



**Independent School District No. 286  
Brooklyn Center, Minnesota**

**Annual Financial Report  
for the  
Fiscal Year Ended June 30, 2025**

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INDEPENDENT SCHOOL DISTRICT NO. 286  
BROOKLYN CENTER, MINNESOTA

Financial Statements and  
Supplementary Information

Year Ended  
June 30, 2025

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INDEPENDENT SCHOOL DISTRICT NO. 286

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 286

School Board and Administration  
Year Ended June 30, 2025

**SCHOOL BOARD**

	<u>Board Position</u>
Cheryl Jechorek	Chair
Richard Zeck	Vice Chair
Amy Bailey	Clerk
Janelle Collier	Treasurer
Ruthie Dallas	Director
Mary O'Connor	Director

**ADMINISTRATION**

Carly Baker	Superintendent
Kathleen Heider	Finance Director
Brittany Johnson	Accountant

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FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of  
Independent School District No. 286  
Brooklyn Center, Minnesota

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **OPINIONS**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 286 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

#### **BASIS FOR OPINIONS**

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

#### **EMPHASIS OF MATTER**

##### ***Change in Accounting Principle***

As described in Note 1 of the notes to basic financial statements, in fiscal 2025, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

(continued)

## **RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

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

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

(continued)

## **REQUIRED SUPPLEMENTARY INFORMATION**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **SUPPLEMENTARY INFORMATION**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District. 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 combining and individual fund financial statements and schedules and the UFARS Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **OTHER INFORMATION**

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

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

(continued)

## **PRIOR YEAR COMPARATIVE INFORMATION**

Malloy, Montague, Karnowski, Radosevich & Co., P.A. previously audited the District's 2024 financial statements and expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in their report dated December 30, 2024. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "LB Carlson, LLP".

LB CARLSON, LLP  
Minneapolis, Minnesota

December 19, 2025

## INDEPENDENT SCHOOL DISTRICT NO. 286

### Management's Discussion and Analysis Year Ended June 30, 2025

This section of Independent School District No. 286's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the other components of the District's annual financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2025 by \$15,865,211 (net position deficit). The District's total net position decreased by \$677,111 during the fiscal year ended June 30, 2025, not including the change in accounting principle discussed below.
- Government-wide revenues totaled \$50,626,258 and were \$677,111 lower than expenses of \$51,303,369.
- The District adopted new accounting guidance for compensated absences in the current year, which reduced beginning net position by \$2,234,708. This change is further described in Note 1 of the notes to basic financial statements.
- The General Fund's total fund balance (under the governmental fund presentation) decreased \$3,162,389 from the prior year, compared to an increase of \$39,149 planned in the budget.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual financial statements consists of the following parts:

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplementary information consisting of combining and individual fund financial statements and schedules.

The following explains the two types of statements included in the basic financial statements:

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (Statement of Net Position and Statement of Activities) 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, except for the fiduciary funds. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

In the government-wide financial statements the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called nonmajor funds. Detailed financial information for nonmajor funds can be found in the supplementary information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

**Governmental Funds** – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps to determine whether there are more or less 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 government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

**Proprietary Funds** – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for the self-insurance activities of district employees' medical and dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**Fiduciary Funds** – The District is the trustee, or fiduciary, for assets that belong to other organizations or individuals. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

	2025	2024
<b>Assets</b>		
Current and other assets	\$ 14,305,407	\$ 20,358,482
Capital assets, net of depreciation	52,593,567	53,418,748
Total assets	\$ 66,898,974	\$ 73,777,230
<b>Deferred outflows of resources</b>		
Pension plan deferments	\$ 5,335,030	\$ 6,205,143
OPEB plan deferments	22,071	59,674
Total deferred outflows of resources	\$ 5,357,101	\$ 6,264,817
<b>Liabilities</b>		
Current and other liabilities	\$ 5,351,032	\$ 8,712,356
Long-term liabilities, including due within one year	66,565,024	74,243,998
Total liabilities	\$ 71,916,056	\$ 82,956,354
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	\$ 7,710,970	\$ 6,893,247
Pension plan deferments	7,810,115	2,491,386
OPEB plan deferments	684,145	654,452
Total deferred inflows of resources	\$ 16,205,230	\$ 10,039,085
<b>Net position</b>		
Net investment in capital assets	\$ 5,497,270	\$ 4,127,720
Restricted	545,866	892,556
Unrestricted	(21,908,347)	(17,973,668)
Total net position	\$ (15,865,211)	\$ (12,953,392)

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances are the liabilities for long-term compensated absences, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added and depreciated, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. Decreases in net position restricted for food service and other state funding restrictions contributed to the change in this portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position. General Fund operating results and the change in accounting principle for compensated absences also impacted the unrestricted net position.

Table 2 presents a summarized version of the District’s Statement of Activities:

<b>Table 2</b>		
<b>Summary Statement of Activities</b>		
<b>for the Years Ended June 30, 2025 and 2024</b>		
	<u>2025</u>	<u>2024</u>
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 555,115	\$ 487,835
Operating grants and contributions	12,123,688	12,617,950
General revenues		
Property taxes	7,180,336	6,764,683
General grants and aids	29,831,071	28,338,078
Other	936,048	947,239
Total revenues	<u>50,626,258</u>	<u>49,155,785</u>
<b>Expenses</b>		
Administration	1,805,338	1,555,745
District support services	2,139,715	2,045,503
Elementary and secondary regular instruction	16,763,437	13,825,570
Vocational education instruction	356,328	254,024
Special education instruction	6,750,483	5,792,816
Instructional support services	3,378,015	2,743,345
Pupil support services	9,168,769	8,432,547
Sites and buildings	5,566,902	6,615,725
Fiscal and other fixed cost programs	235,101	142,794
Food service	1,588,029	1,536,834
Community service	1,900,325	1,559,295
Interest and fiscal charges	1,650,927	1,961,362
Total expenses	<u>51,303,369</u>	<u>46,465,560</u>
Change in net position	(677,111)	2,690,225
Net position – beginning, as previously reported	(12,953,392)	(15,643,617)
Change in accounting principle	<u>(2,234,708)</u>	–
Net position – beginning, as restated	<u>(15,188,100)</u>	<u>(15,643,617)</u>
Net position – ending	<u>\$ (15,865,211)</u>	<u>\$ (12,953,392)</u>

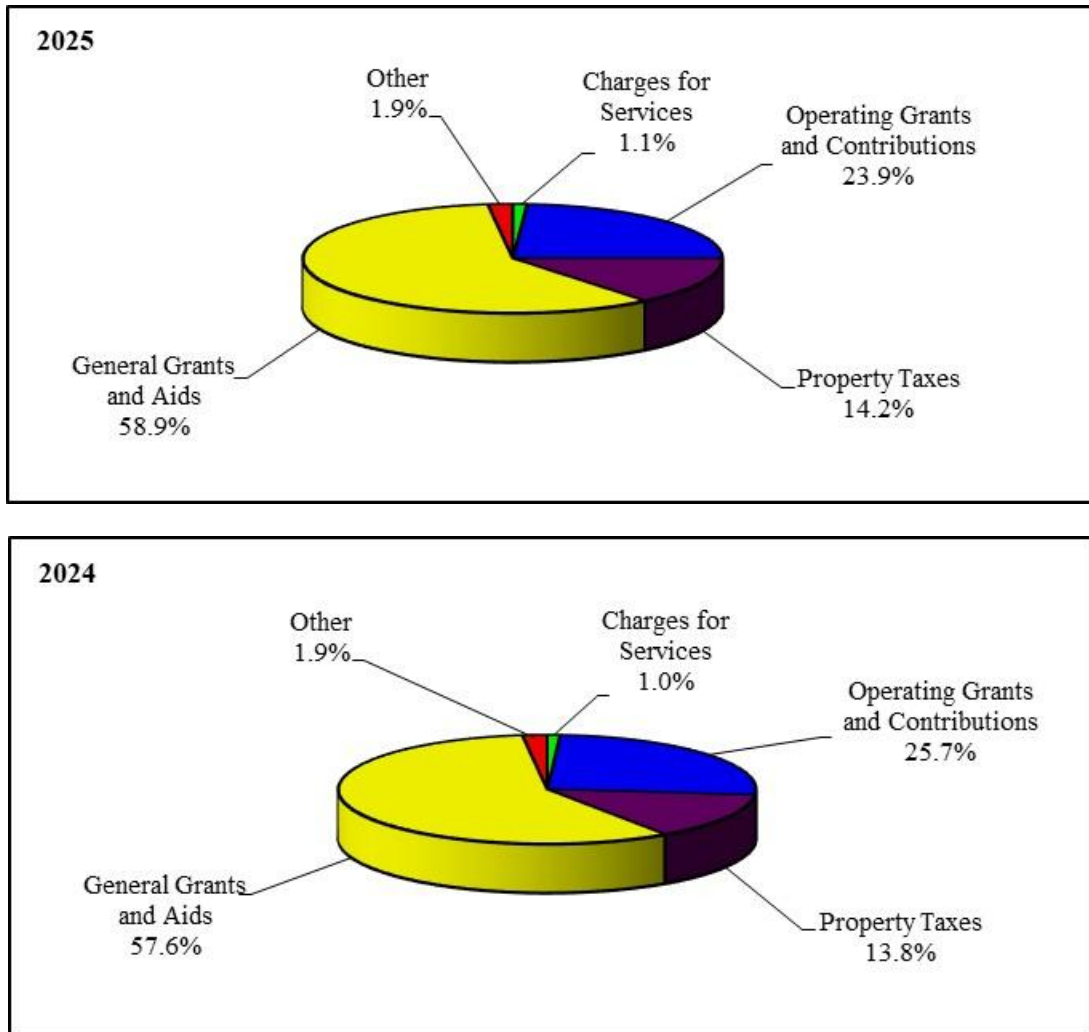
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Revenues increased by \$1,470,473, in the current year. The increase in the approved levy contributed to the change in property taxes. Additional funding for the basic general education formula allowance increased general grants and aids.

Expenses increased \$4,837,809 compared to the prior year, due primarily to increases in transportation costs, negotiated employment contract settlements, and natural increases from inflation.

Figure A shows further analysis of these revenue sources:

