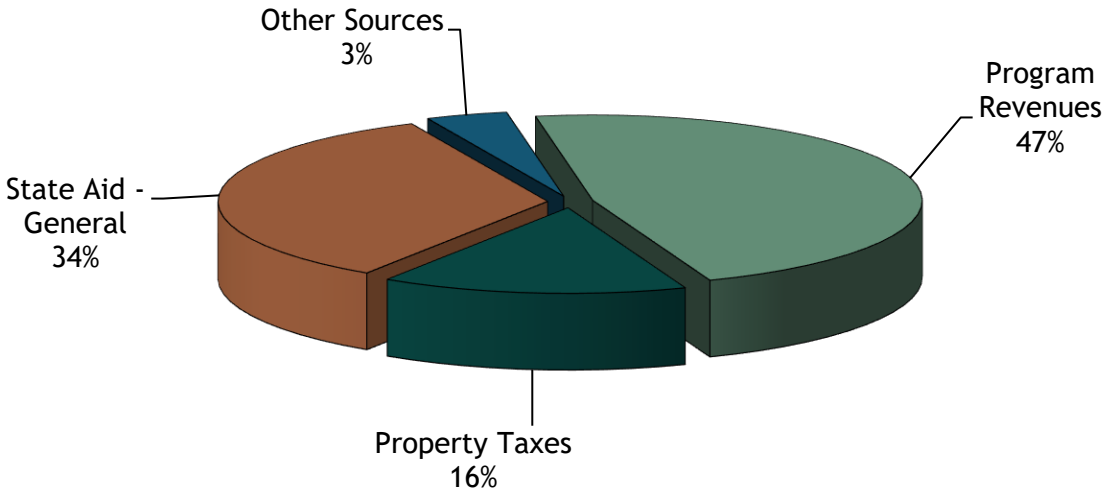
Changes in Net Position

	2025	2024
Revenues		
Program revenues		
Charges for services	$ 2,493,223	$ 3,219,274
Operating grants and contributions	97,578,165	96,969,972
Capital grants and contributions	1,239,979	4,953,573
General revenues		
Property taxes	34,560,240	33,290,341
Aids and payments from the state	71,846,998	68,110,444
Other sources	7,285,645	4,560,460
Total revenues	$ 215,004,250	$ 211,104,064
Expenses		
Administration	$ 4,387,459	$ 3,920,830
District support services	5,924,952	5,369,352
Elementary and secondary regular instruction	68,877,040	60,636,516
Vocational instruction	2,024,981	1,817,705
Special education instruction	43,103,029	38,477,248
Instructional support services	13,923,239	14,408,087
Pupil support services	21,491,703	19,320,954
Sites, buildings and equipment	10,359,930	10,506,680
Fiscal and other fixed cost programs	952,758	902,713
Food service	7,494,688	7,511,352
Community education and services	6,845,992	7,026,385
Unallocated depreciation	10,909,005	10,070,108
Interest and fiscal charges - long-term debt	8,415,560	8,641,379
Total expenses	204,710,336	188,609,309
Change in net position	10,293,914	22,494,755
Net Position		
Beginning, as previously stated	64,920,375	35,038,283
Prior period adjustment	500,095	-
Change in accounting	(5,165,237)	7,387,337
Beginning, as restated	60,255,233	42,425,620
Ending	$ 70,549,147	$ 64,920,375

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS) (CONTINUED)

The District's total revenue of $215,004,250 consists of program revenues of $101,311,367 down from $105,142,819 in 2024; property taxes of $34,560,240 up from $33,290,341 in 2024; aid and payments from the state of $71,846,998 up from $68,110,444 in 2024 and $7,285,645 from miscellaneous other sources up from $4,560,460 in 2024.

2024-25 Revenues - Table A-3



There were a number of significant changes in revenue from 2024 to 2025, with revenue increasing in all categories except for program revenues.

The largest increase was in aids and payments from the state which increased due to higher general education revenue and summer unemployment aid. Revenue from state aid is largely driven by student enrollment, and the largest single source of funding for the District is state aid called general education revenue. General education revenue provides the base funding and represents a per pupil unit funding amount multiplied by adjusted marginal cost pupil units (referred to here as student enrollment).

Revenue from other sources increased significantly due to an increase in interest revenue.

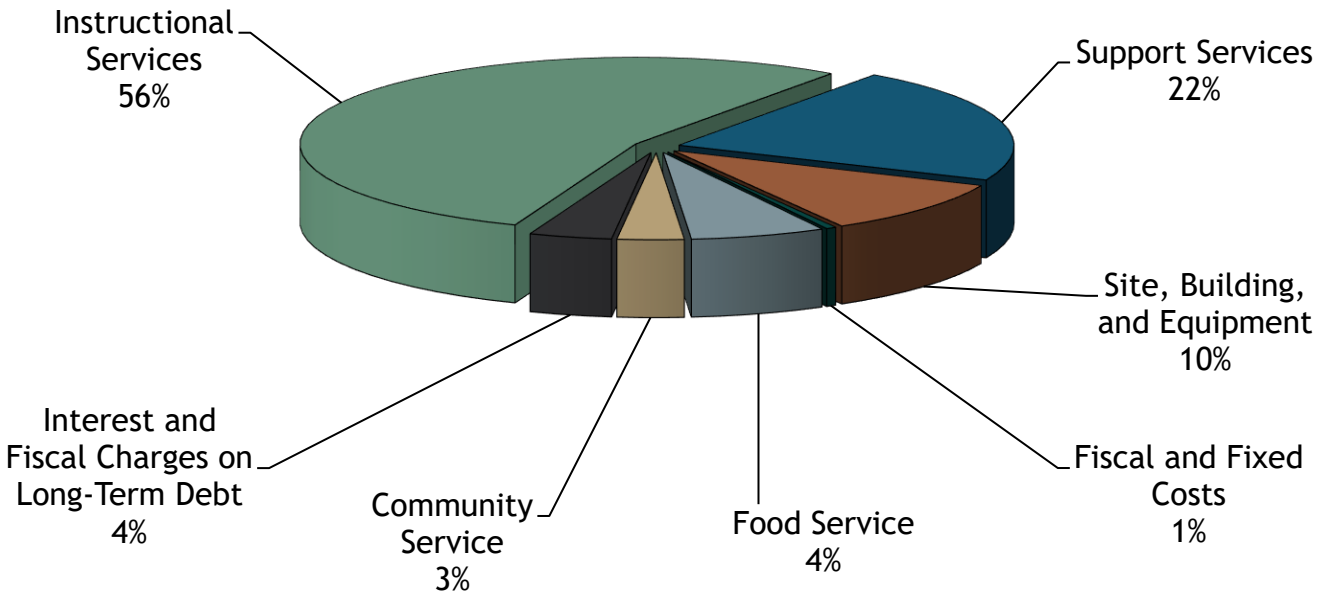
Revenue from property taxes increased from 2024 to 2025. The majority of the increase was due to an increase in the debt-service levy related to the long-term facilities maintenance bonds that were issued in 2023. There were also increases in various components of the general fund levy.

There was a large decrease in program revenues from 2024 to 2025, most notably in capital grants and contributions which decreased due to the end of the pandemic funding which was used in the previous year to fund capital purchases.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS) (CONTINUED)

The District's total expenses of $204,710,336 consisted mainly of costs for instructional services (regular, vocational, and special instruction) of $114,005,050 up from $100,931,469 in 2024. Other areas of cost included: support services (district, administrative, instructional and pupil) of $45,727,353 up from $43,019,223 in 2024; site, buildings, and equipment (including unallocated depreciation) of $21,268,935 up from $20,576,788 in 2024; fiscal and other fixed cost programs of $952,758 up from $902,713 in 2024; food service of $7,494,688 down from $7,511,352 in 2024; community education and services of $6,845,992 down from $7,026,385 in 2024; interest and fiscal charges on long-term debt of $8,415,560 down from $8,641,379 in 2024.

2024-25 Expenses - Table A-4



The majority of District expenditures in operating areas are for human resources. Salary and benefits make up approximately 72% of total operating expenditures. Historically this percentage has been around 74%; however, it is less currently due to significant one-time non-salary purchases made using the one-time funds received during fiscal year 2024 because of the overlap between the final year of federal ESSER funds and the new state special education cross subsidy reduction aid. Many of the other operational costs are fixed costs, such as utilities, technology, and core supplies.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS) (CONTINUED)

The net cost of governmental activities is their total cost less program revenues applicable to each category. Table A-5 presents these costs. Note that site, building, and equipment expenses include unallocated depreciation expense.

Table A-5

Net Cost of Governmental Activities
(in Thousands of Dollars)

	Total Cost of Services		Net Cost of Services	
	2025	2024	2025	2024
Administration	$ 4,387	$ 3,921	$ 4,387	$ 3,921
District support services	5,925	5,369	5,893	5,039
Elementary and secondary regular instruction	68,877	60,637	30,966	19,258
Vocational instruction	2,025	1,818	2,025	1,818
Special education instruction	43,103	38,477	5,112	3,142
Instructional support services	13,923	14,408	9,606	9,797
Pupil support services	21,492	19,321	16,029	13,450
Sites, buildings and equipment	21,269	20,577	19,932	16,728
Fiscal and other fixed-cost program	953	903	896	841
Food service	7,495	7,511	(785)	(683)
Community education and services	6,846	7,026	923	1,514
Interest and fiscal charge long-term debt	8,415	8,641	8,415	8,641
Total expenses	$ 204,710	$ 188,609	$ 103,399	$ 83,466

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $112,287,774. This is down $12,030,953 from the June 30, 2024, combined fund balance total which was $124,318,727. The fund balance in the General Fund decreased by $3,639,946 from $28,824,801 in 2024 to $25,184,855 in 2025 due to the spend down of funds that were received in 2024 due to the overlap of the final year of ESSER funds with the increase in special education cross subsidy aid which were assigned for future projects. The fund balance in the Building Construction Fund decreased by $10,265,290 as a result of the District spending bond proceeds for capital projects. The fund balance in the Debt Service fund increased by $1,474,469 due to interest revenue earned on the refunding proceeds held in escrow awaiting the call date on the original issuance that was refunded. The Food Service Fund had an increase in fund balance from June 30, 2024, to June 30, 2025, of $486,742 due to increased revenues and the Community Service Fund had a decrease in fund balance of $86,928 due to a decrease in school readiness revenue.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS) (CONTINUED)

Revenues and Expenditures

Revenues of the District's governmental funds totaled $212,304,363 while total expenditures were $226,126,312. A summary of the revenues and expenditures reported on the governmental fund financial statements appear in Table A-6 below.