**Figure A – Sources of Revenue for Fiscal Years 2025 and 2024**

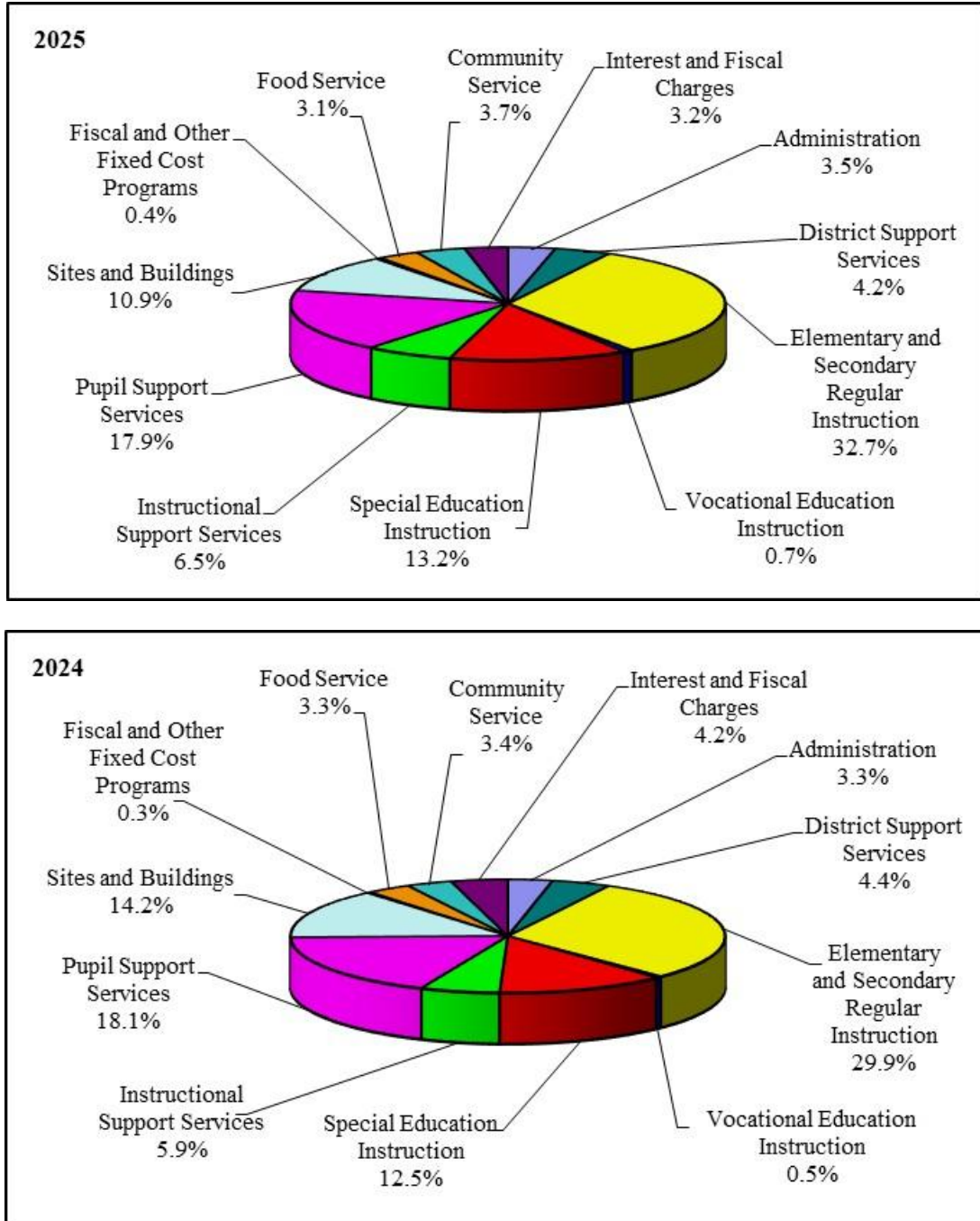


The largest share of the District’s revenue is received from the state, including the basic general education aid formula and most of the operating grants.

Property taxes are generally the next largest source of funding. The level of revenue property tax sources provide is not only dependent on district taxpayers by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

Figure B shows further analysis of these expense functions:

**Figure B – Expenses for Fiscal Years 2025 and 2024**



The District's expenses are predominately related to educating students. Programs (or functions), such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District is also reflected in its governmental funds. Table 3 shows the change in total fund balances of each of the District's governmental funds:

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Major funds			
General	\$ 408,324	\$ 3,570,713	\$ (3,162,389)
Capital Projects – Building Construction	–	119,454	(119,454)
Debt Service	796,523	754,238	42,285
Nonmajor funds			
Food Service Special Revenue	(132,594)	23,695	(156,289)
Community Service Special Revenue	(330,387)	(141,878)	(188,509)
Total governmental funds	<u>\$ 741,866</u>	<u>\$ 4,326,222</u>	<u>\$ (3,584,356)</u>

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance, which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2025, the District's governmental funds reported a combined fund balance of \$741,866, a decrease of \$3,584,356 in comparison with the prior year. Unassigned fund balance at year-end is a negative \$485,396. The remainder of the fund balance is either nonspendable or restricted to indicate that it is: 1) not in spendable form (\$76,914); or 2) restricted for particular purposes (\$1,150,348).

Changes in the table above are discussed on the following pages.

## ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

<b>Table 4 General Fund Budget</b>				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenues	<u>\$ 39,071,246</u>	<u>\$ 42,213,034</u>	<u>\$ 3,141,788</u>	<u>8.0%</u>
Expenditures	<u>\$ 39,646,091</u>	<u>\$ 42,173,885</u>	<u>\$ 2,527,794</u>	<u>6.4%</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

<b>Table 5 General Fund Operating Results</b>					
	<u>2025 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenues	\$ 43,233,385	\$ 1,020,351	2.4%	\$ 534,498	1.3%
Expenditures	<u>46,407,124</u>	<u>4,233,239</u>	10.0%	<u>5,368,657</u>	13.1%
Excess (deficiency) of revenue over expenditures	(3,173,739)	(3,212,888)		(4,834,159)	
Net other financing sources (uses)	<u>11,350</u>	<u>11,350</u>		<u>124,328</u>	
Net change in fund balances	<u>\$ (3,162,389)</u>	<u>\$ (3,201,538)</u>		<u>\$ (4,709,831)</u>	

The fund balance of the General Fund decreased \$3,162,389, compared to an increase of \$39,149 approved in the final budget.

The General Fund revenue variance to budget was primarily in state sources. State sources were more than budgeted amounts mainly in desegregation transportation and special education. The increase in total revenue over the prior year was primarily in state sources. State sources increased over the prior year with more general education funding in fiscal 2025. This increase was offset by a decrease in federal sources with the final spending and the end of several pandemic-related entitlements.

General Fund expenditures were over appropriations, mainly in purchased services costs. Purchased services in the pupil support services program was over budget, due to transportation costs being more than anticipated. Purchased services in the sites and buildings program was also over budget, due to the timing of projects. These budget variances were partially offset by purchased services in the district support services program being less than anticipated. The increase from the prior year was mainly in salaries, benefits, and purchased services. Salaries and benefits were up in the current year with negotiated contract settlements. Purchased services increased mainly in pupil support services with increased transportation costs.

## **COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS**

### **Capital Projects – Building Construction Fund**

The Capital Projects – Building Construction Fund reported a fund balance decrease of \$119,454, with capital spending exceeding revenues in the current year, due to the District spending down debt issued in a prior year. At year-end, there are no remaining proceeds to be spent.

### **Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources and payment of the District's general obligation debt. Activity of the Debt Service Fund is primarily controlled with each debt issue's financing plan. The remaining fund balance of \$796,523 at June 30, 2025, is available for meeting future debt service obligations.

### **Other Governmental Funds**

The Food Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing equity by \$156,289, compared to a balanced budget. Revenues were under budget with lower participation levels than anticipated and expenditures were more than projected with more supplies and materials costs than anticipated.

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, reducing equity by \$188,509, compared to a balanced budget. The variance to budget was primarily in expenditures, due to salaries being more than anticipated.

### **Internal Service Funds**

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District currently maintains two internal service funds. These funds are used to account for the District's self-insured medical and dental insurance functions.

Operating revenues for the internal service funds for fiscal year 2025 totaled \$3,447,038. This is an increase from the fiscal year 2024 operating revenue level of \$3,045,708. The nonoperating revenues in the current year totaled \$23,355, which is a decrease from the fiscal year 2024 nonoperating revenues of \$46,225. Operating expenses totaled \$3,714,329, which represents an increase from fiscal year 2024 operating expenditures of \$3,437,306, primarily due to more health benefit claims.

The net position balance for all internal service funds as of June 30, 2025 was \$754,545, which represents a decrease of \$243,936 from the prior year.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

Table 6 shows the District’s capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Land	\$ 856,990	\$ 856,990	\$ –
Construction in progress	131,345	1,905,000	(1,773,655)
Land and building improvements	37,760,576	34,490,133	3,270,443
Buildings	41,488,639	41,488,639	–
Furniture and equipment	10,450,982	10,166,954	284,028
Less accumulated depreciation	<u>(38,094,965)</u>	<u>(35,488,968)</u>	<u>(2,605,997)</u>
<b>Total</b>	<u><u>\$ 52,593,567</u></u>	<u><u>\$ 53,418,748</u></u>	<u><u>\$ (825,181)</u></u>
<b>Depreciation expense</b>	<u><u>\$ 2,605,997</u></u>	<u><u>\$ 2,296,229</u></u>	<u><u>\$ 309,768</u></u>

By the end of 2025, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2025, consistent with the activity of the Capital Projects – Building Construction Fund discussed on the previous page. The changes above also reflect the capital and long-term facilities maintenance spending in the General Fund.

The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

## Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities with changes from the prior year:

	<u>2025</u>	<u>2024</u>	<u>Change</u>
General obligation bonds payable	\$ 41,308,000	\$ 43,172,000	\$ (1,864,000)
Unamortized premium/discount	1,055,478	1,194,909	(139,431)
Finance purchase payable	4,732,819	5,043,573	(310,754)
Net pension liability	16,794,264	24,639,980	(7,845,716)
Compensated absences payable	<u>2,674,463</u>	<u>193,536</u>	<u>2,480,927</u>
Total	<u>\$ 66,565,024</u>	<u>\$ 74,243,998</u>	<u>\$ (7,678,974)</u>

The changes in general obligation bonds payable, finance purchase payable, and unamortized premium/discount in the table above, are primarily due to principal payments and amortization during fiscal year 2025, as planned in the approved repayment schedules.

The differences in the net pension liability reflect the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA.

Compensated absences payable increased with a change in accounting principle implemented in the current year.

The state limits the amount of general obligation debt the District can issue to 15.0 percent of the market value of all taxable property within the District's corporate limits (see Table 8):

District's market value	\$ 1,058,663,350
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 158,799,503</u>

Additional details of the District's long-term debt activity can be found in the notes to basic financial statements.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added \$200, or 2.75 percent, per pupil to the basic general education funding formula for fiscal year 2026.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements, or need additional financial information, contact the Business Office, Independent School District No. 286, 5910 Shingle Creek Parkway, Brooklyn Center, Minnesota 55430.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Net Position  
as of June 30, 2025

(With Partial Comparative Information as of June 30, 2024)

	Governmental Activities	
	2025	2024
<b>Assets</b>		
Cash and temporary investments	\$ 1,422,473	\$ 7,785,915
Receivables		
Current taxes	4,217,246	3,758,924
Delinquent taxes	74,926	91,158
Accounts and interest	64,256	38,648
Due from other governmental units	8,166,146	8,442,108
Inventory	22,491	23,695
Prepaid items	54,423	125,508
Net OPEB asset	283,446	92,526
Capital assets		
Not depreciated/amortized	988,335	2,761,990
Depreciated, net of accumulated depreciation/amortization	<u>51,605,232</u>	<u>50,656,758</u>
Total capital assets, net of accumulated depreciation/amortization	<u>52,593,567</u>	<u>53,418,748</u>
Total assets	66,898,974	73,777,230
Deferred outflows of resources		
Pension plan deferments	5,335,030	6,205,143
OPEB plan deferments	22,071	59,674
Total deferred outflows of resources	<u>5,357,101</u>	<u>6,264,817</u>
Total assets and deferred outflows of resources	<u>\$ 72,256,075</u>	<u>\$ 80,042,047</u>
<b>Liabilities</b>		
Aid anticipation certificates	\$ -	\$ 3,500,000
Salaries payable	1,651,244	1,466,902
Accounts and contracts payable	2,577,939	2,455,906
Accrued interest payable	666,650	874,228
Due to other governmental units	69,357	58,109
Unearned revenue	33,735	96,954
Claims incurred, but not reported	352,107	260,257
Long-term liabilities		
Due within one year	2,774,342	2,351,066
Due in more than one year	63,790,682	71,892,932
Total long-term liabilities	<u>66,565,024</u>	<u>74,243,998</u>
Total liabilities	71,916,056	82,956,354
Deferred inflows of resources		
Property taxes levied for subsequent year	7,710,970	6,893,247
Pension plan deferments	7,810,115	2,491,386
OPEB plan deferments	684,145	654,452
Total deferred inflows of resources	<u>16,205,230</u>	<u>10,039,085</u>
Net position		
Net investment in capital assets	5,497,270	4,127,720
Restricted for		
Debt service	189,150	49,103
Food service	-	23,695
Community service	2,891	2,110
Other purposes (state funding restrictions)	353,825	817,648
Unrestricted	<u>(21,908,347)</u>	<u>(17,973,668)</u>
Total net position	<u>(15,865,211)</u>	<u>(12,953,392)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 72,256,075</u>	<u>\$ 80,042,047</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Activities  
 Year Ended June 30, 2025  
 (With Partial Comparative Information for the Year Ended June 30, 2024)