Table A-6

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General	$ 177,587,907	$ 182,518,754	$ 1,290,901	$ (3,639,946)
Food Service	8,381,636	7,894,894	-	486,742
Community Service	6,921,742	7,008,670	-	(86,928)
Capital Projects	454,947	11,220,332	-	(10,765,385)
Debt Service	18,958,131	17,483,662	-	1,474,469
Total	$ 212,304,363	$ 226,126,312	$ 1,290,901	$ (12,531,048)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Budgetary Highlights

During the year ended June 30, 2025, the District revised its operating budget one time. The original budget was adopted in June 2024 (a budget must be in place prior to the beginning of the fiscal year on July 1). The final budget was adopted in June 2025.

Significant changes between original budget and final budget: The revised budget was modified from the original budget to reflect the following changes:

- The budgets for local, state, and federal grant revenues and expenditures were increased as a result of grant awards being higher than originally anticipated.
- The budgets for revenues in the General Fund and Building Construction Fund were increased to reflect higher interest revenue than originally projected.
- The budget for expenditures in the General Fund was increased to reflect the spending down of assigned fund balance.
- The budget for expenditures in the Building Construction Fund was decreased to reflect the updated 2025 anticipated costs for summer construction projects based on timing of projects.
- The budgets for revenues and expenditures in the Food Service Fund were increased to reflect higher federal revenues and increased overall spending.
- The budget for revenues in the Community Service Fund was increased due to an increase in the ABE award entitlement. The budget for expenditures in the Community Service Fund was decreased to reflect preschool costs that were moved to the General Fund due to an increase in the number of VPK seats.
- Amendments were made in the budgeted revenues and expenditures for a number of programs to account for operational changes throughout the fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Variances from Final Budget to Actual

The District's final General Fund budget anticipated that expenditures would exceed revenues by $4,132,886. The actual result was $3,639,946 excess of revenues and other financing sources under expenditures. General Fund revenues were over budget by $407,787, or 0.2%. The primary reason for revenues being over budget was due to higher interest revenue than projected. General Fund expenditures (net of proceeds from financed purchase agreements) were under budget by $63,005, or less than 0.1%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Additions totaling $56,470,462 consisted primarily of building construction and remodeling projects, HVAC and other LTFM improvement projects, site improvements, and equipment. Disposals and adjustments totaling $33,417,300 consisted primarily of the disposal of vehicles and equipment and the reclassification of prior year construction in progress. Detailed information related to the District's capital assets can be found in Note 3.

Long-Term Liabilities

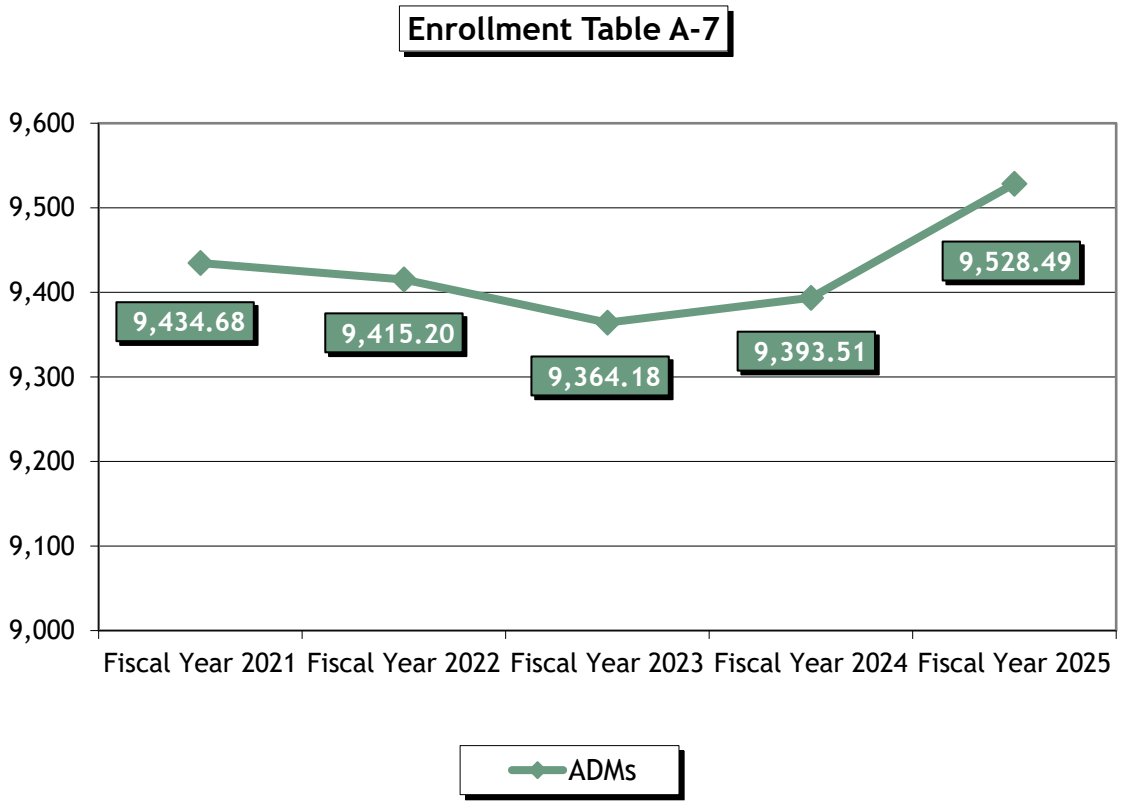
At year-end, the District had $248,727,416 of long-term liabilities. This consisted of bonded indebtedness of $213,115,000, certificates of participation of $19,725,000, unamortized bond premiums of $7,798,565, subscription liability of $103,561, lease liability of $608,666, financed purchase agreement of $927,988 and compensated absences of $6,448,636. This is a decrease of $4,536,911 from June 30, 2024. More detailed information regarding long-term liabilities can be found in Note 4.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing conditions that could significantly affect its financial health in the future:

- Minnesota school districts are paid based on pupil units served, therefore a decline in enrollment results in less revenue being received for operations. The District did see a slight increase in enrollment in 2025 and is expecting another small increase in enrollment in 2026. The District's average daily membership (ADM) served for the past five years is shown in Table A-7 on the following page.

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)



- The political and economic environment of the State of Minnesota could have a significant effect on future finances. The State Legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive. The State regularly faces large budget deficits and since K-12 education accounts for about 40% of State spending, the future revenues of the District and other Minnesota school districts is unknown and unstable.
- Contracts with major bargaining groups expired on June 30, 2025. New contracts have been approved with some bargaining groups that will expire on June 30, 2027, and contracts with the remaining bargaining groups are currently being negotiated. Negotiations on these contracts will impact future budget periods.
- Districts continue to be faced with additional unfunded mandates including summer unemployment and paid family leave. If these programs continue to be unfunded in the future, the district will have to utilize new or existing funding to cover these costs which could reduce amounts available for future contract increases or other operational costs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Amy Skaalerud, CPA, Executive Director of Finance and Business Services, at the District Administration Office, Independent School District No. 742, 1201 South Second Street, Waite Park, Minnesota 56303.

BASIC FINANCIAL STATEMENTS

ISD No. 742 - St. Cloud Area School District
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Current assets	
Cash and investments	
(including cash equivalents)	$ 56,922,538
Cash with fiscal agent	75,256,522
Current property taxes receivable	16,719,442
Delinquent property taxes receivable	289,876
Accounts receivable	823,019
Interest receivable	341,863
Due from Department of Education	15,796,856
Due from Federal Government through Department of Education	9,216,823
Due from federal - direct	143,025
Due from other Minnesota school districts	522,372
Due from other governmental units	177,683
Inventory	97,148
Prepaid items	458,008
Total current assets	176,765,175
Noncurrent Assets	
Capital assets not being depreciated	
Land	6,730,006
Construction in progress	4,457,355
Capital assets, net of accumulated depreciation and amortization	
Land improvements	20,560,630
Buildings and building improvements	379,826,577
Furniture and equipment	24,925,347
Vehicles	4,251,720
Food service equipment	2,501,999
Subscription asset	837,426
Leased building	895,328
Less accumulated depreciation and amortization	(144,245,418)
Total capital assets, net of accumulated depreciation and amortization	300,740,970
Total assets	477,506,145
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	22,137,403
Deferred outflows of resources related to OPEB	4,030,642
Total deferred outflows of resources	26,168,045
Total assets and deferred outflows of resources	$ 503,674,190

See notes to basic financial statements.

ISD No. 742 - St. Cloud Area School District
Statement of Net Position
June 30, 2025

	Governmental Activities
Liabilities	
Current liabilities	
Accounts and contracts payable	$ 8,270,044
Salaries, benefits, severance, and compensated absences payable	14,956,448
Accrued interest payable	3,717,618
Due to other Minnesota school districts	909,442
Unearned revenue	41,420
Long term liabilities due within one year	91,838,877
Total current liabilities	119,733,849
Noncurrent Liabilities	
Bond principal payable, net of premiums	219,836,186
Certificates of indebtedness, net of premiums	20,802,379
Finance purchase	927,988
Subscription liability	103,561
Lease liability	608,666
Compensated absences payable	6,448,636
Net pension liability	82,609,914
Total OPEB liability	10,350,165
Less amount due within one year	(91,838,877)
Total noncurrent liabilities	249,848,618
Total liabilities	369,582,467
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	33,641,962
Deferred inflows of resources related to pensions	28,882,312
Deferred inflows of resources related to OPEB	1,018,302
Total deferred inflows of resources	63,542,576
Net Position	
Net investment in capital assets	137,113,216
Restricted for	
Capital asset acquisition	2,048,165
Food service	3,257,958
Community service	2,613,617
Other purposes	2,824,262
Unrestricted	(77,308,071)
Total net position	70,549,147
Total liabilities, deferred inflows of resources, and net position	$ 503,674,190

See notes to basic financial statements.

(THIS PAGE LEFT BLANK INTENTIONALLY)

ISD No. 742 - St. Cloud Area School District
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 4,387,459	$ -	$ -	$ -	$ (4,387,459)
District support services	5,924,952	-	31,653	-	(5,893,299)
Elementary and secondary regular instruction	68,877,040	288,392	37,612,699	10,600	(30,965,349)
Vocational education instruction	2,024,981	-	-	-	(2,024,981)
Special education instruction	43,103,029	1,055,559	36,935,247	-	(5,112,223)
Instructional support services	13,923,239	49,704	4,267,559	-	(9,605,976)
Pupil support services	21,491,703	-	5,440,961	22,148	(16,028,594)
Sites and buildings	10,359,930	109,699	20,000	1,207,231	(9,023,000)
Fiscal and other fixed cost programs	952,758	-	56,544	-	(896,214)
Food service	7,494,688	200,859	8,079,341	-	785,512
Community education and services	6,845,992	789,010	5,134,161	-	(922,821)
Unallocated depreciation	10,909,005	-	-	-	(10,909,005)
Interest and fiscal charges on long-term debt	8,415,560	-	-	-	(8,415,560)
Total governmental activities	$ 204,710,336	$ 2,493,223	$ 97,578,165	$ 1,239,979	(103,398,969)
General revenues					
Taxes					
Property taxes, levied for general purposes					20,293,521
Property taxes, levied for community service					834,192
Property taxes, levied for debt service					13,432,527
State aid-formula grants					71,846,998
Other general revenues					451,132
Investment income					6,834,513
Total general revenues					113,692,883
Change in net position					10,293,914
Net position - beginning					64,920,375
Prior period adjustment (See Note 10)					500,095
Change in accounting (See Note 10)					(5,165,237)
Net position - beginning, restated					60,255,233
Net position - ending					$ 70,549,147

See notes to basic financial statements.

ISD No. 742 - St. Cloud Area School District
Balance Sheet - Governmental Funds
June 30, 2025

	General	Food Service	Community Service
Assets			
Cash and investments	$ 27,433,945	$ 3,232,394	$ 3,334,012
Cash with fiscal agent	-	-	-
Current property taxes receivable	9,158,048	-	413,989
Delinquent property taxes receivable	166,288	-	8,697
Accounts receivable	702,059	2,783	118,177
Interest receivable	341,863	-	-
Due from Department of Education	15,156,377	-	542,659
Due from Federal Government through Department of Education	9,066,721	51,734	98,368
Due from Federal - direct	143,025	-	-
Due from other Minnesota school districts	522,372	-	-
Due from other governmental units	177,683	-	-
Inventory	56,087	41,061	-
Prepaid items	456,813	1,120	75
Total assets	$ 63,381,281	$ 3,329,092	$ 4,515,977
Liabilities			
Accounts and contracts payable	$ 5,103,129	$ 28,010	$ 216,388
Salaries, benefits, severance, and compensated absences payable	14,501,740	8,305	446,403
Due to other Minnesota school districts	550,979	-	358,463
Unearned revenue	6,601	34,819	-
Total liabilities	20,162,449	71,134	1,021,254
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	166,288	-	8,697
Property taxes levied for subsequent year's expenditures	17,867,689	-	881,106
Total deferred inflows of resources	18,033,977	-	889,803
Fund Balances			
Nonspendable	512,900	42,181	75
Restricted	4,872,427	3,215,777	2,604,845
Assigned	937,758	-	-
Unassigned	18,861,770	-	-
Total fund balances	25,184,855	3,257,958	2,604,920
Total liabilities, deferred inflows of resources, and fund balance	$ 63,381,281	$ 3,329,092	$ 4,515,977

See notes to basic financial statements.

Building Construction	Debt Service	Total Governmental Funds
$ 4,147,376	$ 10,616,710	$ 48,764,437
1,210,614	74,045,908	75,256,522
-	7,147,405	16,719,442
-	114,891	289,876
-	-	823,019
-	-	341,863
-	97,820	15,796,856
-	-	9,216,823
-	-	143,025
-	-	522,372
-	-	177,683
-	-	97,148
-	-	458,008
$ 5,357,990	$ 92,022,734	$ 168,607,074
$ 1,132,625	$ -	$ 6,480,152
-	-	14,956,448
-	-	909,442
-	-	41,420
1,132,625	-	22,387,462
-	114,891	289,876
-	14,893,167	33,641,962
-	15,008,058	33,931,838
-	-	555,156
4,605,118	77,014,676	92,312,843
-	-	937,758
(379,753)	-	18,482,017
4,225,365	77,014,676	112,287,774
$ 5,357,990	$ 92,022,734	$ 168,607,074

(THIS PAGE LEFT BLANK INTENTIONALLY)

ISD No. 742 - St. Cloud Area School District
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2025

Total fund balance - governmental funds	$ 112,287,774
Amounts reported for governmental activities in the Statement of Net Positionare 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 including leased and subscription assets	444,986,388
Less accumulated depreciation and amortization	(144,245,418)
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:	
Bonds payable, net of premiums	(219,836,186)
Certificates of participation payable, net of premiums	(20,802,379)
Subscription liability	(103,561)
Lease liability	(608,666)
Finance purchase payable	(927,988)
Compensated absences payable	(6,448,636)
Net pension liability	(82,609,914)
Total OPEB liability	(10,350,165)
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	22,137,403
Deferred inflows of resources related to pensions	(28,882,312)
Deferred outflows of resources related to OPEB	4,030,642
Deferred inflows of resources related to OPEB	(1,018,302)
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.	289,876
Governmental funds do not report a liability for accrued interest on bonds payable until due and payable.	(3,717,618)
The health and dental insurance internal service funds are used by the District to charge the cost of health and dental insurance employee premiums and claims to the individual funds. The assets and liabilities of these internal service funds are included with governmental activities.	6,368,209
Total net position - governmental activities	$ 70,549,147

ISD No. 742 - St. Cloud Area School District
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2025

	General	Food Service	Community Service
Revenues			
Local property taxes	$ 20,249,148	$ -	$ 833,606
Other local and county revenues	4,326,437	111,944	1,091,614
Revenue from state sources	142,308,672	169,172	4,825,687
Revenue from federal sources	10,652,204	7,899,661	170,835
Sales and other conversion of assets	51,446	200,859	-
Total revenues	177,587,907	8,381,636	6,921,742
Expenditures			
Current			
Administration	4,417,407	-	-
District support services	5,703,792	-	-
Elementary and secondary regular instruction	67,507,208	-	-
Vocational education instruction	1,957,743	-	-
Special education instruction	42,998,312	-	-
Instructional support services	12,753,703	-	-
Pupil support services	21,211,106	-	152,497
Sites and buildings	17,141,886	-	-
Fiscal and other fixed cost programs	952,758	-	-
Food service	-	7,423,223	-
Community education and services	-	-	6,822,368
Capital outlay			
Administration	3,867	-	-
District support services	294,655	-	-
Elementary and secondary regular instruction	465,033	-	-
Vocational education instruction	8,684	-	-
Special education instruction	47,906	-	-
Instructional support services	1,412,859	-	-
Pupil support services	4,718	-	-
Sites and buildings	3,326,827	-	-
Food service	-	454,534	-
Community education and services	-	-	33,805
Debt service			
Principal	1,434,588	17,137	-
Interest and fiscal charges	875,702	-	-
Total expenditures	182,518,754	7,894,894	7,008,670
Excess of revenues over (under) expenditures	(4,930,847)	486,742	(86,928)
Other Financing Sources			
Insurance recoveries	22,148	-	-
Proceeds from issuance of financed purchase agreement	1,268,753	-	-
Total other financing sources	1,290,901	-	-
Net change in fund balances	(3,639,946)	486,742	(86,928)
Fund Balances			
Beginning of year	28,824,801	2,771,216	2,691,848
Prior period adjustment (See Note 11)	-	-	-
Beginning of year, restated	28,824,801	2,771,216	2,691,848
End of year	$ 25,184,855	$ 3,257,958	$ 2,604,920

See notes to basic financial statements.

Building Construction	Debt Service	Total Governmental Funds
$ -	$ 13,401,724	$ 34,484,478
454,947	4,562,956	10,547,898
-	993,451	148,296,982
-	-	18,722,700
-	-	252,305
454,947	18,958,131	212,304,363
-	-	4,417,407
-	-	5,703,792
-	-	67,507,208
-	-	1,957,743
-	-	42,998,312
-	-	12,753,703
-	-	21,363,603
-	-	17,141,886
-	-	952,758
-	-	7,423,223
-	-	6,822,368
-	-	3,867
-	-	294,655
-	-	465,033
-	-	8,684
-	-	47,906
-	-	1,412,859
-	-	4,718
11,070,332	-	14,397,159
-	-	454,534
-	-	33,805
150,000	8,890,000	10,491,725
-	8,593,662	9,469,364
11,220,332	17,483,662	226,126,312
(10,765,385)	1,474,469	(13,821,949)
-	-	22,148
-	-	1,268,753
-	-	1,290,901
(10,765,385)	1,474,469	(12,531,048)
14,490,655	75,540,207	124,318,727
500,095	-	500,095
14,990,750	75,540,207	124,818,822
$ 4,225,365	$ 77,014,676	$ 112,287,774

ISD No. 742 - St. Cloud Area School District
Reconciliation of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2025

Total net change in fund balances - governmental funds	$ (12,531,048)
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 and amortization expense.	
Capital outlays	24,040,240
Depreciation and amortization expense	(13,868,096)
Net disposals	(157,722)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(302,059)
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.	4,384,557
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	10,530,869
Proceeds from long-term debt are recognized as other financing sources, increasing fund balance in the governmental fund statements, but have no effect on net position in the Statements of Activities.	
Financed purchase agreement	(1,268,753)
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.	272,569
Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as an unamortized asset or liability in the government-wide financial statements.	
Amortization of bond premium	742,091
Total OPEB obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. The District's obligation exceeded its contribution, therefore, net position is decreased.	174,195
The change in net position of the internal service funds is reported with governmental activities.	(1,798,691)
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.	75,762
Change in net position - governmental activities	$ 10,293,914

See notes to basic financial statements.

ISD No. 742 - St. Cloud Area School District
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 20,048,981	$ 20,218,981	$ 20,249,148	$ 30,167
Other local and county revenues	4,296,210	3,798,211	4,326,437	528,226
Revenue from state sources	141,653,578	142,201,443	142,308,672	107,229
Revenue from federal sources	9,971,651	10,961,485	10,652,204	(309,281)
Sales and other conversion of assets	-	-	51,446	51,446
Total revenues	175,970,420	177,180,120	177,587,907	407,787
Expenditures				
Current				
Administration	4,525,623	4,630,465	4,417,407	(213,058)
District support services	5,703,215	5,953,363	5,703,792	(249,571)
Elementary and secondary regular instruction	67,594,219	67,541,537	67,507,208	(34,329)
Vocational education instruction	1,876,692	1,874,327	1,957,743	83,416
Special education instruction	42,366,390	42,536,795	42,998,312	461,517
Instructional support services	12,669,606	12,853,611	12,753,703	(99,908)
Pupil support services	20,464,711	20,781,162	21,211,106	429,944
Sites and buildings	17,005,876	17,741,514	17,141,886	(599,628)
Fiscal and other fixed cost programs	891,500	959,906	952,758	(7,148)
Capital outlay				
Administration	-	-	3,867	3,867
District support services	34,750	246,175	294,655	48,480
Elementary and secondary regular instruction	269,184	432,970	465,033	32,063
Vocational education instruction	6,678	16,669	8,684	(7,985)
Special education instruction	77,500	76,482	47,906	(28,576)
Instructional support services	102,740	126,068	1,412,859	1,286,791
Pupil support services	13,200	7,574	4,718	(2,856)
Sites and buildings	100,000	3,315,700	3,326,827	11,127
Debt service				
Principal	1,392,239	1,392,239	1,434,588	42,349
Interest and fiscal charges	826,449	826,449	875,702	49,253
Total expenditures	175,920,572	181,313,006	182,518,754	1,205,748
Excess of revenues over (under) expenditures	49,848	(4,132,886)	(4,930,847)	(797,961)
Other Financing Sources				
Insurance recoveries	-	-	22,148	22,148
Proceeds from issuance of financed purchase agreement	-	-	1,268,753	1,268,753
Total other financing sources	-	-	1,290,901	1,290,901
Net change in fund balance	$ 49,848	$ (4,132,886)	(3,639,946)	$ 492,940
Fund Balances				
Beginning of year			28,824,801	
Ending of year			$ 25,184,855	

See notes to basic financial statements.