Functions/Programs	2025			2024	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 1,805,338	\$ -	\$ -	\$ (1,805,338)	\$ (1,555,745)
District support services	2,139,715	-	-	(2,139,715)	(2,045,503)
Elementary and secondary regular instruction	16,763,437	130,761	1,105,495	(15,527,181)	(12,796,093)
Vocational education instruction	356,328	-	38,203	(318,125)	(198,512)
Special education instruction	6,750,483	-	6,684,375	(66,108)	1,906,533
Instructional support services	3,378,015	-	-	(3,378,015)	(2,743,345)
Pupil support services	9,168,769	-	1,633,640	(7,535,129)	(6,844,585)
Sites and buildings	5,566,902	-	-	(5,566,902)	(6,615,725)
Fiscal and other fixed cost programs	235,101	-	-	(235,101)	(142,794)
Food service	1,588,029	14,521	1,443,728	(129,780)	(31,243)
Community service	1,900,325	409,833	1,218,247	(272,245)	(331,401)
Interest and fiscal charges	1,650,927	-	-	(1,650,927)	(1,961,362)
Total governmental activities	<u>\$ 51,303,369</u>	<u>\$ 555,115</u>	<u>\$ 12,123,688</u>	(38,624,566)	(33,359,775)
General revenue					
Taxes					
Property taxes, levied for general purposes				3,606,483	3,697,303
Property taxes, levied for community service				160,896	188,010
Property taxes, levied for debt service				3,412,957	2,879,370
General grants and aids				29,831,071	28,338,078
Other general revenues				768,293	564,362
Investment earnings				167,755	382,877
Total general revenue				<u>37,947,455</u>	<u>36,050,000</u>
Change in net position				(677,111)	2,690,225
Net position – beginning, as previously reported				(12,953,392)	(15,643,617)
Change in accounting principle				<u>(2,234,708)</u>	-
Net position – beginning, as restated				<u>(15,188,100)</u>	<u>(15,643,617)</u>
Net position – ending				<u>\$ (15,865,211)</u>	<u>\$ (12,953,392)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Balance Sheet  
 Governmental Funds  
 as of June 30, 2025  
 (With Partial Comparative Information as of June 30, 2024)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
<b>Assets</b>			
Cash and temporary investments	\$ –	\$ 311	\$ 312,193
Receivables			
Current taxes	2,343,399	–	1,803,591
Delinquent taxes	39,204	–	34,026
Accounts and interest	56,909	–	–
Due from other governmental units	7,592,182	–	14,176
Due from other funds	–	–	2,120,727
Inventory	–	–	–
Prepaid items	54,093	–	–
	<u>–</u>	<u>–</u>	<u>–</u>
Total assets	<u>\$ 10,085,787</u>	<u>\$ 311</u>	<u>\$ 4,284,713</u>
<b>Liabilities</b>			
Aid anticipation certificates	\$ –	\$ –	\$ –
Salaries payable	1,651,244	–	–
Accounts and contracts payable	2,523,792	311	–
Due to other governmental units	69,357	–	–
Due to other funds	1,182,816	–	–
Accrued interest payable	–	–	–
Unearned revenue	33,735	–	–
Total liabilities	<u>5,460,944</u>	<u>311</u>	<u>–</u>
<b>Deferred inflows of resources</b>			
Property taxes levied for subsequent year	4,148,489	–	3,428,913
Unavailable revenue – delinquent taxes	68,030	–	59,277
Total deferred inflows of resources	<u>4,216,519</u>	<u>–</u>	<u>3,488,190</u>
<b>Fund balances (deficit)</b>			
Nonspendable	54,093	–	–
Restricted	353,825	–	796,523
Assigned	–	–	–
Unassigned	406	–	–
Total fund balances (deficit)	<u>408,324</u>	<u>–</u>	<u>796,523</u>
	<u>–</u>	<u>–</u>	<u>–</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,085,787</u>	<u>\$ 311</u>	<u>\$ 4,284,713</u>

Nonmajor Funds	Total Governmental Funds	
	2025	2024
\$ —	\$ 312,504	\$ 6,523,877
70,256	4,217,246	3,758,924
1,696	74,926	91,158
7,347	64,256	38,648
559,788	8,166,146	8,442,108
—	2,120,727	542,186
22,491	22,491	23,695
330	54,423	125,508
<u>\$ 661,908</u>	<u>\$ 15,032,719</u>	<u>\$ 19,546,104</u>
\$ —	\$ —	\$ 3,500,000
—	1,651,244	1,466,902
50,519	2,574,622	2,452,606
—	69,357	58,109
937,911	2,120,727	542,186
—	—	136,644
—	33,735	96,954
<u>988,430</u>	<u>6,449,685</u>	<u>8,253,401</u>
133,568	7,710,970	6,893,247
2,891	130,198	73,234
<u>136,459</u>	<u>7,841,168</u>	<u>6,966,481</u>
22,821	76,914	149,203
—	1,150,348	1,691,340
—	—	571,345
(485,802)	(485,396)	1,914,334
<u>(462,981)</u>	<u>741,866</u>	<u>4,326,222</u>
<u>\$ 661,908</u>	<u>\$ 15,032,719</u>	<u>\$ 19,546,104</u>

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INDEPENDENT SCHOOL DISTRICT NO. 286

Reconciliation of the Balance Sheet to the  
Statement of Net Position  
Governmental Funds  
as of June 30, 2025  
(With Partial Comparative Information as of June 30, 2024)

	<u>2025</u>	<u>2024</u>
Total fund balances – governmental funds	\$ 741,866	\$ 4,326,222
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	90,688,532	88,907,716
Accumulated depreciation/amortization	(38,094,965)	(35,488,968)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(41,308,000)	(43,172,000)
Unamortized premium/discount	(1,055,478)	(1,194,909)
Finance purchase payable	(4,732,819)	(5,043,573)
Net pension liability	(16,794,264)	(24,639,980)
Compensated absences payable	(2,674,463)	(193,536)
Net OPEB asset reported in the Statement of Net Position does not require the use of current financial resources and is not reported in the governmental funds.	283,446	92,526
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	754,545	998,481
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(666,650)	(737,584)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	5,335,030	6,205,143
Deferred outflows of resources – OPEB plan deferments	22,071	59,674
Deferred inflows of resources – pension plan deferments	(7,810,115)	(2,491,386)
Deferred inflows of resources – OPEB plan deferments	(684,145)	(654,452)
Deferred inflows of resources – unavailable revenue – delinquent taxes	130,198	73,234
Total net position – governmental activities	<u>\$ (15,865,211)</u>	<u>\$ (12,953,392)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2025  
 (With Partial Comparative Information for the Year Ended June 30, 2024)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
<b>Revenue</b>			
Local sources			
Property taxes	\$ 3,577,128	\$ –	\$ 3,386,129
Investment earnings	93,031	19,354	32,015
Other	887,704	–	–
State sources	37,027,750	–	141,748
Federal sources	1,647,772	–	–
Total revenue	<u>43,233,385</u>	<u>19,354</u>	<u>3,559,892</u>
<b>Expenditures</b>			
Current			
Administration	1,825,017	–	–
District support services	2,196,699	–	–
Elementary and secondary regular instruction	16,208,473	–	–
Vocational education instruction	356,644	–	–
Special education instruction	6,888,301	–	–
Instructional support services	3,283,623	–	–
Pupil support services	9,658,018	–	–
Sites and buildings	5,236,809	–	–
Fiscal and other fixed cost programs	235,101	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	138,808	–
Debt service			
Principal	310,754	–	1,864,000
Interest and fiscal charges	207,685	–	1,653,607
Total expenditures	<u>46,407,124</u>	<u>138,808</u>	<u>3,517,607</u>
Excess (deficiency) of revenue over expenditures	(3,173,739)	(119,454)	42,285
<b>Other financing sources (uses)</b>			
Debt issued	–	–	–
Premium on debt issued	–	–	–
Sale of capital assets	11,350	–	–
Insurance recovery	–	–	–
Transfers in	–	–	–
Transfers (out)	–	–	–
Total other financing sources (uses)	<u>11,350</u>	<u>–</u>	<u>–</u>
Net change in fund balances	(3,162,389)	(119,454)	42,285
<b>Fund balances (deficit)</b>			
Beginning of year	<u>3,570,713</u>	<u>119,454</u>	<u>754,238</u>
End of year	<u>\$ 408,324</u>	<u>\$ –</u>	<u>\$ 796,523</u>

Nonmajor Funds	Total Governmental Funds	
	2025	2024
\$ 160,115	\$ 7,123,372	\$ 6,868,428
–	144,400	336,652
424,354	1,312,058	835,308
805,489	37,974,987	36,842,194
1,856,486	3,504,258	4,021,577
<u>3,246,444</u>	<u>50,059,075</u>	<u>48,904,159</u>
–	1,825,017	1,612,906
–	2,196,699	2,047,634
–	16,208,473	13,830,972
–	356,644	272,092
–	6,888,301	6,050,050
–	3,283,623	2,800,961
–	9,658,018	8,493,468
–	5,236,809	5,124,585
–	235,101	142,794
1,603,822	1,603,822	1,503,894
1,975,582	1,975,582	1,560,768
11,838	150,646	3,220,955
–	2,174,754	2,005,719
–	1,861,292	2,071,501
<u>3,591,242</u>	<u>53,654,781</u>	<u>50,738,299</u>
(344,798)	(3,595,706)	(1,834,140)
–	–	1,805,000
–	–	76,760
–	11,350	–
–	–	216,889
–	–	329,867
–	–	(329,867)
<u>–</u>	<u>11,350</u>	<u>2,098,649</u>
(344,798)	(3,584,356)	264,509
(118,183)	4,326,222	4,061,713
<u>\$ (462,981)</u>	<u>\$ 741,866</u>	<u>\$ 4,326,222</u>

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INDEPENDENT SCHOOL DISTRICT NO. 286

Reconciliation of the Statement of  
Revenue, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
Governmental Funds  
Year Ended June 30, 2025  
(With Partial Comparative Information for the Year Ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
Total net change in fund balances – governmental funds	\$ (3,584,356)	\$ 264,509
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation/amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	1,780,816	3,304,297
Depreciation/amortization expense	(2,605,997)	(2,296,229)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	–	(1,805,000)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	1,864,000	1,706,000
Finance purchase payable	310,754	299,719
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	139,431	61,392
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	7,845,716	318,364
Net OPEB asset	190,920	38,941
Compensated absences payable	(246,219)	(6,454)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	(243,936)	(345,373)
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	70,934	(28,013)
The recognition of certain revenues and expenses/expenditures differs between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(870,113)	(1,696,964)
Deferred outflows of resources – OPEB plan deferments	(37,603)	(60,376)
Deferred inflows of resources – pension plan deferments	(5,318,729)	2,816,636
Deferred inflows of resources – OPEB plan deferments	(29,693)	222,521
Deferred inflows of resources – unavailable revenue – delinquent taxes	56,964	(103,745)
Change in net position – governmental activities	<u>\$ (677,111)</u>	<u>\$ 2,690,225</u>

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INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 General Fund  
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 3,945,735	\$ 3,945,735	\$ 3,577,128	\$ (368,607)
Investment earnings	70,000	70,000	93,031	23,031
Other	314,589	723,724	887,704	163,980
State sources	33,524,174	35,690,535	37,027,750	1,337,215
Federal sources	1,216,748	1,783,040	1,647,772	(135,268)
Total revenue	<u>39,071,246</u>	<u>42,213,034</u>	<u>43,233,385</u>	<u>1,020,351</u>
Expenditures				
Current				
Administration	1,369,392	1,609,275	1,825,017	215,742
District support services	2,121,939	2,688,322	2,196,699	(491,623)
Elementary and secondary regular instruction	14,807,812	15,624,949	16,208,473	583,524
Vocational education instruction	327,366	374,563	356,644	(17,919)
Special education instruction	6,644,160	7,053,790	6,888,301	(165,489)
Instructional support services	3,174,441	3,299,196	3,283,623	(15,573)
Pupil support services	6,795,600	7,115,500	9,658,018	2,542,518
Sites and buildings	3,683,658	3,786,567	5,236,809	1,450,242
Fiscal and other fixed cost programs	246,987	146,987	235,101	88,114
Debt service				
Principal	310,754	310,754	310,754	–
Interest and fiscal charges	163,982	163,982	207,685	43,703
Total expenditures	<u>39,646,091</u>	<u>42,173,885</u>	<u>46,407,124</u>	<u>4,233,239</u>
Excess (deficiency) of revenue over expenditures	(574,845)	39,149	(3,173,739)	(3,212,888)
Other financing sources				
Sale of capital assets	–	–	11,350	11,350
Net change in fund balances	<u>\$ (574,845)</u>	<u>\$ 39,149</u>	<u>(3,162,389)</u>	<u>\$ (3,201,538)</u>
Fund balances				
Beginning of year			<u>3,570,713</u>	
End of year			<u>\$ 408,324</u>	

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Net Position  
 Internal Service Funds  
 as of June 30, 2025  
 (With Partial Comparative Information as of June 30, 2024)

	<u>2025</u>	<u>2024</u>
Assets		
Current assets		
Cash and temporary investments	\$ 1,109,969	\$ 1,262,038
Receivables		
Due from other funds	<u>8,035</u>	<u>9,330</u>
Total current assets	<u>1,118,004</u>	<u>1,271,368</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	3,317	3,300
Due to other funds	8,035	9,330
Claims incurred, but not reported	<u>352,107</u>	<u>260,257</u>
Total current liabilities	<u>363,459</u>	<u>272,887</u>
Net position		
Unrestricted	<u>\$ 754,545</u>	<u>\$ 998,481</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Revenue, Expenses, and Changes in Net Position  
 Internal Service Funds  
 Year Ended June 30, 2025  
 (With Partial Comparative Information for the Year Ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 3,447,038	\$ 3,045,708
Operating expenses		
Health benefit claims	3,513,042	3,248,859
Dental benefit claims	201,287	188,447
Total operating expenses	<u>3,714,329</u>	<u>3,437,306</u>
Operating income (loss)	(267,291)	(391,598)
Nonoperating revenue		
Investment earnings	<u>23,355</u>	<u>46,225</u>
Change in net position	(243,936)	(345,373)
Net position		
Beginning of year	<u>998,481</u>	<u>1,343,854</u>
End of year	<u>\$ 754,545</u>	<u>\$ 998,481</u>

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INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2025  
(With Partial Comparative Information for the Year Ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 3,447,038	\$ 3,045,708
Payment for health claims	(3,419,683)	(3,143,887)
Payment for dental claims	(202,779)	(191,431)
Net cash flows from operating activities	<u>(175,424)</u>	<u>(289,610)</u>
Cash flows from noncapital financing activities		
Cash received from other funds	1,295	2,426
Cash paid to other funds	(1,295)	(2,426)
Net cash flows from noncapital financing activities	<u>—</u>	<u>—</u>
Cash flows from investing activities		
Investment income received	23,355	46,225
Net change in cash and cash equivalents	(152,069)	(243,385)
Cash and cash equivalents		
Beginning of year	<u>1,262,038</u>	<u>1,505,423</u>
End of year	<u>\$ 1,109,969</u>	<u>\$ 1,262,038</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (267,291)	\$ (391,598)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and contracts payable	17	(1,728)
Claims incurred, but not reported	91,850	103,716
Net cash flows from operating activities	<u>\$ (175,424)</u>	<u>\$ (289,610)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Statement of Fiduciary Net Position  
 Fiduciary Fund  
 as of June 30, 2025

	<u>Post-Employment Benefits Trust Fund</u>
Assets	
Cash and investments held by trustee	
Money market	<u>\$ 1,447,290</u>
Net position	
Restricted for OPEB	<u>\$ 1,447,290</u>

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

	<u>Post-Employment Benefits Trust Fund</u>
Additions	
Investment earnings	\$ 62,646
Deductions	
Administrative expenses	<u>250</u>
Change in net position	62,396
Net position	
Beginning of year	<u>1,384,894</u>
End of year	<u>\$ 1,447,290</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Notes to Basic Financial Statements  
June 30, 2025

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

**A. Organization**

Independent School District No. 286 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

**C. Government-Wide Financial Statement Presentation**

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported instead as general revenues.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

### D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term obligations, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

The proprietary (internal service) funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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 revenue of the District’s internal service funds are charges to customers (other district funds) for service. Operating expenses for the internal service funds include the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fiduciary funds are presented in the fiduciary fund financial statements by type: the District has a Post-Employment Benefits Trust Fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

### **Description of Funds**

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

#### **Major Governmental Funds**

**General Fund** – The General Fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Capital Projects – Building Construction Fund** – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition, construction, or improvement of capital facilities authorized by bond or other debt issue.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs.

#### **Nonmajor Governmental Funds**

**Food Service Special Revenue Fund** – The Food Service Special Revenue Fund is used primarily to record financial activities of the District’s child nutrition program.

**Community Service Special Revenue Fund** – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services.

#### **Proprietary Funds**

**Internal Service Funds** – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District’s internal service funds are used to account for dental and health insurance benefits offered by the District to its employees as self-insured plans.

#### **Fiduciary Funds**

**Post-Employment Benefits Trust Fund** – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **E. Budgetary Information**

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Actual expenditures exceeded final budgeted appropriations for fiscal 2025 by \$4,233,239 in the General Fund, \$142,538 in the Food Service Special Revenue Fund, \$213,053 in the Community Service Special Revenue Fund, and \$176,187 in the Debt Service Fund.

### **F. Cash and Temporary Investments**

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Debt proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to these accounts.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The proprietary (internal service) fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

### **G. Receivables**

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are delinquent property taxes receivable.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **H. Inventories**

Inventories are recorded using the consumption method of accounting and consist of purchased food and surplus commodities received from the federal government. Purchased food inventory is recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

### **I. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses at the time of consumption.

### **J. Property Taxes**

The majority of the District's revenue in the General Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$306,276 of the property tax levy collectible in 2025 as revenue to the District in fiscal year 2024–2025. The remaining portion of the taxes collectible in 2025 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

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

### **K. Capital Assets**

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year. Groups of similar assets acquired at or near the same time for a single objective, with individual acquisition costs below this threshold, are also capitalized if cost of the assets is considered significant in the aggregate. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 10 to 50 years for land and building improvements and buildings, and 5 to 15 years for furniture and equipment. Land and construction in progress are not depreciated.

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

### **L. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period as other financing sources or uses, respectively. The face amount of debt issued is reported as other financing sources.

### **M. Compensated Absences**

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment.

Under the terms of collectively bargained contracts, eligible employees accrue vacation, sick, and other leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. The District's policy permits employees to accumulate earned but unused sick leave. Generally, all sick leave lapses when employees leave employment of the District and, upon separation from service, no monetary obligation exists. However, a liability for the estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

Compensated absences are accrued when earned in the government-wide financial statements. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end, due to employee termination or similar circumstances. The liability for compensated absences includes salary-related benefits, where applicable.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **N. State-Wide Pension Plans**

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 the Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the 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.

The 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 Teachers Retirement Fund Association in 2015.

### **O. Other Post-Employment Benefits (OPEB) Plan**

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

### **P. Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows and inflows of resources related to pensions and OPEB plans reported in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, net collective difference between projected and actual investment earnings, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Q. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosure in the financial statements during the reporting period. Actual results could differ from those estimates.

### R. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

### S. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District’s finance director is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

When committed, assigned, or unassigned resources are available for use, it is the District’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

### T. Risk Management and Self-Insurance

- 1. General Insurance** – 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 workers’ compensation 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 coverage in the current year.
- 2. Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors, such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balance of dental claim liabilities for the last two years were as follows:

	<u>Balance – Beginning of Year</u>	<u>Charges and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance – End of Year</u>
2024	\$ 19,274	\$ 188,447	\$ 191,431	\$ 16,290
2025	\$ 16,290	\$ 201,287	\$ 202,779	\$ 14,798

Changes in the balance of health claim liabilities for the last two years were as follows:

	<u>Balance – Beginning of Year</u>	<u>Charges and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance – End of Year</u>
2024	\$ 137,267	\$ 3,248,859	\$ 3,142,159	\$ 243,967
2025	\$ 243,967	\$ 3,513,042	\$ 3,419,700	\$ 337,309

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### U. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the prior year, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### V. Change in Accounting Principle

During the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. This statement provided new guidance on accounting and reporting for compensated absences. Certain amounts necessary to fully restate fiscal year 2024 financial information are not determinable; therefore, prior year comparative amounts have not been restated. Implementation of this new guidance resulted in the restatement of beginning net position for the cumulative effect of this change. In the government-wide financial statements, beginning net position was reduced by \$2,234,708. See Note 4 of the notes to basic financial statements for additional details on this change.

## 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, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

The following is considered the most significant risk associated with deposits:

**Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District's deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District's deposits was \$464,194, while the balance on the bank records was \$660,267. At June 30, 2025, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

### B. Investments

Investments are subject to various risks, the following of which are considered the most significant:

**Custodial Credit Risk** – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the District’s investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

**Concentration Risk** – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policies do not address concentration risk.

**Interest Rate Risk** – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District’s investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

**Credit Risk** – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District’s investment policies do not further restrict investing in specific financial instruments.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The following table presents the District’s deposits and investments at year-end:

Deposits/Investments	Credit Risk		Fair Value Measurements Using	Maturity Duration in Years		Total
	Rating	Agency		Less Than 1	1 to 5	
Investment pools/mutual funds						
MSDLAF Liquid Class	AAA	S&P	Amortized Cost	N/A	N/A	\$ 38,791
MSDLAF MAX Class	AAA	S&P	Amortized Cost	N/A	N/A	907,204
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost	N/A	N/A	12,284
Goldman Sachs Government Money Market	AAA	S&P	Amortized Cost	N/A	N/A	1,447,290
Total investments						<u>2,405,569</u>
Deposits						<u>464,194</u>
Total deposits and investments						<u>\$ 2,869,763</u>

N/A – Not Applicable

Deposits and investments are included on the basic financial statements as follows:

Statement of Net Position	
Cash and temporary investments	\$ 1,422,473
Statement of Fiduciary Net Position	
Cash and investments held by trustee – Post-Employment Benefits Trust Fund	<u>1,447,290</u>
Total	<u>\$ 2,869,763</u>

The District’s investments include investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District’s investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class 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.

### NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended is as follows:

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not depreciated					
Land	\$ 856,990	\$ –	\$ –	\$ –	\$ 856,990
Construction in progress	1,905,000	304,225	–	(2,077,880)	131,345
Total capital assets, not depreciated	<u>2,761,990</u>	<u>304,225</u>	<u>–</u>	<u>(2,077,880)</u>	<u>988,335</u>
Capital assets, depreciated					
Land and building improvements	34,490,133	1,192,563	–	2,077,880	37,760,576
Buildings	41,488,639	–	–	–	41,488,639
Furniture and equipment	10,166,954	284,028	–	–	10,450,982
Total capital assets, depreciated	<u>86,145,726</u>	<u>1,476,591</u>	<u>–</u>	<u>2,077,880</u>	<u>89,700,197</u>
Less accumulated depreciation for					
Land and building improvements	5,201,350	1,343,573	–	–	6,544,923
Buildings	23,010,947	856,523	–	–	23,867,470
Furniture and equipment	7,276,671	405,901	–	–	7,682,572
Total accumulated depreciation	<u>35,488,968</u>	<u>2,605,997</u>	<u>–</u>	<u>–</u>	<u>38,094,965</u>
Net capital assets, depreciated	<u>50,656,758</u>	<u>(1,129,406)</u>	<u>–</u>	<u>2,077,880</u>	<u>51,605,232</u>
Total capital assets, net	<u>\$ 53,418,748</u>	<u>\$ (825,181)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 52,593,567</u>

Depreciation expense was charged to the following governmental functions:

Administration	\$ 655
Elementary and secondary regular instruction	786,345
Special education instruction	12,096
Instructional support services	236,799
Pupil support services	32,921
Sites and buildings	1,512,541
Food service	23,658
Community service	982
Total depreciation expense	<u>\$ 2,605,997</u>

## NOTE 4 – LONG-TERM LIABILITIES

### A. Components of Long-Term Liabilities

The District currently has the following long-term obligations outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
General obligation bonds payable					
2015A Building Refunding Bonds	12/09/2015	3.00–5.00%	\$ 21,450,000	02/01/2031	\$ 10,045,000
2018A School Building Bonds	03/15/2018	3.00–4.00%	\$ 29,395,000	02/01/2043	29,090,000
2018B Tax Abatement Bonds	12/12/2018	4.17%	\$ 525,000	02/01/2029	238,000
2020A Capital Facilities Refunding Bonds	11/03/2020	2.00–4.00%	\$ 965,000	02/01/2026	205,000
2023B School Building and Capital Facilities Bonds	08/24/2023	4.00%	\$ 1,805,000	02/01/2034	1,730,000
Total general obligation bonds payable					41,308,000
Unamortized premium/discount					1,055,478
Finance purchase payable					4,732,819
Net pension liability					16,794,264
Compensated absences payable					2,674,463
Total long-term obligations					<u>\$ 66,565,024</u>

### B. Description of Long-Term Liabilities

**General Obligation Bonds Payable** – These obligations were issued to finance acquisition, construction, and/or improvements of capital facilities to finance the retirement (refunding) of prior bond issues, or to finance OPEB obligations. Assets of the Debt Service Fund, together with scheduled deferred ad valorem tax levies, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

**Finance Purchase Payable** – The District’s tennis court project and district office building were funded through finance purchase agreements. Annual principal and interest on these agreements will be paid from the General Fund.