ISD No. 742 - St. Cloud Area School District
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Food Service Special Revenue Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Other local and county revenues	$ 5,000	$ 5,000	$ 111,944	$ 106,944
Revenue from state sources	147,250	177,250	169,172	(8,078)
Revenue from federal sources	7,072,500	7,722,582	7,899,661	177,079
Sales and other conversion of assets	146,000	146,000	200,859	54,859
Total revenues	7,370,750	8,050,832	8,381,636	330,804
Expenditures				
Current				
Food service	7,087,781	7,417,863	7,423,223	5,360
Debt service				
Principal	-	-	17,137	17,137
Capital outlay				
Food service	275,000	625,000	454,534	(170,466)
Total expenditures	7,362,781	8,042,863	7,894,894	(147,969)
Net change in fund balance	$ 7,969	$ 7,969	486,742	$ 478,773
Fund balances				
Beginning of year			2,771,216	
Ending of year			$ 3,257,958	

See notes to basic financial statements.

ISD No. 742 - St. Cloud Area School District
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Community Service Special Revenue Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	$ 832,713	$ 832,713	$ 833,606	$ 893
Other local and county revenues	1,093,350	1,093,351	1,091,614	(1,737)
Revenue from state sources	4,791,892	4,891,254	4,825,687	(65,567)
Revenue from federal sources	160,000	165,071	170,835	5,764
Total revenues	6,877,955	6,982,389	6,921,742	(60,647)
Expenditures				
Current				
Pupil support services	158,628	158,628	152,497	(6,131)
Community education and services	6,931,740	6,886,934	6,822,368	(64,566)
Capital outlay				
Community education and services	12,500	37,603	33,805	(3,798)
Total expenditures	7,102,868	7,083,165	7,008,670	(74,495)
Net change in fund balance	$ (224,913)	$ (100,776)	(86,928)	$ 13,848
Fund Balances				
Beginning of year			2,691,848	
Ending of year			$ 2,604,920	

See notes to basic financial statements.

Independent School District No. 742
Statement of Net Position - Proprietary Funds
June 30, 2025

	Total Internal Service Funds
Assets	
Current assets	
Cash and cash equivalents	$ 8,158,101
Liabilities	
Insurance claims payable	$ 1,789,892
Net Position	
Unrestricted	6,368,209
Total liabilities and net position	$ 8,158,101

See notes to basic financial statements.

Independent School District No. 742
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2025

	Total Internal Service Funds
Operating Revenue	
Charges for services	$ 18,030,026
Operating Expenses	
Insurance claims	20,143,565
Insurance premiums	5,071
Total operating expenses	20,148,636
Operating loss	(2,118,610)
Nonoperating Revenue	
Investment income	319,919
Change in net position	(1,798,691)
Net Position	
Beginning of year	8,166,900
End of year	$ 6,368,209

See notes to basic financial statements.

Independent School District No. 742
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2025

	Total Internal Service Funds
Cash Flows - Operating Activities	
Employee insurance deductions received from other funds	$ 19,074,955
Insurance claims paid	(20,899,356)
Insurance premiums paid	(1,050,000)
Net cash flows - operating activities	(2,874,401)
Cash Flows - Investing Activities	
Interest received	319,919
Net change in cash and cash equivalents	(2,554,482)
Cash and Cash Equivalents	
Beginning of year	10,712,583
End of year	$ 8,158,101
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities	
Operating loss	$ (2,118,610)
Adjustments to reconcile operating loss to net cash flows - operating activities	
Change in due from other funds	1,044,929
Change in insurance claims payable	(755,791)
Change in due to other funds	(1,044,929)
Net cash flows - operating activities	$ (2,874,401)

See notes to basic financial statements.

Independent School District No. 742
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2025

	Fundraising Custodial Fund
Additions	
Other local and county revenues	$ 818
Deductions	
Supplies	818
Change in net position	-
Net Position	
Beginning of year	-
End of year	$ -

See notes to basic financial statements.

(THIS PAGE LEFT BLANK INTENTIONALLY)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven-member board elected by the voters of the District to serve three and 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 basic 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 fund. The fiduciary fund is 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 segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Depreciation and amortization 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Separate fund financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Funds are charges to customers for services. Operating expenses for the Internal Service Funds are insurance claims and premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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 proprietary fund and 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 collectable 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 expense is incurred for a purpose for which both restricted and unrestricted net position is available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned, and unassigned.

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.

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.

Building Construction Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or to account for bonds specifically issued for technology expenditures.

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

Proprietary Funds:

Dental Insurance Internal Service Fund – This fund is used to account for operations of the District's self-insured dental insurance plan. Premiums collected from employees are collected from other governmental funds and claims for dental claims are paid by this fund.

Health Insurance Internal Service Fund – This fund is used to account for operations of the District's self-insured health insurance plan. Premiums collected from employees are collected from other governmental funds and claims for health claims are paid by this fund.

OPEB Internal Service Fund – This fund is used to account for the financial resources relating to other post-employment benefits. This fund was closed by June 30, 2025.

Fiduciary Fund:

Fundraising Custodial Fund – This fund is used to account for resources received and held by the District in a trustee capacity to be used in making donations from student activity fundraisers.

D. Deposits and Investments

All governmental, proprietary, and fiduciary funds of the District, except for the OPEB Internal Service Fund, participate in a government-wide investment pool. Cash and investment balances from these funds are combined and invested to the extent available in various securities as authorized by state law. The OPEB Fund's deposits and investments are held and invested separately from the rest of the District's funds as authorized by state law. In addition, deposits and investments related to the 2017A Certificates of Participation, 2022A Certificates of Participation, and 2023A Facilities Maintenance Bonds are held and invested separately from these pooled funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

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. Earnings from the pooled investments are allocated to the respective 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 as of June 30, 2025, were comprised of deposits, and investments as outlined in Note 2.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust funds are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid, MNTrust Investment Shares Portfolio, MNTrust Flex Fund or money market 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. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Investments in the MNTrust Limited Term Duration Series may only be withdrawn on the third Wednesday of each month upon advance written notice on the immediately preceding first Wednesday of that month.

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 tax receivables 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 an average cost basis. Inventories are recorded as expenditures when consumed rather than when purchased.

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

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, Sherburne, Stearns, and Wright Counties are the collecting agencies for the levy and remit 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 basic financial statements.

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

Capital assets are defined by the District as assets with an initial individual cost of more than $10,000 and a useful life of more than one year. Capital assets having a useful life of more than one year which are less than $10,000 individually but more than $50,000 in the aggregate are also capitalized. 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 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 years for land improvements, 20 to 50 years for buildings and building improvements, 5 to 20 years for furniture and equipment including food service equipment, 5 years for computer hardware, 5 to 20 years for computer software, 7 years for carpet, and 8 years for vehicles.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Right-to-use lease and subscription assets are initially measured at an amount equal to the initial measurement of the liability plus any payments made prior to the usage term, less incentives, and plus ancillary charges necessary to place the asset into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease or subscription agreement.

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

The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District determines its estimated borrowing rate. The term includes the noncancellable period of the agreement. Payments included in the measurement of the 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 and will remeasure the right-to-use assets and liabilities if certain changes occur that are expected to significantly affect the amount of the 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) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources relating to pensions and OPEB activity 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 four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item, property taxes levied for subsequent year's expenditures, 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 year's expenditures are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item, deferred inflows of resources related to pensions is recorded on the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. Finally, the fourth item, 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.

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 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 withheld or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. 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.

O. 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.

The District compensates certain employees upon termination of employment for unused vacation.

Certain district employees are entitled to sick leave at various rates as detailed in their negotiated contracts. Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.P.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Post Employment Severance and Health Benefits

Teachers who have completed 15 years of continuous service with the District are eligible for severance pay in the amount of $1,000 per year of service upon retirement or resignation not to exceed $45,000 per employee. Employees in other bargaining groups who meet age and years of service requirements are eligible for severance pay based on his or her accrued accumulated leave up to a maximum number of days or based on his or her years of service as set forth in each negotiated contract. All severance payments are made directly into a Post Retirement Health Care Savings Plan. Severance pay is recognized as an expenditure and a liability in the fund financial statements in the year of retirement as the liability will be settled with current financial resources. The liability for severance based on years of service is reported in the Statement of Net Position as part of the District's OPEB and the liability for severance based on accumulated leave is reported in the Statement of Net Position as compensated absences.

Q. Fund Equity

1. Classifications

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

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include inventory and prepaid items.
- Restricted Fund Balances – These are amounts that are restricted to specific purposes either by legally enforceable constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or are imposed by law through enabling legislation.
- Assigned Fund Balances – This amount is assigned for specific purposes as determined by the School Board or by the Superintendent or the Executive Director of Finance and Business Services, who are authorized to assign fund balance as outlined in the District's Fund Balance Policy.
- Unassigned Fund Balances – This represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

2. Minimum Fund Balance Policy

The District has a fund balance policy in place that states the District will strive to maintain a minimum unassigned General Fund balance of 10% of the annual General Fund expenditure budget.

R. 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, or laws or regulations of other governments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Use of Estimates

The preparation of basic 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 basic financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

T. Budgetary Information

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

1. Prior to July 1, the Superintendent submits to the School Board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
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, Capital Projects, and Debt Service Funds.
4. Budgets for all Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Deposits: This is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. *Minnesota Statutes* § 118A requires all deposits be protected by federal deposit insurance, corporate security 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. The District has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of June 30, 2025, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institutions' trust department or agent in the District's name.

The District's pooled deposits had a book balance as follows:

Checking	$	1,680,278
MN Trust certificates of deposit		3,780,250
Total	$	5,460,528

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

Investment Type	Total	Investment Maturities: Less Than 1 Year	Investment Maturities: 1 to 3 Years
Pooled			
MSDLAF+ Liquid Class	$ 4,902,551	$ 4,902,551	$ -
MSDLAF+ Max Class	389,241	389,241	-
MN Trust Term Series	6,250,000	-	6,250,000
MN Trust Limited Term Duration Series	8,967,379	8,967,379	-
Negotiable Certificates of Deposit	1,717,187	1,717,187	-
MN Trust Investment Shares Portfolio	20,057,915	20,057,915	-
MN Trust Flex Fund	3,697,153	3,697,153	-
U.S. Treasury Notes	1,306,263	1,306,263	-
Total pooled investments	47,287,689	41,037,689	6,250,000
Non pooled			
2017A Certificates of Participation			
Money Market	1,210,614	1,210,614	-
2022A Certificates of Participation			
Guarateed Investment Certificate	74,045,908	74,045,908	-
Total nonpooled cash with fiscal agent	75,256,522	75,256,522	-
2023A Facility Maintenance Bonds			
MN Trust Investment Shares Portfolio	4,170,566	4,170,566	-
Total nonpooled investments	4,170,566	4,170,566	-
Total investments	$ 126,714,777	$ 120,464,777	$ 6,250,000

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District will diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities, with maximum percent of portfolio on certain investment types.

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 on custodial credit risk states securities will be held in third party safekeeping by an institution designated as custodial agent. The custodial agent shall issue a safekeeping receipt to the District listing pertinent information related to the securities held.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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 limits investments to those specified in the above statutes. As of June 30, 2025, the District's investments in MSDLAF+ Liquid Class, MSDLAF+ Max Class, MN Trust Term Series, MN Trust Investment Shares Portfolio, MN Trust Flex Fund, and MN Trust Long-Term Duration Series were rated AAAm by Standard and Poor's. The District's investments in U.S Treasury notes were rated AAA. The District's investments in negotiable certificates of deposit, guaranteed investment certificate, and the money markets are not rated.

Interest Rate Risk: This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investment maturities should be scheduled to coincide with projected District cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. The policy also indicates investments shall be managed to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

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

- Investments of $3,023,450 were valued using a matrix pricing model (Level 2 inputs)
- Investments of $1,210,614 were valued using quoted market prices (Level 1 inputs)

The following is a summary of total deposits and investments:

Cash on hand	$	3,755
Deposits - pooled (Note 2.A.)		5,460,528
Investments - pooled (Note 2.B.)		47,287,689
Investments - nonpooled cash with fiscal agent (Note 2.B.)		75,256,522
Investments - nonpooled (Note 2.B.)		4,170,566
Total	$	132,179,060

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

Statement of Net Position		
Cash and investments	$	56,922,538
Cash with fiscal agent		75,256,522
Total deposits and investments	$	132,179,060

NOTE 3 – 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	$ 6,730,006	$ -	$ -	$ 6,730,006
Construction in progress	16,382,184	20,505,393	32,430,222	4,457,355
Total capital assets not being depreciated	23,112,190	20,505,393	32,430,222	11,187,361
Other capital assets at historical cost				
Land improvements	18,196,377	2,364,253	-	20,560,630
Buildings and building improvements	349,518,686	30,907,714	599,823	379,826,577
Furniture and equipment	23,452,065	1,760,296	287,014	24,925,347
Vehicles	4,281,712	-	29,992	4,251,720
Food service equipment	2,165,938	406,310	70,249	2,501,999
Subscription asset	310,930	526,496	-	837,426
Leased building	895,328	-	-	895,328
Total other capital assets	398,821,036	35,965,069	987,078	433,799,027
Less accumulated depreciation				
Land improvements	(7,292,829)	(840,765)	-	(8,133,594)
Buildings	(106,700,129)	(10,252,437)	(552,721)	(116,399,845)
Furniture and equipment	(11,883,244)	(2,189,357)	(182,649)	(13,889,952)
Vehicles	(3,653,427)	(121,318)	(29,992)	(3,744,753)
Food service equipment	(1,304,807)	(107,300)	(63,994)	(1,348,113)
Less accumulated amortization				
Subscription asset	(103,643)	(267,386)	-	(371,029)
Leased building	(268,599)	(89,533)	-	(358,132)
Total accumulated depreciation/amortization	(131,206,678)	(13,868,096)	(829,356)	(144,245,418)
Total capital assets being depreciated/amortized, net	267,614,358	22,096,973	157,722	289,553,609
Governmental activities, capital assets, net	$ 290,726,548	$ 42,602,366	$ 32,587,944	$ 300,740,970

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense for the year ended June 30, 2025, was charged to the following governmental functions:

District Support Services	$ 12,046
Elementary and Secondary Regular Instruction	735,913
Vocational Instruction	19,181
Special Education Instruction	1,871
Community Service	325
Instructional Support Services	1,637,413
Pupil Support Services	113,896
Sites and Buildings	378,247
Food Service	107,300
Unallocated	10,861,904
Total depreciation/amortization expense	$ 13,868,096

NOTE 4 – LONG-TERM DEBT

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						
2015A Alternative Facility Bonds	03/05/15	2.0%-4.0%	$ 37,715,000	02/01/35	$ 22,995,000	$ 1,850,000
2015B Capital Facilities Bonds	10/01/15	2.0%-4.0%	13,130,000	02/01/30	5,345,000	995,000
2015C Crossover Refunding Bonds	11/19/15	2.0%-4.0%	20,460,000	02/01/27	4,700,000	2,310,000
2017B School Building Bonds	02/21/17	3.0%-5.0%	100,365,000	02/01/37	77,405,000	77,405,000
2022A Crossover Refunding Bonds	05/19/22	3.375%-3.45%	74,800,000	02/01/37	74,800,000	-
2022B Facilities Maintenance Bonds	06/28/22	4.0%-5.0%	14,630,000	02/01/43	13,690,000	505,000
2023A Facilities Maintenance Bonds	09/21/23	4.125%-5.0%	14,385,000	02/01/44	14,180,000	465,000
Unamortized bond premiums					6,721,186	-
Net bonds payable					219,836,186	83,530,000
Certificates of Participation						
2017A Certificates of Participation	02/21/17	2.0%-5.0%	16,910,000	02/01/38	14,065,000	650,000
2021A Certificates of Participation	11/17/21	3.0%	7,075,000	02/01/35	5,660,000	515,000
Unamortized premiums					1,077,379	-
Net certificates of participation					20,802,379	1,165,000
Subscription liability					103,561	103,561
Lease liability					608,666	88,562
Financed purchase agreement					927,988	294,366
Compensated absences payable					6,448,636	5,803,772
Total all long-term liabilities					$ 248,727,416	$ 90,985,261

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities or refund existing bonds.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

The District entered into a gymnastics facility lease agreement. Monthly payments are $8,760, due for 120 months, using an annual interest rate of 5%. The facility has been recorded as a leased building and is being amortized over the term of the lease.

The District entered into an agreement for the subscription of accounting software. Annual payments are $108,739, due for 3 years, using an annual interest rate of 5%. The subscription has been recorded as a subscription asset and is being amortized over the term of the agreement.

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term liabilities:

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest
2026	$ 83,530,000	$ 8,006,380
2027	10,170,000	4,315,598
2028	10,495,000	3,972,418
2029	10,850,000	3,619,918
2030	11,210,000	3,264,352
2031-2035	55,335,000	11,117,994
2036-2040	24,355,000	3,424,523
2041-2044	7,170,000	715,118
Total	$ 213,115,000	$ 38,436,300

Year Ending June 30,	Certificates of Participation Principal	Certificates of Participation Interest
2026	$ 1,165,000	$ 804,850
2027	1,210,000	756,900
2028	1,265,000	707,000
2029	1,315,000	654,750
2030	1,370,000	600,200
2031-2035	7,745,000	2,091,850
2036-2038	5,655,000	458,400
Total	$ 19,725,000	$ 6,073,950

NOTE 4 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments (Continued)

Year Ending June 30,	Subscription Liability Principal	Subscription Liability Interest
2026	$ 103,561	$ 5,178

Year Ending June 30,	Lease Liability Principal	Lease Liability Interest
2026	$ 88,562	$ 28,438
2027	96,085	23,840
2028	104,068	18,854
2029	112,537	13,459
2030	121,517	7,629
2031	85,897	1,618
Total	$ 608,666	$ 93,838

Year Ending June 30,	Financed Purchase Agreement Principal	Financed Purchase Agreement Interest
2026	$ 294,366	$ 46,399
2027	309,084	31,681
2028	324,538	16,227
Total	$ 927,988	$ 94,307

C. Changes in Long-Term Liabilities

	Beginning Balance	Change in Accounting Principle	Beginning Balance, Restated	Increases	Decreases	Ending Balance
Long-term liabilities						
G.O. Bonds	$ 222,005,000	$ -	$ 222,005,000	$ -	$ 8,890,000	$ 213,115,000
Certificates of participation	20,845,000	-	20,845,000	-	1,120,000	19,725,000
Unamortized premiums	8,540,656	-	8,540,656	-	742,091	7,798,565
Subscription liability	202,191	-	202,191	-	98,630	103,561
Lease liability	690,140	-	690,140	-	81,474	608,666
Financed purchase agreement	-	-	-	1,268,753	340,765	927,988
Compensated absences	981,340	5,165,237	6,146,577	302,059	-	6,448,636
Total long-term liabilities	$ 253,264,327	$ 5,165,237	$ 258,429,564	$ 1,570,812	$ 11,272,960	$ 248,727,416

The change in compensated absences liability is presented as a net change.

See Note 10 for discussion on the Change in Accounting Principle.

NOTE 5 – FUND BALANCES/NET POSITION

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

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

Fund Equity

A. Fund Balance

	General Fund	Food Service	Community Service	Building Construction	Debt Service	Total
Nonspendable for						
Inventory	$ 56,087	$ 41,061	$ -	$ -	$ -	$ 97,148
Prepaid Items	456,813	1,120	75	-	-	458,008
Total nonspendable fund balance	512,900	42,181	75	-	-	555,156
Restricted for						
Operating Capital	2,048,165	-	-	-	-	2,048,165
Gifted and Talented	88,544	-	-	-	-	88,544
Area Learning Center	184,520	-	-	-	-	184,520
Scholarships	159,957	-	-	-	-	159,957
Student Activities	381,013	-	-	-	-	381,013
Long-Term Facilities Maintenance	-	-	-	3,412,850	-	3,412,850
Basic Skills	1,699,204	-	-	-	-	1,699,204
Teacher Comp Read Act	311,024	-	-	-	-	311,024
Food Service	-	3,215,777	-	-	-	3,215,777
Community Education	-	-	1,116,339	-	-	1,116,339
Early Childhood and Family Education	-	-	235,074	-	-	235,074
School Readiness	-	-	743,407	-	-	743,407
Adult Basic Education	-	-	393,536	-	-	393,536
Community Service	-	-	116,489	-	-	116,489
Projects Funded by COP/FPA	-	-	-	1,192,268	-	1,192,268
Debt Service	-	-	-	-	77,014,676	77,014,676
Total restricted fund balance	4,872,427	3,215,777	2,604,845	4,605,118	77,014,676	92,312,843
Assigned for						
Future Projects	937,758	-	-	-	-	937,758
Unassigned						
General Purposes	18,864,586	-	-	-	-	18,864,586
Capital Projects	-	-	-	(379,753)		(379,753)
Long-Term Facilities Maintenance	(2,816)	-	-	-	-	(2,816)
Total unassigned fund balance	18,861,770	-	-	(379,753)	-	18,482,017
Total fund balance	$ 25,184,855	$ 3,257,958	$ 2,604,920	$ 4,225,365	$ 77,014,676	$ 112,287,774

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Equity (Continued)

A. Fund Balance (Continued)

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

Nonspendable for Prepaid Items – This balance represents the portion of fund balance that is not available as the amounts have already been spent by the District on items for the next year.