Issue	Issue Date	Interest Rate	Original Issue Amount	Final Maturity	Principal Outstanding
Tennis court project	05/01/2021	2.589%	\$ 426,000	04/01/2031	\$ 267,819
District office building	07/28/2022	3.300%	\$ 4,995,000	04/01/2038	4,465,000
Total finance purchase payable					<u>\$ 4,732,819</u>

The debt is secured by the original property purchased and includes terms that upon default all rental payments may become due and payable. The debtor also may repossess the property and seek full recovery of any losses upon default.

**Other Long-Term Liabilities** – The District offers a number of benefits to its employees, including pensions, OPEB, severance benefits, and compensated absences. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

**NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)**

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans for the current year:

Pension Plans	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 2,941,844	\$ 867,624	\$ 2,239,924	\$ (52,988)
TRA	13,852,420	4,467,406	5,570,191	1,007,081
Total	<u>\$ 16,794,264</u>	<u>\$ 5,335,030</u>	<u>\$ 7,810,115</u>	<u>\$ 954,093</u>

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

	Beginning Balance	Change in Accounting Principle (1)	Additions	Deletions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 43,172,000	\$ –	\$ –	\$ 1,864,000	\$ 41,308,000	\$ 2,006,000
Unamortized premium/discount	1,194,909	–	–	139,431	1,055,478	–
Subtotal	44,366,909	–	–	2,003,431	42,363,478	2,006,000
Finance purchase payable	5,043,573	–	–	310,754	4,732,819	321,816
Net pension liability	24,639,980	–	2,191,835	10,037,551	16,794,264	–
Compensated absences payable (2)	193,536	2,234,708	246,219	–	2,674,463	446,526
	<u>\$ 74,243,998</u>	<u>\$ 2,234,708</u>	<u>\$ 2,438,054</u>	<u>\$ 12,351,736</u>	<u>\$ 66,565,024</u>	<u>\$ 2,774,342</u>

(1) Change in accounting principle for implementation of GASB Statement No. 101 as described in Note 1.

(2) The change in compensated absences is presented net.

**D. Minimum Debt Payments**

Minimum annual principal and interest payments to maturity for general obligation bonds and finance purchase are as follows:

Year Ending June 30,	General Obligation Bonds		Finance Purchase	
	Principal	Interest	Principal	Interest
2026	\$ 2,006,000	\$ 1,531,619	\$ 321,816	\$ 154,010
2027	1,893,000	1,467,383	332,906	143,680
2028	1,966,000	1,407,940	344,024	132,992
2029	1,983,000	1,346,083	355,171	121,945
2030	2,045,000	1,279,856	366,348	110,538
2031–2035	10,865,000	5,294,184	1,807,555	377,785
2036–2040	12,080,000	3,181,600	1,204,999	80,355
2041–2043	8,470,000	686,400	–	–
	<u>\$ 41,308,000</u>	<u>\$ 16,195,065</u>	<u>\$ 4,732,819</u>	<u>\$ 1,121,305</u>

**NOTE 5 – FUND BALANCES**

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions, which have an accumulated deficit balance at June 30 are included in unassigned fund balance in the District’s financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

**A. Classifications**

At year-end, a summary of the District’s governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Nonspendable</b>				
Inventory	\$ –	\$ –	\$ 22,491	\$ 22,491
Prepaid items	54,093	–	330	54,423
Total nonspendable	<u>54,093</u>	<u>–</u>	<u>22,821</u>	<u>76,914</u>
<b>Restricted</b>				
Student activities	1,601	–	–	1,601
Scholarships	69,803	–	–	69,803
American Indian education aid	44,293	–	–	44,293
Area learning center	127,724	–	–	127,724
Teacher compensation for READ act training	31,691	–	–	31,691
Medical Assistance	78,713	–	–	78,713
Debt service	–	796,523	–	796,523
Total restricted	<u>353,825</u>	<u>796,523</u>	<u>–</u>	<u>1,150,348</u>
<b>Unassigned</b>				
Unassigned – food service restricted account deficit	–	–	(155,085)	(155,085)
Community education restricted account deficit	–	–	(238,742)	(238,742)
Early childhood family education restricted account deficit	–	–	(91,975)	(91,975)
Unassigned	406	–	–	406
Total unassigned	<u>406</u>	<u>–</u>	<u>(485,802)</u>	<u>(485,396)</u>
<b>Total</b>	<u>\$ 408,324</u>	<u>\$ 796,523</u>	<u>\$ (462,981)</u>	<u>\$ 741,866</u>

**B. Minimum Unassigned Fund Balance Policy**

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The District will strive to maintain a minimum unassigned fund balance in the General Fund of 7.0 percent of the annual budget. At June 30, 2025, the unassigned fund balance was less than 1.0 percent of fiscal 2025 budgeted expenditures.

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

### **A. Plan Descriptions**

The District participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The PERA's and the TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. The PERA's and the TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code (IRC).

#### **1. General Employees Retirement Fund (GERF)**

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. Minnesota Statutes, Chapter 356 defines each plan's financial reporting requirements.

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

#### **2. Teachers Retirement Association (TRA)**

The 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. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees 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 employed by St. Paul Public Schools or Minnesota State Colleges and Universities (MnSCU)). Educators first hired by MnSCU may elect either TRA coverage within one year of eligible employment or elect coverage through the Defined Contribution Retirement (DCR) Plan administered by MnSCU. A teacher employed by MnSCU and electing the DCR Plan is not a member of the TRA except for purposes of Social Security coverage.

### **B. Benefits Provided**

#### **1. GERF Benefits**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statutes 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.

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

The General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of 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 0.25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For 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.

### **2. TRA Benefits**

The 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 Statutes and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service. TRA members belong to either the Basic or Coordinated Plan.

Two methods are used to compute benefits for the 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.

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

### Tier I Benefits

Step-Rate Formula	Percentage per Year
<b>Basic Plan</b>	
First 10 years of service	2.2 %
All years after	2.7 %
<b>Coordinated Plan</b>	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are July 1, 2006 or after	1.9 %

With these provisions:

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

Or

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

### Tier II Benefits

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

Six different types of annuities are available to members upon retirement. The No Refund 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.

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

### C. Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

#### 1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employee and employer contributions. Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50 percent for General Plan members. The District's contributions to the GERF for the year ended June 30, 2025, were \$572,545. The District's contributions were equal to the required contributions as set by state statutes.

#### 2. TRA Contributions

Per Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. Rates for each fiscal year 2025 Coordinated Plan were 7.75 percent for the employee and 8.75 percent for the employer. Basic Plan rates were 11.25 percent for the employee and 12.75 percent for the employer. The District's contributions to the TRA for the plan's fiscal year ended June 30, 2025, were \$1,464,937. The District's contributions were equal to the required contributions for each year as set by state statutes.

### D. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2025, the District reported a liability of \$2,941,844 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 nonemployer 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 \$76,070.

District's proportionate share of the net pension liability	\$ 2,941,844
State's proportionate share of the net pension liability associated with the District	<u>76,070</u>
Total	<u>\$ 3,017,914</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the 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 the PERA's participating employers. The District's proportionate share was 0.0796 percent at the end of the measurement period and 0.0823 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized negative pension expense of \$55,027 for its proportionate share of the GERF's pension expense. The District also recognized an additional \$2,039 as pension expense and grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

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

During the plan year ended June 30, 2024, the state of Minnesota contributed \$170.1 million to the General Employees Fund. The state of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$135,352 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota’s on-behalf contributions to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ 280,009	\$ –
Changes in actuarial assumptions	15,070	1,141,280
Net collective difference between projected and actual investment earnings on pension plan investments	–	890,949
Changes in proportion	–	207,695
District’s contributions to the GERP subsequent to the measurement date	<u>572,545</u>	<u>–</u>
Total	<u>\$ 867,624</u>	<u>\$ 2,239,924</u>

The \$572,545 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
<u>                    </u>	<u>                    </u>
2026	\$ (1,107,820)
2027	\$ (209,717)
2028	\$ (401,833)
2029	\$ (225,475)

**2. TRA Pension Costs**

At June 30, 2025, the District reported a liability of \$13,852,420 for its proportionate share of the TRA’s 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 the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District’s proportionate share was 0.2180 percent at the end of the measurement period and 0.2427 percent for the beginning of the period.

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

The pension liability amount reflected a reduction due to direct aid provided to the 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 the net pension liability	\$ 13,852,420
State’s proportionate share of the net pension liability associated with the District	<u>906,168</u>
Total	<u>\$ 14,758,588</u>

For the year ended June 30, 2025, the District recognized pension expense of \$957,268. It also recognized \$49,813 as an increase to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the state of Minnesota contributed \$176.0 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 \$176.0 million in direct state aid because of this contribution was not considered to meet the definition of a special funding situation. The District recognized \$384,043 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.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 663,219	\$ 195,698
Changes in actuarial assumptions	1,433,514	1,651,939
Net difference between projected and actual investment earnings on pension plan investments	–	1,923,290
Changes in proportion	905,736	1,799,264
District’s contributions to the TRA subsequent to the measurement date	<u>1,464,937</u>	<u>–</u>
Total	<u>\$ 4,467,406</u>	<u>\$ 5,570,191</u>

The \$1,464,937 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2026	\$ (1,053,021)
2027	\$ 1,223,675
2028	\$ (1,175,052)
2029	\$ (1,004,830)
2030	\$ (558,494)

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

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

The State Board of Investment, which manages the investments of the PERA and the TRA, 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 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 an expected long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Private markets	25.00	5.90 %
Fixed income	25.00	0.75 %
Total	100.00 %	

### F. Actuarial Methods and Assumptions

#### 1. GERF

The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.00 percent. The 7.00 percent assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.00 percent is within that range.

Inflation is assumed to be 2.25 percent for the GERF Plan. Benefit increases after retirement are assumed to be 1.25 percent for the GERF Plan.

Salary growth assumptions in the GERF Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service.

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

Actuarial assumptions for the GERF Plan are reviewed every four years. The most recent four-year experience study for the GERF Plan was completed 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)

### 2. TRA

The total pension liability in the July 1, 2024 actuarial valuation was determined using the entry-age normal method and actuarial assumptions, applied to all periods included in the measurement. Key assumptions used in the valuation of the total pension liability are as follows:

Actuarial Assumptions Used in Valuation of Total Pension Liability	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Cost of living adjustment	1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year up to 1.50 percent annually

Mortality Assumptions Used in Valuation of Total Pension Liability	
Pre-Retirement	PubT-2010(A) Employee Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 Scale.
Healthy Retirees	PubT-2010(A) Retiree Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 Scale.
Beneficiaries	Pub-2010(A) Contingent Survivor Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 Scale.
Disabled Retirees	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 Scale.

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

#### 1. GERF

##### CHANGES IN PLAN PROVISIONS

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

##### 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.

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

### **2. TRA**

#### **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 Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15.00 percent to reflect the continued lower than expected observations.

### **G. Discount Rate**

#### **1. GERF**

The discount rate used to measure the total pension liability in 2024 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF 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.

#### **2. TRA**

The discount rate used to measure the total pension liability was 7.00 percent. 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)

### H. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rates disclosed in the preceding paragraphs, 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:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.00%	7.00%	8.00%
District's proportionate share of the GERF net pension liability	\$ 6,425,461	\$ 2,941,844	\$ 76,251
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	\$ 24,394,922	\$ 13,852,420	\$ 5,175,691

### I. Pension Plan Fiduciary Net Position

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

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

## NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

### A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District’s financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

### B. Benefits Provided

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree’s premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an “implicit rate subsidy.” This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District’s younger and statistically healthier active employees.

### C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations. The District’s contributions in the current year totaled \$20,480 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section.

### D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	4
Active plan members	<u>390</u>
Total members	<u><u>394</u></u>

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

**E. Net OPEB Liability (Asset) of the District**

The total OPEB liability was measured as of June 30, 2025. The total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of July 1, 2024, and update procedures were used to roll forward the total OPEB liability to the measurement date. The components of the net OPEB liability (asset) of the District at year-end were as follows:

Total OPEB liability	\$ 1,163,844
Plan fiduciary net position	<u>(1,447,290)</u>
District’s net OPEB liability (asset)	<u>\$ (283,446)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>124.35%</u>

**F. Actuarial Methods and Assumptions**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2024, and update procedures were used to roll forward the total OPEB liability to the measurement date of June 30, 2025, using the entry-age normal level percent of pay cost method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.10%
Expected long-term investment return	3.00% (net of investment expenses)
20-year municipal bond yield	4.90%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.50%, grading to 5.00% over 5 years, then 4.00% over the next 47 years
Dental trend rate	4.00%

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

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District’s policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

The long-term expected rate of return on OPEB Plan investments was set based on the plan’s target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash equivalents	100.00 %	3.00 %

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

**G. Rate of Return**

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 4.50 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**H. Discount Rate**

The discount rate used to measure the total OPEB liability was 4.10 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used in the prior measurement date was 3.60 percent.

**I. Changes in the Net OPEB Liability (Asset)**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a-b)
Beginning balance	\$ 1,292,368	\$ 1,384,894	\$ (92,526)
Changes for the year			
Service cost	117,360	–	117,360
Interest	50,385	–	50,385
Changes in actuarial assumptions	(10,202)	–	(10,202)
Employer contributions	–	20,480	(20,480)
Projected investment return	–	41,547	(41,547)
Differences between expected and actual experience	(265,587)	21,099	(286,686)
Benefit payments	(20,480)	(20,480)	–
Administrative expenses	–	(250)	250
Total net changes	<u>(128,524)</u>	<u>62,396</u>	<u>(190,920)</u>
Ending balance	<u>\$ 1,163,844</u>	<u>\$ 1,447,290</u>	<u>\$ (283,446)</u>

Changes in actuarial assumptions since the prior measurement date include the following:

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The expected long-term rate of return on plan assets changed from 2.90 percent to 3.00 percent.
- The discount rate was changed from 3.60 percent to 4.10 percent.

**NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

**J. Net OPEB Liability (Asset) Sensitivity to Discount and Healthcare Cost Trend Rate Changes**

The following presents the net OPEB liability (asset) of the District, as well as what the District’s net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	3.10%	4.10%	5.10%
Net OPEB liability (asset)	\$ (210,796)	\$ (283,446)	\$ (353,228)

The following presents the net OPEB liability (asset) of the District, as well as what the District’s net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
OPEB medical trend rate	5.50% grading to 4.00%, then 3.00%	6.50% grading to 5.00%, then 4.00%	7.50% grading to 6.00%, then 5.00%
OPEB dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability (asset)	\$ (408,028)	\$ (283,446)	\$ (134,877)

**K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources**

For the current year ended, the District recognized negative OPEB expense of \$103,144. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ –	\$ 609,687
Changes in actuarial assumptions	22,071	64,173
Differences between projected and actual investment earnings	–	10,285
Total	<u>\$ 22,071</u>	<u>\$ 684,145</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>OPEB Expense Amount</u>
2026	\$ (145,914)
2027	\$ (168,389)
2028	\$ (142,862)
2029	\$ (125,314)
2030	\$ (40,200)
Thereafter	\$ (39,395)

## **NOTE 8 – FLEXIBLE BENEFIT PLAN**

The District has a flexible benefit plan, which is classified as a cafeteria plan under § 125 of the IRC (the Plan). All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the Plan, whether or not such contributions have been made.

The Plan is administered by an independent contract administrator for child care and medical expense reimbursements. The flexible benefit plan is included in the financial statements within the District's General Fund.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

## **NOTE 9 – INTERFUND BALANCES AND TRANSACTIONS**

### **Interfund Receivables and Payables**

At June 30, 2025, the District's Debt Service Fund had an interfund receivable of \$1,182,816 from the General Fund, \$336,315 from the Food Service Special Revenue Fund, and \$601,596 from the Community Service Special Revenue Fund to eliminate temporary cash deficits. The Health Benefits Self-Insurance Fund also reported an interfund receivable of \$8,035 from the Dental Self-Insurance Fund to eliminate a temporary cash deficit.

Such interfund balances and transactions are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

Borrowing from the Debt Service Fund is a violation of Minnesota Statutes. See the Schedule of Findings and Questioned Costs for the Minnesota legal compliance finding.

## **NOTE 10 – STEWARDSHIP AND ACCOUNTABILITY**

At June 30, 2025, the District had an accumulated fund balance deficit of \$132,594 in its Food Service Special Revenue Fund. If this deficit is not eliminated by operations during the following year, it must then be eliminated by a fund transfer from the General Fund.

At June 30, 2025, the District had an accumulated fund balance deficit of \$330,387 in its Community Service Special Revenue Fund. This deficit is expected to be eliminated through future tuition and fees received.

At June 30, 2025, the District had a deficit net position total in the Dental Self-Insurance Fund of \$22,833. This deficit is expected to be eliminated through future premiums paid from the District's governmental funds.

## NOTE 11 – SHORT-TERM BORROWING

### A. Aid Anticipation Certificate

Short-term borrowing for cash flow purposes is summarized as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
09/19/2023	09/30/2024	5.00%	<u>\$ 3,500,000</u>	<u>\$ –</u>	<u>\$ 3,500,000</u>	<u>\$ –</u>

Interest and fiscal charges of \$43,703 were charged to the General Fund during the year, net of reoffering premiums.

### B. Line of Credit

In February 2025, the District entered into a \$500,000 line of credit agreement with Bremer Bank. The line of credit is in effect from February 5, 2025 to February 5, 2027, is secured by a general business security agreement, and bears interest on outstanding balances at the 30-day secured overnight financing rate plus 2.0 percent with a floor rate of 5.0 percent. The interest rate was 6.3 percent at June 30, 2025. The District did not borrow on this line of credit during the year ended June 30, 2025.

## NOTE 12 – COMMITMENTS AND CONTINGENCIES

### A. Federal and State Programs

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

### B. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

### C. Power Purchase Commitment

The District entered into solar subscription agreements with an outside party to utilize space on two of its buildings to install and operate solar panels for generating and selling solar power for a period of 20 years, beginning from the period of commercial operation date, which shall be no later than July 2020. The outside company will retain ownership of the solar panels and operate the facility. The District is committed to purchasing the annual delivered energy of the solar power system for a period of 20 years from the commercial operation date. After the 20-year term is completed, the solar panels are transferred to the District.

## **NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

### **D. Contract Commitments**

The District is committed to a number of contracts awarded for various construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2025 was approximately \$28,720.

## **NOTE 13 – SUBSEQUENT EVENTS**

In July 2025, the District entered into a finance purchase agreement for technology equipment totaling \$73,441 with an interest rate of zero percent and payments over four years. The finance purchase matures in August 2028.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 286

Public Employees Retirement Association Pension Benefits Plan  
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability  
 Year Ended June 30, 2025

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2016	06/30/2015	0.0873%	\$ 4,524,339	\$ -	\$ 4,524,339	\$ 5,048,933	89.61%	78.20%
06/30/2017	06/30/2016	0.0928%	\$ 7,534,899	\$ 98,396	\$ 7,633,295	\$ 5,756,957	130.88%	68.90%
06/30/2018	06/30/2017	0.0912%	\$ 5,822,148	\$ 73,226	\$ 5,895,374	\$ 5,851,573	99.50%	75.90%
06/30/2019	06/30/2018	0.0932%	\$ 5,170,355	\$ 169,672	\$ 5,340,027	\$ 6,261,347	82.58%	79.50%
06/30/2020	06/30/2019	0.0919%	\$ 5,080,946	\$ 157,993	\$ 5,238,939	\$ 6,815,107	74.55%	80.20%
06/30/2021	06/30/2020	0.1039%	\$ 6,229,279	\$ 192,082	\$ 6,421,361	\$ 7,015,813	88.79%	79.10%
06/30/2022	06/30/2021	0.0878%	\$ 3,749,453	\$ 114,524	\$ 3,863,977	\$ 6,310,907	59.41%	87.00%
06/30/2023	06/30/2022	0.0835%	\$ 6,613,228	\$ 193,772	\$ 6,807,000	\$ 6,250,727	105.80%	76.70%
06/30/2024	06/30/2023	0.0823%	\$ 4,602,124	\$ 126,911	\$ 4,729,035	\$ 6,575,873	69.98%	83.10%
06/30/2025	06/30/2024	0.0796%	\$ 2,941,844	\$ 76,070	\$ 3,017,914	\$ 6,731,357	43.70%	89.08%

Public Employees Retirement Association Pension Benefits Plan  
 Schedule of District Contributions  
 Year Ended June 30, 2025

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2016	\$ 431,774	\$ 431,774	\$ -	\$ 5,756,957	7.50%
06/30/2017	\$ 438,868	\$ 438,868	\$ -	\$ 5,851,573	7.50%
06/30/2018	\$ 469,601	\$ 469,601	\$ -	\$ 6,261,347	7.50%
06/30/2019	\$ 511,133	\$ 511,133	\$ -	\$ 6,815,107	7.50%
06/30/2020	\$ 526,186	\$ 526,186	\$ -	\$ 7,015,813	7.50%
06/30/2021	\$ 473,318	\$ 473,318	\$ -	\$ 6,310,907	7.50%
06/30/2022	\$ 468,444	\$ 468,444	\$ -	\$ 6,250,727	7.49%
06/30/2023	\$ 493,073	\$ 493,073	\$ -	\$ 6,575,873	7.50%
06/30/2024	\$ 504,852	\$ 504,852	\$ -	\$ 6,731,357	7.50%
06/30/2025	\$ 572,545	\$ 572,545	\$ -	\$ 7,633,924	7.50%

INDEPENDENT SCHOOL DISTRICT NO. 286

Teachers Retirement Association Pension Benefits Plan  
 Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability  
 Year Ended June 30, 2025

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2016	06/30/2015	0.2206%	\$ 13,646,292	\$ 1,674,127	\$ 15,320,419	\$ 11,177,280	122.09%	76.80%
06/30/2017	06/30/2016	0.2296%	\$ 54,765,078	\$ 5,495,987	\$ 60,261,065	\$ 11,991,480	456.70%	44.88%
06/30/2018	06/30/2017	0.2317%	\$ 46,251,523	\$ 4,471,027	\$ 50,722,550	\$ 12,579,853	367.66%	51.57%
06/30/2019	06/30/2018	0.2362%	\$ 14,835,571	\$ 1,393,892	\$ 16,229,463	\$ 13,051,053	113.67%	78.07%
06/30/2020	06/30/2019	0.2306%	\$ 14,698,492	\$ 1,300,734	\$ 15,999,226	\$ 13,056,213	112.58%	78.21%
06/30/2021	06/30/2020	0.2212%	\$ 16,342,552	\$ 1,369,341	\$ 17,711,893	\$ 12,783,497	127.84%	75.48%
06/30/2022	06/30/2021	0.2237%	\$ 9,789,781	\$ 825,772	\$ 10,615,553	\$ 13,389,635	73.11%	86.63%
06/30/2023	06/30/2022	0.2291%	\$ 18,345,116	\$ 1,360,509	\$ 19,705,625	\$ 14,270,162	128.56%	76.17%
06/30/2024	06/30/2023	0.2427%	\$ 20,037,856	\$ 1,403,619	\$ 21,441,475	\$ 15,441,462	129.77%	76.42%
06/30/2025	06/30/2024	0.2180%	\$ 13,852,420	\$ 906,168	\$ 14,758,588	\$ 14,441,071	95.92%	82.07%