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 year end must be restricted in this Balance Sheet account.

Restricted/Reserved for Area Learning Center – This balance represents amounts restricted for students attending area learning centers. Each district that sends students to an area learning center must restrict an amount equal to the sum of 1) at least 90 and no more than 100 percent of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to *Minnesota Statutes* § 126C.10, subd. 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved area learning center, plus (2) the amount of basic skills revenue generated by pupils attending the area learning center. The amount restricted may only be spent on program costs associated with the area learning center.

Restricted/Reserved for Scholarships – This balance represents available resources for the scholarship funds.

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 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). The negative LTFM balance in the General Fund is reported as unassigned fund balance in accordance with GASB Statement No. 54.

Restricted/Reserved for Basic Skills Programs – This balance represents resources available for the basic skills uses listed in *Minnesota Statute* § 126C.15, subd. 1.

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

Restricted for Food Service – This balance represents the resources available for the food service program.

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.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Equity (Continued)

A. Fund Balance (Continued)
Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

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

Restricted/Reserved for 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 Community Service – This balance represents the remaining resources of the Community Service Fund not restricted for other programming.

Restricted/Reserved for Building Projects Funded by Certificates of Participation/Financed Purchase Agreement with Related Lease Levy Authority – This balance represents the June30 balance in the Building Construction Fund for projects funded by certificates of participation/financed purchase agreements with related lease levy authority under *Minnesota Statues* 2024 § 126C.40.

Restricted for Debt Service – This amount represents the resources available to pay the principal and interest on outstanding debt.

Assigned for Future Projects – This amount represents the portion of General Fund balance that is approved for spending for future capital projects.

Unassigned for Capital Projects – This balance represents the negative balance in the Building Construction Capital Project Fund after taking into account amounts restricted/reserved for LTFM and Projects Funded by Certificates of Participation/Financed Purchase Agreement with Related Lease Levy Authority.

B. Net Position
Net position restricted for other purposes on the Statement of Net Position is comprised of the total positive position of the restricted fund balance portion of the General Fund with the exception of the operating capital reserve. This reserve is reported as restricted for capital acquisition.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2025, was $7,487,962. The components of pension expense are noted in the following plan summaries.

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

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

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.

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).

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)

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.

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 $7,146,074. The District's contributions were equal to the required contributions for each year as set by state statute.

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Acturial 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% befor 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	Pub T-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Post-retirement	Pub T-2010(A) Retiree Mortality Table, male rates set forward 1 year and femal rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Pub-2010(A) Contingent Survivor Mortality Table, male rates set forward 1 year and femal rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled retirees	PubNS-2010 Disabled Retireee Mortality Table, male rates set forward 1 year and femal rates unadjusted. Generational

* 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.

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.50 %	5.10 %
International equity	17.50	5.30
Fixed income	25.00	0.75
Private markets	20.00	5.90
Total	100.00 %	

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.

NOTE 6 – 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 $71,511,529 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District proportionate share was 1.1254% at the end of the measurement period and 1.1473% 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	$ 71,511,529
State's proportionate share of the net pension liability associated with the District	4,677,065
Total	$ 76,188,594

For the year ended June 30, 2025, the District recognized pension expense of $6,641,221. Included in this amount, the District recognized $257,100 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 $1,982,582 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.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,411,332	$ 938,195
Net difference between projected and actual earnings on plan investments	-	9,643,773
Changes of assumptions	7,159,999	8,527,944
Changes in proportion	1,014,270	2,003,224
Contributions to TRA subsequent to the measurement date	7,146,074	-
Total	$ 18,731,675	$ 21,113,136

The $7,146,074 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	$ (4,309,159)
2027	6,469,990
2028	(5,479,285)
2029	(4,779,145)
2030	(1,429,936)
Total	$ (9,527,535)

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

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) and 1 percentage point 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%)
$ 125,935,985	$ 71,511,529	$ 26,718,909

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

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 noncertified 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.

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

Public Employees' Retirement Association (Continued)

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.

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 at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% 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. In 2023, legislation repealed the statue delaying increases for members retiring before full retirement age.

C. Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 set the 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 $1,968,419. The District's contributions were equal to the required contributions as set by state statute.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of $11,098,385 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 $286,981.

District's proportionate share of the net pension liability	$ 11,098,385
State of Minnesota's proportionate share of the net pension liability assocated with the District	286,981
Total	$ 11,385,366

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 0.3002% at the end of the measurement period and 0.3072% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of $846,741 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $7,694 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 $510,650 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.

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

Public Employees' Retirement Association (Continued)

D. 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	$ 1,049,997	$ -
Changes in actuarial assumptions	54,147	4,272,023
Net difference between projected and actual investments earnings	-	3,203,810
Changes in proportion	333,165	293,343
District's contributions to PERA subsequent to the measurement date	1,968,419	-
Total	$ 3,405,728	$ 7,769,176

The $1,968,419 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
2026	$ (3,413,839)
2027	(601,341)
2028	(1,466,066)
2029	(850,621)
Total	$ (6,331,867)

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

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	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 market	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.

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)
The following changes in actuarial assumptions and plan provisions occurred in 2024:

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

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

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

H. Pension Liability Sensitivity
The table on following page 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 proprionate share of the PERA net pension liability	$ 24,240,653	$ 11,098,385	$ 287,666

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

Public Employees' Retirement Association (Continued)

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 basic financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan to eligible retirees and their spouses through the District's self-insured health insurance plan. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Benefits Paid

At retirement, employees of the District receiving a retirement or disability benefit, or eligible to receive a benefit, from a Minnesota public pension plan may continue to participate in the District's group health insurance plan. Various employees are also eligible for subsidized contributions based on terms outlined in contracts. The General Fund, Food Service Fund, and Community Service Fund typically liquidate the liability related to post employment health benefits.

C. Members

As of the June 30, 2024, valuation date, the following were covered by the benefit terms:

Retiree electing coverage	35
Active employees waiving coverage	520
Active employees electing coverage	1,032
Total	1,587

D. Contributions

Retirees and their spouses contribute to the health care plan at the same rate as District employees. This results in retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with health insurance providers. The required contributions are based on projected pay-as-you-go financing requirements. For 2025, the District contributed $932,055 in District paid premiums and implicit rate costs for retirees to the plan.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 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	3.97% used index rate for 20-Year, tax exempt municipal bonds (fidelity 20-Year municipal G.O. AA Index)
Inflation	2.50%
Payroll Growth	3.00%
Healthcare cost trend increases	8.60% for fiscal year 2025, decreasing over several decades to an ultimate rate of 3.9% in FY 2076 and later years.
Mortality Assumption - Teachers	Mortality rates were based on the Pub-2010 teacher mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.
Mortality Assumption - Non-teachers	Mortality rates were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

Since the last valuation, the following changes in actuarial assumptions and plan provisions have been made:

- The discount rate was changed from 3.86% to 3.97% based on updated 20-year municipal bonds rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, retirement, and mortality rates were update from the rates used in the 7/1/2022 PERA General Employees Plan and 7/1/2022 Teachers Retirement Association valuations to the rates used in the 2023 experience studies.
- Salary increase rates were updated from the rates used in the 7/1/2022 PERA General Employees Plan valuation to the rates used in the 2023 experience study.
- The percent of future retirees assumed to elect coverage at retirement changed to 15% to reflect recent plan experience and contractual changes.

F. Total OPEB Liability

The District's total OPEB liability of $10,350,165 was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2024. The current portion of the OPEB liability is $853,616.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at June 30, 2024	$ 8,866,698
Changes for the year	
Service cost	530,580
Interest	345,737
Differences between expected and actual experience	955,900
Changes of assumptions	772,659
Changes of benefit terms	(240,679)
Employer contributions	(880,730)
Net changes	1,483,467
Balances at June 30, 2025	$ 10,350,165

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 3.97% as well as the liability measured using 1 percentage point lower and 1 percentage point higher than the current discount rate.

	1% Decrease in Discount Rate (2.97%)	Current Discount Rate (3.97%)	1% Increase in Discount Rate (4.97%)
Total OPEB Liability	$ 10,876,668	$ 10,350,165	$ 9,384,829

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 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates.

	1% Decrease in Trend Rate (7.6% Decreasing to 2.9%)	Current Trend Rate (8.6% Decreasing to 3.9%)	1% Increase in Trend Rate (9.6% Decreasing to 4.9%)
Total OPEB Liability	$ 10,131,828	$ 10,350,165	$ 10,604,660

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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 $900,876. As of June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Difference between expected and actual liability	$ 1,874,715	$ 243,572
Changes of assumptions	1,223,872	774,730
Contributions made subsequent to the measurement date	932,055	-
Total	$ 4,030,642	$ 1,018,302

The $932,055 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.

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	$ 265,238
2027	265,238
2028	274,146
2029	286,708
2030	259,146
Thereafter	729,809
Total	$ 2,080,285

NOTE 8 – RISK MANAGEMENT

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

NOTE 8 – RISK MANAGEMENT (CONTINUED)

Since 2009, the District has provided a dental care self-insurance program. Under this program, the fund provides up to a maximum of $1,000 for each dental claim. The General Fund, Food Service Fund, and Community Service Fund of the District participate in this program and make payments to the Dental Insurance Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates it is probable a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. The total claims liability reported in the fund as of June 30, 2025, was $67,206 which is comprised of the liability for known claims as well as an estimate for claims incurred but not yet reported. Changes in the fund's claims liability amounts for the past three years are as follows.