Teachers Retirement Association Pension Benefits Plan  
 Schedule of District Contributions  
 Year Ended June 30, 2025

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2016	\$ 899,361	\$ 899,361	\$ -	\$ 11,991,480	7.50%
06/30/2017	\$ 943,489	\$ 943,489	\$ -	\$ 12,579,853	7.50%
06/30/2018	\$ 978,829	\$ 978,829	\$ -	\$ 13,051,053	7.50%
06/30/2019	\$ 1,006,634	\$ 1,006,634	\$ -	\$ 13,056,213	7.71%
06/30/2020	\$ 1,012,453	\$ 1,012,453	\$ -	\$ 12,783,497	7.92%
06/30/2021	\$ 1,088,324	\$ 1,088,324	\$ -	\$ 13,389,635	8.13%
06/30/2022	\$ 1,189,489	\$ 1,189,489	\$ -	\$ 14,270,162	8.34%
06/30/2023	\$ 1,319,550	\$ 1,319,550	\$ -	\$ 15,441,462	8.55%
06/30/2024	\$ 1,263,632	\$ 1,263,632	\$ -	\$ 14,441,071	8.75%
06/30/2025	\$ 1,464,937	\$ 1,464,937	\$ -	\$ 16,742,435	8.75%

INDEPENDENT SCHOOL DISTRICT NO. 286

Other Post-Employment Benefits Plan  
 Schedule of Changes in the District's Net  
 OPEB Liability and Related Ratios  
 Year Ended June 30, 2025

	District Fiscal Year-End Date								
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability									
Service cost	\$ 172,302	\$ 174,418	\$ 113,288	\$ 125,812	\$ 139,083	\$ 121,063	\$ 117,711	\$ 119,580	\$ 117,360
Interest	57,456	61,695	77,653	51,961	46,513	40,823	62,967	46,137	50,385
Changes in actuarial assumptions	-	(77,993)	(151,062)	39,404	(57,473)	(81,678)	28,783	(5,613)	(10,202)
Changes in plan provisions	-	79,738	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	(480,992)	-	(147,060)	-	(595,547)	-	(265,587)
Benefit payments	(66,185)	(94,960)	(97,631)	(149,282)	(53,828)	(43,396)	(62,300)	(131,588)	(20,480)
Net change in total OPEB liability	163,573	142,898	(538,744)	67,895	(72,765)	36,812	(448,386)	28,516	(128,524)
Total OPEB liability – beginning of year	1,912,569	2,076,142	2,219,040	1,680,296	1,748,191	1,675,426	1,712,238	1,263,852	1,292,368
Total OPEB liability – end of year	2,076,142	2,219,040	1,680,296	1,748,191	1,675,426	1,712,238	1,263,852	1,292,368	1,163,844
Plan fiduciary net position									
Employer contributions	66,185	-	97,631	149,282	53,828	43,396	62,300	131,588	20,480
Projected investment return	27,103	27,290	35,095	37,735	38,830	38,992	37,671	38,206	41,547
Differences between expected and actual experience	(17,427)	3,244	(33,483)	278	(32,992)	(84,286)	(18,981)	29,418	21,099
Benefit payments	(66,185)	(94,960)	(97,631)	(149,282)	(53,828)	(43,396)	(62,300)	(131,588)	(20,480)
Administrative expenses	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(167)	(250)
Net change in plan fiduciary net position	9,426	(64,676)	1,362	37,763	5,588	(45,544)	18,440	67,457	62,396
Plan fiduciary net position – beginning of year	1,355,078	1,364,504	1,299,828	1,301,190	1,338,953	1,344,541	1,298,997	1,317,437	1,384,894
Plan fiduciary net position – end of year	1,364,504	1,299,828	1,301,190	1,338,953	1,344,541	1,298,997	1,317,437	1,384,894	1,447,290
Net OPEB liability (asset)	\$ 711,638	\$ 919,212	\$ 379,106	\$ 409,238	\$ 330,885	\$ 413,241	\$ (53,585)	\$ (92,526)	\$ (283,446)
Plan fiduciary net position as a percentage of the total OPEB liability	65.72%	58.58%	77.44%	76.59%	80.25%	75.87%	104.24%	107.16%	124.35%
Covered-employee payroll	\$ 17,090,700	\$ 17,603,421	\$ 17,192,530	\$ 17,708,306	\$ 21,090,362	\$ 21,723,073	\$ 21,229,879	\$ 21,866,775	\$ 24,521,498
Net OPEB liability (asset) as a percentage of covered-employee payroll	4.16%	5.22%	2.21%	2.31%	1.57%	1.90%	(0.25%)	(0.42%)	(1.16%)

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 286

Other Post-Employment Benefits Plan  
Schedule of Investment Returns  
Year Ended June 30, 2025

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	0.71 %
2018	2.20 %
2019	0.12 %
2020	2.90 %
2021	0.40 %
2022	(3.40) %
2023	1.48 %
2024	5.10 %
2025	4.50 %

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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INDEPENDENT SCHOOL DISTRICT NO. 286

Notes to Required Supplementary Information  
June 30, 2025

**PERA – GENERAL EMPLOYEES RETIREMENT FUND**

**2024 CHANGES IN PLAN PROVISIONS**

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

**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.

**2023 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, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**2023 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

**2022 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2021 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2020 CHANGES IN PLAN PROVISIONS**

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

## **PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

### **2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, 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 MP-2018 to 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 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

### **2019 CHANGES IN PLAN PROVISIONS**

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

### **2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

### **2018 CHANGES IN PLAN PROVISIONS**

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, 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 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

## **PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)**

### **2018 CHANGES IN PLAN PROVISIONS (CONTINUED)**

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

### **2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

### **2017 CHANGES IN PLAN PROVISIONS**

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018, and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21.0 million to \$31.0 million in calendar years 2019 to 2031. The state's contribution changed from \$16.0 million to \$6.0 million in calendar years 2019 to 2031.

### **2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

### **2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

### **2015 CHANGES IN PLAN PROVISIONS**

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 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.

### **2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

## **TEACHERS RETIREMENT ASSOCIATION (TRA)**

### **2024 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 Pub2010 family of tables.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15.00 percent to reflect the continued lower than expected observations.

### **2023 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The normal retirement age for active and eligible Tier II members will be 65 effective July 1, 2024.
- The employer contribution rate will increase from 8.75 percent to 9.50 percent on July 1, 2025.
- The employee contribution rate will increase from 7.75 percent to 8.00 percent on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for MnSCU, Perpich Center for Arts Education, and Minnesota academies will increase to reflect the 0.75 percent employer contribution rate increase.

### **2021 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

### **2018 CHANGES IN PLAN PROVISIONS**

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent 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 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

## **TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)**

### **2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The investment return assumption was changed from 8.50 percent to 7.50 percent.
- The single discount rate changed from 5.12 percent to 7.50 percent.

### **2017 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

### **2016 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The single discount rate was changed from 8.00 percent to 4.66 percent.

### **2015 CHANGES IN PLAN PROVISIONS**

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

### **2015 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

## **OTHER POST-EMPLOYMENT BENEFITS PLAN**

### **2025 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The expected long-term rate of return on plan assets changed from 2.90 percent to 3.00 percent.
- The discount rate was changed from 3.60 percent to 4.10 percent.

### **2024 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 3.50 percent to 3.60 percent.

### **2023 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for nonteachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.

### **2022 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 2.30 percent to 3.50 percent.

### **2021 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 2.50 percent to 2.30 percent.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

### **2020 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 3.00 percent to 2.50 percent.
- The expected long-term rate of return on plan assets changed from 2.00 percent to 2.90 percent.

### **2019 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The retiree plan participation assumption for participants not eligible for a pre-65 subsidy was changed from 0.50 percent to 0.30 percent.
- The discount rate was changed from 3.40 percent to 3.00 percent.

### **2018 CHANGES IN PLAN PROVISIONS**

- The superintendent will receive post-employment subsidized medical, dental, and life insurance until Medicare eligibility.

### **2018 CHANGES IN ACTUARIAL ASSUMPTIONS**

- The discount rate was changed from 2.80 percent to 3.40 percent.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 286

Nonmajor Governmental Funds  
 Combining Balance Sheet  
 as of June 30, 2025

	Special Revenue Funds		Total
	Food Service	Community Service	
<b>Assets</b>			
Receivables			
Current taxes	\$       —	\$    70,256	\$    70,256
Delinquent taxes	—	1,696	1,696
Accounts and interest	—	7,347	7,347
Due from other governmental units	210,976	348,812	559,788
Inventory	22,491	—	22,491
Prepaid items	—	330	330
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$   233,467</u>	<u>\$   428,441</u>	<u>\$   661,908</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$    29,746	\$    20,773	\$    50,519
Due to other funds	336,315	601,596	937,911
Total liabilities	<u>366,061</u>	<u>622,369</u>	<u>988,430</u>
<b>Deferred inflows of resources</b>			
Property taxes levied for subsequent year	—	133,568	133,568
Unavailable revenue – delinquent taxes	—	2,891	2,891
Total deferred inflows of resources	<u>          </u>	<u>136,459</u>	<u>136,459</u>
<b>Fund balances (deficit)</b>			
Nonspendable	22,491	330	22,821
Unassigned	(155,085)	(330,717)	(485,802)
Total fund balances (deficit)	<u>(132,594)</u>	<u>(330,387)</u>	<u>(462,981)</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$   233,467</u>	<u>\$   428,441</u>	<u>\$   661,908</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Nonmajor Governmental Funds  
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Year Ended June 30, 2025

	Special Revenue Funds		Total
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 160,115	\$ 160,115
Other	14,521	409,833	424,354
State sources	307,042	498,447	805,489
Federal sources	1,136,686	719,800	1,856,486
Total revenue	<u>1,458,249</u>	<u>1,788,195</u>	<u>3,246,444</u>
Expenditures			
Current			
Food service	1,603,822	-	1,603,822
Community service	-	1,975,582	1,975,582
Capital outlay	10,716	1,122	11,838
Total expenditures	<u>1,614,538</u>	<u>1,976,704</u>	<u>3,591,242</u>
Net change in fund balances	(156,289)	(188,509)	(344,798)
Fund balances (deficit)			
Beginning of year	<u>23,695</u>	<u>(141,878)</u>	<u>(118,183)</u>
End of year	<u>\$ (132,594)</u>	<u>\$ (330,387)</u>	<u>\$ (462,981)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