Year	Beginning Balance	Claims Expense and Estimates	Claims Payments	Ending Balance
2023	$ 72,676	$ 1,106,443	$ 1,079,276	$ 99,843
2024	99,843	1,083,364	1,090,995	92,212
2025	92,212	1,062,921	1,087,927	67,206

Since 2014, the District has provided a health care self-insurance program. Under this program, the fund provides up to a maximum of $200,000 for each health claim. The General Fund, Food Service Fund, and Community Service Fund of the District participate in this program and make payments to the Health Insurance Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates it is probable a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. The total claims liability reported in the fund as of June 30, 2025, was $1,722,686, which is comprised of the liability for known claims as well as an estimate for claims incurred but not yet reported. Changes in the fund's claims liability amounts for the past three years are as follows:

Year	Beginning Balance	Claims Expense and Estimates	Claims Payments	Ending Balance
2023	$ 1,213,698	$ 16,689,639	$ 16,000,054	$ 1,903,283
2024	1,903,283	18,750,715	18,200,527	2,453,471
2025	2,453,471	19,080,644	19,811,429	1,722,686

NOTE 9 – CONTINGENCIES AND COMMITMENTS

A. Program Compliance

Federal and state program activities are subject to financial and compliance regulation. To the extent any expenditures are disallowed, or other compliance features are not met, a liability to the respective grantor agencies could result.

NOTE 9 – CONTINGENCIES AND COMMITMENTS (CONTINUED)

B. Construction Commitments

As of June 30, 2025, the District had construction commitments totaling $4,714,634 related to various projects in process.

NOTE 10 – ACCOUNTING CHANGES

As of July 1, 2024, the District implemented changes related to GASB Statement No. 101, *Compensated Absences*. The liability was previously calculated based on vacation balances accrued as of year-end as well as sick leave balances that were accrued as of year-end for vested employees. The liability is now 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. The resulted in a change in accounting principle on the Statement of Activities in the amount of $5,165,237.

A prior period adjustment was made in the amount of $500,095 to the Building Construction Fund to record interest receivable on investments as of June 30, 2024, that was not recorded in the prior year. This prior period adjustment is also reflected in beginning net position on the Statement of Activities.

	Governmental Activities
Net Position 6/30/24, as previously presented	$ 64,920,375
Prior period adjustment	500,095
Change in accounting principle	(5,165,237)
Net Position 6/30/24, as restated	$ 60,255,233

	Building Construction Fund
Fund Balance 6/30/24, as previously presented	$ 14,490,655
Prior period adjustment	500,095
Fund Balance 6/30/24, as restated	$ 14,990,750

NOTE 11 – SUBSEQUENT EVENT

On July 1, 2025, the District issued the General Obligation Capital Appreciation School Building Bonds, Series 2025A in the amount of $64,999,895.

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.

(THIS PAGE LEFT BLANK INTENTIONALLY)

REQUIRED SUPPLEMENTARY INFORMATION

ISD No. 742 - St. Cloud Area School District
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability				
Service cost	$ 551,968	$ 533,823	$ 504,366	$ 572,050
Interest	248,357	285,572	298,166	268,111
Differences between expected and actual experience	-	54,882	-	1,686,192
Changes of assumptions	(248,899)	252,614	217,361	284,663
Changes of benefit terms	-	-	-	-
Benefit payments	(923,271)	(1,110,658)	(654,319)	(862,394)
Net change in total OPEB liability	(371,845)	16,233	365,574	1,948,622
Beginning of year	8,415,030	8,043,185	8,059,418	8,424,992
End of year	$ 8,043,185	$ 8,059,418	$ 8,424,992	$ 10,373,614
Covered payroll	$ 85,506,873	$ 85,312,922	$ 85,409,905	$ 87,828,950
Total OPEB liability as a percentage of covered-employee payroll	9.41%	9.45%	9.86%	11.81%

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

June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025
$ 718,313	$ 797,231	$ 528,440	$ 530,580
258,707	208,877	340,129	345,737
75,311	(332,684)	-	955,900
267,026	(882,683)	(81,125)	772,659
-	(27,242)	-	(240,679)
(1,064,935)	(1,092,490)	(1,219,791)	(880,730)
254,422	(1,328,991)	(432,347)	1,483,467
10,373,614	10,628,036	9,299,045	8,866,698
$ 10,628,036	$ 9,299,045	$ 8,866,698	$ 10,350,165
$ 89,944,021	$ 96,649,476	$ 99,593,426	$ 104,039,330
11.82%	9.62%	8.90%	9.95%

ISD No. 742 - St. Cloud Area School District
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan 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 Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Proportionate Share of the Net Pension of Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.3111%	$ 16,122,817	$ -	$ 16,122,817	$ 17,982,867	89.7%	78.19%
2016	0.3074%	24,959,355	325,963	25,285,318	19,074,613	130.9%	68.91%
2017	0.3392%	21,654,304	272,264	21,926,568	21,850,400	99.1%	75.90%
2018	0.3159%	17,524,837	574,913	18,099,750	21,232,667	82.5%	79.53%
2019	0.3061%	16,923,583	525,977	17,449,560	21,662,733	78.1%	80.23%
2020	0.3099%	18,579,921	572,838	19,152,759	22,098,213	84.1%	79.06%
2021	0.2955%	12,619,174	385,460	13,004,634	21,277,200	59.3%	87.00%
2022	0.3000%	23,760,099	696,586	24,456,685	22,473,080	105.7%	76.67%
2023	0.3072%	17,178,280	473,443	17,651,723	24,427,480	70.3%	83.10%
2024	0.3002%	11,098,382	286,981	11,385,363	25,408,000	43.7%	89.10%

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

For Plan 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 Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Proportionate Share of the Net Pension of Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	1.0964%	$ 67,823,183	$ 8,319,269	$ 76,142,452	$ 55,648,787	121.9%	76.77%
2016	1.1151%	265,977,956	26,696,660	292,674,616	58,007,307	458.5%	44.88%
2017	1.1630%	232,155,897	22,441,352	254,597,249	62,603,053	370.8%	51.57%
2018	1.1091%	69,661,861	6,544,927	76,206,788	61,275,573	113.7%	78.07%
2019	1.1062%	70,509,420	6,239,895	76,749,315	62,802,555	112.3%	78.21%
2020	1.1147%	82,355,530	6,901,545	89,257,075	64,776,692	127.1%	75.48%
2021	1.1173%	48,896,389	4,123,754	53,020,143	66,861,845	73.1%	86.63%
2022	1.1566%	92,614,410	6,867,879	99,482,289	71,489,736	129.5%	76.17%
2023	1.1473%	94,723,658	6,635,438	101,359,096	72,944,596	129.9%	76.42%
2024	1.1254%	71,511,529	4,677,065	76,188,594	74,557,966	95.9%	82.07%

See notes to required supplementary information.

ISD No. 742 - St. Cloud Area School District
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-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2016	$ 1,430,596	$ 1,430,596	$ -	$ 19,074,613	7.50%
2017	1,638,780	1,638,780	-	21,850,400	7.50%
2018	1,592,450	1,592,450	-	21,232,667	7.50%
2019	1,624,705	1,624,705	-	21,662,733	7.50%
2020	1,657,366	1,657,366	-	22,098,213	7.50%
2021	1,595,790	1,595,790	-	21,277,200	7.50%
2022	1,685,481	1,685,481	-	22,473,080	7.50%
2023	1,832,061	1,832,061	-	24,427,480	7.50%
2024	1,905,600	1,905,600	-	25,408,000	7.50%
2025	1,968,419	1,968,419	-	26,245,587	7.50%

Schedule of District Contributions
TRA 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-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2016	$ 4,350,548	$ 4,350,548	$ -	$ 58,007,307	7.50%
2017	4,695,229	4,695,229	-	62,603,053	7.50%
2018	4,595,668	4,595,668	-	61,275,573	7.50%
2019	4,842,077	4,842,077	-	62,802,555	7.71%
2020	5,130,314	5,130,314	-	64,776,692	7.92%
2021	5,435,868	5,435,868	-	66,861,845	8.13%
2022	5,962,244	5,962,244	-	71,489,736	8.34%
2023	6,236,763	6,236,763	-	72,944,596	8.55%
2024	6,523,822	6,523,822	-	74,557,966	8.75%
2025	7,146,074	7,146,074	-	81,669,417	8.75%

See notes to 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.

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%.

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%.

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%.

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%.

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 changes 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 retires 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.

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions (Continued)

- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- 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.

General Employees Fund (Continued)

2015 Changes

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.

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.

OPEB Health Care Plan

2024 Changes

- The discount rate was changed from 3.86% to 3.97% based on updated 20-year municipal bonds rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, retirement, and mortality rates were update from the rates used in the 7/1/2022 PERA General Employees Plan and 7/1/2022 Teachers Retirement Association valuations to the rates used in the 2023 experience studies.
- Salary increase rates were updated from the rates used in the 7/1/2022 PERA General Employees Plan valuation to the rates used in the 2023 experience study.
- The percent of future retirees assumed to elect coverage at retirement changed to 15% to reflect recent plan experience and contractual changes.

2023 Changes

- The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bonds rates.

2022 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 1.92% to 3.69% based on updated 20-year municipal bonds rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, and salary increase rates were updated from rates used in the July 1, 2019, PERA General Employees Plan and the July 1, 2019, TRA valuations to the rates used in the July 1, 2022, valuations.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 20% to 30% to reflect recent plan experience.

Changes in Plan Provisions

- Retiree premiums were updated to current levels.
- Clerical and custodian explicit subsidy benefit was added to the valuation based on the updated contract.
- Administrators' severance benefit was removed from the valuation based on the updated contract.

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bonds rates.

2020 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bonds rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

OPEB Health Care Plan (Continued)

2020 Changes (Continued)
Changes in Actuarial Assumptions (Continued)

- Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender-based risk scores published by the Society of Actuaries.
- Mortality and salary increase rates were updated from the rates used in the July 1, 2018, PERA General Employees Retirement Plan and July 1, 2018, Teachers Retirement Association valuations to the rates used in the July 1, 2019, valuations.

2019 Changes
Changes in Actuarial Assumptions

- The discount rate was decreased to 3.13% from 3.62%.

2018 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 3.62% from 3.56%.
- The inflation rate was decreased to 2.5% from 2.75%.

SUPPLEMENTARY INFORMATION

ISD No. 742 - St. Cloud Area School District
Combining Statement of Net Position - Internal Service Funds
June 30, 2025

	Dental Insurance	Health Insurance	Total Internal Service Funds
Assets			
Current assets			
Cash and investments	$ 979,230	$ 7,178,871	$ 8,158,101
Liabilities			
Insurance claims payable	$ 67,206	$ 1,722,686	$ 1,789,892
Net Position			
Unrestricted	912,024	5,456,185	6,368,209
Total liabilities and net position	$ 979,230	$ 7,178,871	$ 8,158,101

ISD No. 742 - St. Cloud Area School District
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position - Internal Service Funds
Year Ended June 30, 2025

	Dental Insurance	Health Insurance	OPEB	Total Internal Service Funds
Operating Revenue				
Charges for services	$ 1,059,427	$ 16,970,599	$ -	$ 18,030,026
Operating Expenses				
Insurance claims	1,062,921	19,080,644	-	20,143,565
Insurance premiums	-	-	5,071	5,071
Total operating expenses	1,062,921	19,080,644	5,071	20,148,636
Operating loss	(3,494)	(2,110,045)	(5,071)	(2,118,610)
Nonoperating Revenue				
Investment income	38,757	276,091	5,071	319,919
Change in net position	35,263	(1,833,954)	-	(1,798,691)
Net Position				
Beginning of year	876,761	7,290,139	-	8,166,900
End of year	$ 912,024	$ 5,456,185	$ -	$ 6,368,209

ISD No. 742 - St. Cloud Area School District
Combining Statement of Cash Flows - Internal Service Funds
Year Ended June 30, 2025

	Dental Insurance	Health Insurance	OPEB	Total Internal Service Funds
Cash Flows - Operating Activities				
Employee insurance deductions received from other funds	$ 1,059,427	$ 18,015,528	$ -	$ 19,074,955
Insurance claims and fees paid	(1,087,927)	(19,811,429)	-	(20,899,356)
Insurance premiums paid	-	-	(1,050,000)	(1,050,000)
Net cash flows - operating activities	(28,500)	(1,795,901)	(1,050,000)	(2,874,401)
Cash Flows - Investing Activities				
Interest received	38,757	276,091	5,071	319,919
Net Change in Cash and Cash Equivalents	10,257	(1,519,810)	(1,044,929)	(2,554,482)
Cash and Cash Equivalents				
Beginning of year	968,973	8,698,681	1,044,929	10,712,583
End of year	$ 979,230	$ 7,178,871	$ -	$ 8,158,101
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities				
Operating loss	$ (3,494)	$ (2,110,045)	$ (5,071)	$ (2,118,610)
Adjustments to reconcile operating loss to net cash flows - operating activities				
Change in due from other funds	-	1,044,929	-	1,044,929
Change in insurance claims payable	(25,006)	(730,785)	-	(755,791)
Change in due to other funds	-	-	(1,044,929)	(1,044,929)
Net cash flows - operating activities	$ (28,500)	$ (1,795,901)	$ (1,050,000)	$ (2,874,401)

ISD No. 742 - St. Cloud Area School District
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2025

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total revenue	$ 177,587,907	$ 177,587,908	$ (1)
Total expenditures	182,518,754	182,518,756	(2)
Nonspendable:			
4.60 Nonspendable fund balance	512,900	512,900	-
Restricted/reserved:			
4.01 Student Activities	381,013	381,013	-
4.02 Scholarships	159,957	159,957	-
4.03 Staff Development	-	-	-
4.07 Capital Projects Levy	-	-	-
4.08 Cooperative Programs	-	-	-
4.12 Literacy Incentive Aid	-	-	-
4.13 Project Funded by COP	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Building Maintenance	-	-	-
4.20 American Indian Education Aid	-	-	-
4.24 Operating Capital	2,048,165	2,048,165	-
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning and Development	-	-	-
4.34 Area Learning Center	184,520	184,519	1
4.35 Contracted Alternative Programs	-	-	-
4.36 State Approved Alternative Program Learning Program	-	-	-
4.37 Quality Compensation - Alternative Teacher Professional Pay System	-	-	-
4.38 Gifted and Talented	88,544	88,544	-
4.39 English Learner	-	-	-
4.40 Teacher Development and Evaluation	-	-	-
4.41 Basic Skills Programs	1,699,204	1,699,204	-
4.43 School Library Aid	-	-	-
4.48 Achievement and Integration	-	-	-
4.49 Safe School Revenue	-	-	-
4.51 QZAB Payments	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-
4.53 Unfunded Severance and Retirement Levy	-	-	-
4.56 Literacy Aid	-	-	-
4.57 Teacher Compensation for Read Act Training	311,024	311,024	-
4.59 Basic Skills - Extended Time	-	-	-
4.67 Long-term Facilities Maintenance	(2,816)	(2,816)	-
4.71 Student Support Personnel Aid	-	-	-
4.72 Medical Assistance	-	-	-
Restricted:			
4.64 Restricted fund balance	-	-	-
4.75 Title VII - Impact Aid	-	-	-
4.76 PILT	-	-	-
Committed:			
4.18 Committed for separation	-	-	-
4.61 Committed	-	-	-
Assigned:			
4.62 Assigned fund balance	937,758	937,758	-
Unassigned:			
4.22 Unassigned fund balance	18,864,586	18,864,584	2
02 FOOD SERVICE FUND			
Total revenue	$ 8,381,636	$ 8,381,637	$ (1)
Total expenditures	7,894,894	7,894,895	(1)
Nonspendable:			
4.60 Nonspendable fund balance	42,181	42,181	-
Restricted/reserved:			
4.52 OPEB liabilities not held in trust	-	-	-
Restricted:			
4.64 Restricted fund balance	3,215,777	3,215,776	1
Unassigned:			
4.63 Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND			
Total revenue	$ 6,921,742	$ 6,921,742	$ -
Total expenditures	7,008,670	7,008,669	1
Nonspendable:			
4.60 Nonspendable fund balance	75	75	-
Restricted/reserved:			
4.26 $25 Taconite	-	-	-
4.31 Community Education	1,116,339	1,116,339	-
4.32 ECFE	235,074	235,074	-
4.40 Teacher Development and Evaluation	-	-	-
4.44 School Readiness	743,407	743,407	-
4.47 Adult Basic Education	393,536	393,536	-
4.52 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
4.64 Restricted fund balance	116,489	116,490	(1)
Unassigned:			
4.63 Unassigned fund balance	-	-	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-

	Audit	UFARS	Audit-UFARS
06 BUILING CONSTRUCTION FUND			
Total revenue	$ 955,042	$ 955,040	$ 2
Total expenditures	11,220,332	11,220,333	(1)
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.07 Capital Projects Levy	-	-	-
4.13 Building Projects Funded by COP	1,192,268	1,192,268	-
4.67 Long-term Facitlities Maintenance	3,412,850	3,412,850	-
Restricted:			
4.64 Restricted fund balance	-	-	-
Unassigned:			
4.63 Unassigned fund balance	(379,753)	(379,755)	2
07 DEBT SERVICE FUND			
Total revenue	$ 18,958,131	$ 18,958,131	$ -
Total expenditures	17,483,662	17,483,662	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted/reserved:			
4.25 Bond refundings	74,045,908	74,045,908	-
4.33 Maximum effort loan aid	-	-	-
4.51 QZAB payments	-	-	-
4.67 Long-term Facilities Maintenance	-	-	-
Restricted:			
4.64 Restricted fund balance	2,968,768	2,968,768	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-
08 TRUST FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.22 Net position	-	-	-
18 CUSTODIAL FUND			
Total revenue	$ 818	$ 818	$ -
Total expenditures	818	818	-
Unassigned:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.48 Achievement and Integration	-	-	-
4.64 Restricted fund balance	-	-	-
20 INTERNAL SERVICE FUND			
Total revenue	$ 18,344,874	$ 18,344,874	$ -
Total expenditures	20,143,565	20,143,564	1
Unassigned:			
4.22 Net position	6,368,209	6,368,209	-
25 OPEB REVOCABLE FUND			
Total revenue	$ 5,071	$ 5,071	$ -
Total Expenditures	5,071	5,071	-
Unassigned:			
4.22 Net position	-	-	-
45 OPEB IRREVOCABLE FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Net position	-	-	-
47 OPEB DEBT SERVICE			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Nonspendable:			
4.60 Nonspendable fund balance	-	-	-
Restricted:			
4.25 Bond refunding	-	-	-
4.64 Restricted fund balance	-	-	-
Unassigned:			
4.63 Unassigned fund balance	-	-	-

(THIS PAGE LEFT BLANK INTENTIONALLY)

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

Independent Auditor's Report

To the School Board
ISD No. 742 - St. Cloud Area School District
St. Cloud, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*, the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ISD No. 742 - St. Cloud Area School District, St. Cloud, 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 November 5, 2025.

Report on Internal Control over Financial Reporting
In planning and performing our audit of the basic 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance as item 2025-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less serve than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings on Internal Control as item 2025-002 to be a significant deficiency.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's basic 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 basic 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 Responses to the Findings
Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings on Internal Control. The District's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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
November 5, 2025

ISD No. 742 - St. Cloud Area School District
Schedule of Findings on Internal Control

Audit Finding 2025-001

Criteria:
Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires all material entries be posted prior to the audit.

Condition:
During the course of our engagement, a prior period adjustment was required that was not identified as result of the District's existing internal controls and resulted in a material misstatement of the District's 2024 financial statements.

In order to ensure financial statements were free from material misstatement, a prior period adjustment was required to record the District's interest receivable as of June 30, 2024.

Context:
This finding impacts the District's ability to internally prepare their financial statements free from material misstatements.

Cause:
District personnel was unaware there was an interest receivable balance.

Effect or Potential Effect:
The financial statements could have material misstatements.

Recommendations:
Review the District's financial statements to assure all entries are prepared and posted prior to the audit.

ISD No. 742 - St. Cloud Area School District
Schedule of Findings on Internal Control

Audit Finding 2025-001 (Continued)

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

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

2. Actions Planned in Response to Finding
   The District will evaluate investments at year-end to determine if an adjustment for interest receivable is required.

3. Official Responsible for Ensuring CAP
   Amy Skaalerud, Executive Director of Finance and Business Services, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2026.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP by following up on these items as needed with the Executive Director of Finance and Business Services.

ISD No. 742 - St. Cloud Area School District
Schedule of Findings on Internal Control

Audit Finding 2025-002

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

Condition:
During the year ended June 30, 2025, the District had a lack of segregation of accounting duties due to a limited number of office employees. Examples of the lack of segregation of accounting duties include, but are not limited to the following:

- The Executive Director of Finance and Business Services has full access to the general ledger.
- Secretaries at the elementary schools and community education office receipt cash and prepare the deposit.
- The Accountant receives cash, posts amounts into the finance system, prepares the deposit, and makes the deposit.
- The Payroll Secretary enters timecard information into the system and processes payroll. The Accounting Coordinator reviews the payroll report and certain paper timecards. The Payroll Coordinator also reviews random selections of paper timecards to ensure information was entered correctly into the District's payroll system.

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

Cause:
There are a limited number of office employees.

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

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

Audit Finding 2025-002 (Continued)

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

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

2. Actions Planned in Response to Finding
   The District will continue to evaluate the benefits compared to the costs of increased internal controls.

3. Official Responsible for Ensuring CAP
   Amy Skaalerud, Executive Director of Finance and Business Services, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2026.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP by following up on these items as needed with the Executive Director of Finance and Business Services.

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
ISD No. 742 - St. Cloud Area School District
St. Cloud, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ISD No. 742 - St. Cloud Area School District, St. Cloud, Minnesota, as of and for the year ended June 30, 2025, and the related notes to basic financial statements, and have issued our report thereon dated November 5, 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 to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 5, 2025