General Fund  
Comparative Balance Sheet  
as of June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Cash and temporary investments	\$ —	\$ 3,742,982
Receivables		
Current taxes	2,343,399	1,962,221
Delinquent taxes	39,204	48,203
Accounts and interest	56,909	38,648
Due from other governmental units	7,592,182	7,851,457
Due from other funds	—	542,186
Prepaid items	<u>54,093</u>	<u>125,508</u>
Total assets	<u>\$ 10,085,787</u>	<u>\$ 14,311,205</u>
<b>Liabilities</b>		
Aid anticipation certificates	\$ —	\$ 3,500,000
Salaries payable	1,651,244	1,466,902
Accounts and contracts payable	2,523,792	2,169,883
Due to other governmental units	69,357	58,109
Due to other funds	1,182,816	—
Accrued interest payable	—	136,644
Unearned revenue	<u>33,735</u>	<u>90,079</u>
Total liabilities	5,460,944	7,421,617
<b>Deferred inflows of resources</b>		
Property taxes levied for subsequent year	4,148,489	3,280,200
Unavailable revenue – delinquent taxes	<u>68,030</u>	<u>38,675</u>
Total deferred inflows of resources	4,216,519	3,318,875
<b>Fund balances</b>		
Nonspendable for prepaid items	54,093	125,508
Restricted for student activities	1,601	—
Restricted for scholarships	69,803	72,303
Restricted for literacy incentive aid	—	49,338
Restricted for American Indian education aid	44,293	41,493
Restricted for area learning center	127,724	613,307
Restricted for teacher compensation for READ act training	31,691	—
Restricted for Medical Assistance	78,713	—
Restricted for student support personnel	—	41,207
Assigned for subsequent year's budget	—	571,345
Unassigned	<u>406</u>	<u>2,056,212</u>
Total fund balances	<u>408,324</u>	<u>3,570,713</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,085,787</u>	<u>\$ 14,311,205</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2025  
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025		2024	
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenue</b>				
Local sources				
Property taxes	\$ 3,945,735	\$ 3,577,128	\$ (368,607)	\$ 3,754,856
Investment earnings	70,000	93,031	23,031	179,180
Other	723,724	887,704	163,980	419,248
State sources	35,690,535	37,027,750	1,337,215	35,908,546
Federal sources	1,783,040	1,647,772	(135,268)	2,437,057
Total revenue	42,213,034	43,233,385	1,020,351	42,698,887
<b>Expenditures</b>				
Current				
Administration				
Salaries	1,224,836	1,152,615	(72,221)	1,051,205
Employee benefits	352,900	367,390	14,490	340,749
Purchased services	6,455	111,986	105,531	73,714
Supplies and materials	9,300	168,118	158,818	141,569
Other expenditures	15,784	24,908	9,124	5,669
Total administration	1,609,275	1,825,017	215,742	1,612,906
District support services				
Salaries	1,283,439	1,254,958	(28,481)	1,123,580
Employee benefits	365,887	427,578	61,691	387,970
Purchased services	903,717	426,663	(477,054)	500,061
Supplies and materials	97,629	93,869	(3,760)	110,077
Capital expenditures	-	-	-	2,000
Other expenditures	37,650	(6,369)	(44,019)	(76,054)
Total district support services	2,688,322	2,196,699	(491,623)	2,047,634
Elementary and secondary regular instruction				
Salaries	10,223,269	10,071,203	(152,066)	8,425,229
Employee benefits	3,072,969	3,037,328	(35,641)	2,580,121
Purchased services	2,160,780	2,747,948	587,168	2,344,078
Supplies and materials	158,200	246,751	88,551	424,953
Capital expenditures	-	44,860	44,860	-
Other expenditures	9,731	60,383	50,652	56,591
Total elementary and secondary regular instruction	15,624,949	16,208,473	583,524	13,830,972

INDEPENDENT SCHOOL DISTRICT NO. 286

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual (continued)  
 Year Ended June 30, 2025  
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025		2024	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	257,760	256,051	(1,709)	162,296
Employee benefits	76,940	59,985	(16,955)	42,506
Purchased services	33,878	35,270	1,392	63,358
Supplies and materials	5,855	4,379	(1,476)	2,508
Other expenditures	130	959	829	1,424
Total vocational education instruction	374,563	356,644	(17,919)	272,092
Special education instruction				
Salaries	5,052,140	4,974,229	(77,911)	4,210,671
Employee benefits	1,498,907	1,352,374	(146,533)	1,243,739
Purchased services	442,331	456,709	14,378	463,673
Supplies and materials	59,012	82,525	23,513	107,280
Other expenditures	1,400	22,464	21,064	24,687
Total special education instruction	7,053,790	6,888,301	(165,489)	6,050,050
Instructional support services				
Salaries	1,693,581	1,792,193	98,612	1,456,594
Employee benefits	430,999	479,802	48,803	409,661
Purchased services	509,437	361,380	(148,057)	345,617
Supplies and materials	603,304	486,645	(116,659)	367,821
Capital expenditures	–	–	–	97,867
Other expenditures	61,875	163,603	101,728	123,401
Total instructional support services	3,299,196	3,283,623	(15,573)	2,800,961
Pupil support services				
Salaries	2,833,886	2,490,708	(343,178)	2,363,747
Employee benefits	824,864	675,751	(149,113)	639,698
Purchased services	3,423,100	5,809,228	2,386,128	5,166,235
Supplies and materials	33,650	297,871	264,221	235,383
Capital expenditures	–	371,660	371,660	–
Other expenditures	–	12,800	12,800	88,405
Total pupil support services	7,115,500	9,658,018	2,542,518	8,493,468

INDEPENDENT SCHOOL DISTRICT NO. 286

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual (continued)  
 Year Ended June 30, 2025  
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025		2024	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,223,407	1,121,095	(102,312)	940,158
Employee benefits	345,004	420,952	75,948	354,126
Purchased services	1,821,542	3,061,227	1,239,685	3,014,345
Supplies and materials	144,915	449,864	304,949	469,537
Capital expenditures	251,699	180,678	(71,021)	298,851
Other expenditures	—	2,993	2,993	47,568
Total sites and buildings	<u>3,786,567</u>	<u>5,236,809</u>	<u>1,450,242</u>	<u>5,124,585</u>
Fiscal and other fixed cost programs				
Purchased services	141,487	231,601	90,114	130,019
Other expenditures	<u>5,500</u>	<u>3,500</u>	<u>(2,000)</u>	<u>12,775</u>
Total fiscal and other fixed cost programs	<u>146,987</u>	<u>235,101</u>	<u>88,114</u>	<u>142,794</u>
Debt service				
Principal	310,754	310,754	—	299,719
Interest and fiscal charges	<u>163,982</u>	<u>207,685</u>	<u>43,703</u>	<u>363,286</u>
Total debt service	<u>474,736</u>	<u>518,439</u>	<u>43,703</u>	<u>663,005</u>
Total expenditures	<u>42,173,885</u>	<u>46,407,124</u>	<u>4,233,239</u>	<u>41,038,467</u>
Excess (deficiency) of revenue over expenditures	39,149	(3,173,739)	(3,212,888)	1,660,420
Other financing sources (uses)				
Sale of capital assets	—	11,350	11,350	—
Insurance recovery	—	—	—	216,889
Transfers (out)	—	—	—	(329,867)
Total other financing sources (uses)	<u>—</u>	<u>11,350</u>	<u>11,350</u>	<u>(112,978)</u>
Net change in fund balances	<u>\$ 39,149</u>	<u>(3,162,389)</u>	<u>\$ (3,201,538)</u>	<u>1,547,442</u>
Fund balances				
Beginning of year		<u>3,570,713</u>		<u>2,023,271</u>
End of year		<u>\$ 408,324</u>		<u>\$ 3,570,713</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Food Service Special Revenue Fund  
 Comparative Balance Sheet  
 as of June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Receivables		
Due from other governmental units	\$ 210,976	\$ 258,582
Inventory	<u>22,491</u>	<u>23,695</u>
Total assets	<u>\$ 233,467</u>	<u>\$ 282,277</u>
Liabilities		
Accounts and contracts payable	\$ 29,746	\$ 65,483
Due to other funds	<u>336,315</u>	<u>193,099</u>
Total liabilities	366,061	258,582
Fund balances (deficit)		
Nonspendable for inventory	22,491	23,695
Unassigned	<u>(155,085)</u>	<u>—</u>
Total fund balances (deficit)	<u>(132,594)</u>	<u>23,695</u>
Total liabilities and fund balances	<u>\$ 233,467</u>	<u>\$ 282,277</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Food Service Special Revenue Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2025  
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025		Over (Under) Budget	2024
	Budget	Actual		Actual
Revenue				
Local sources				
Other – primarily meal sales	\$ 32,064	\$ 14,521	\$ (17,543)	\$ 47,247
State sources	113,544	307,042	193,498	313,739
Federal sources	1,326,392	1,136,686	(189,706)	1,144,605
Total revenue	<u>1,472,000</u>	<u>1,458,249</u>	<u>(13,751)</u>	<u>1,505,591</u>
Expenditures				
Current				
Salaries	681,836	590,428	(91,408)	535,472
Employee benefits	198,687	198,767	80	178,606
Purchased services	41,300	47,905	6,605	32,673
Supplies and materials	543,977	762,814	218,837	753,549
Other expenditures	2,300	3,908	1,608	3,594
Capital outlay	3,900	10,716	6,816	55,052
Total expenditures	<u>1,472,000</u>	<u>1,614,538</u>	<u>142,538</u>	<u>1,558,946</u>
Excess (deficiency) of revenue over expenditures	–	(156,289)	(156,289)	(53,355)
Other financing sources				
Transfers in	–	–	–	329,867
Net change in fund balances	<u>\$ –</u>	<u>(156,289)</u>	<u>\$ (156,289)</u>	276,512
Fund balances (deficit)				
Beginning of year		<u>23,695</u>		<u>(252,817)</u>
End of year		<u>\$ (132,594)</u>		<u>\$ 23,695</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Community Service Special Revenue Fund  
 Comparative Balance Sheet  
 as of June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Receivables		
Current taxes	\$ 70,256	\$ 81,089
Delinquent taxes	1,696	2,620
Accounts and interest	7,347	-
Due from other governmental units	348,812	311,994
Prepaid items	<u>330</u>	<u>-</u>
Total assets	<u>\$ 428,441</u>	<u>\$ 395,703</u>
Liabilities		
Accounts and contracts payable	\$ 20,773	\$ 16,428
Due to other funds	601,596	349,087
Unearned revenue	<u>-</u>	<u>6,875</u>
Total liabilities	622,369	372,390
Deferred inflows of resources		
Property taxes levied for subsequent year	133,568	163,081
Unavailable revenue – delinquent taxes	<u>2,891</u>	<u>2,110</u>
Total deferred inflows of resources	136,459	165,191
Fund balances (deficit)		
Nonspendable for prepaid items	330	-
Unassigned – community education restricted account deficit	(238,742)	(141,878)
Unassigned – early childhood family education restricted account deficit	<u>(91,975)</u>	<u>-</u>
Total fund balances (deficit)	<u>(330,387)</u>	<u>(141,878)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 428,441</u>	<u>\$ 395,703</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Community Service Special Revenue Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual

Year Ended June 30, 2025

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

	2025		Over (Under) Budget	2024
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 162,991	\$ 160,115	\$ (2,876)	\$ 190,476
Other – primarily tuition and fees	445,691	409,833	(35,858)	368,813
State sources	426,976	498,447	71,471	419,166
Federal sources	727,993	719,800	(8,193)	439,915
Total revenue	<u>1,763,651</u>	<u>1,788,195</u>	<u>24,544</u>	<u>1,418,370</u>
Expenditures				
Current				
Salaries	1,129,475	1,460,529	331,054	1,141,524
Employee benefits	312,290	339,878	27,588	268,575
Purchased services	274,043	113,789	(160,254)	107,240
Supplies and materials	45,843	58,992	13,149	41,332
Other expenditures	2,000	2,394	394	2,097
Capital outlay	–	1,122	1,122	–
Total expenditures	<u>1,763,651</u>	<u>1,976,704</u>	<u>213,053</u>	<u>1,560,768</u>
Net change in fund balances	<u>\$ –</u>	<u>(188,509)</u>	<u>\$ (188,509)</u>	<u>(142,398)</u>
Fund balances (deficit)				
Beginning of year		<u>(141,878)</u>		<u>520</u>
End of year		<u>\$ (330,387)</u>		<u>\$ (141,878)</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Capital Projects – Building Construction Fund  
 Comparative Balance Sheet  
 as of June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and temporary investments	<u>\$ 311</u>	<u>\$ 319,716</u>
Liabilities		
Accounts and contracts payable	\$ 311	\$ 200,262
Fund balances		
Restricted for capital projects	<u>–</u>	<u>119,454</u>
Total liabilities and fund balances	<u>\$ 311</u>	<u>\$ 319,716</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Capital Projects – Building Construction Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2025  
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025		2024	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 20,000	\$ 19,354	\$ (646)	\$ 107,213
Expenditures				
Capital outlay				
Purchased services	–	–	–	364,362
Supplies and materials	–	–	–	2,183
Capital expenditures	139,454	138,808	(646)	2,799,358
Debt service				
Fiscal charges and other	–	–	–	80,243
Total expenditures	<u>139,454</u>	<u>138,808</u>	<u>(646)</u>	<u>3,246,146</u>
Excess (deficiency) of revenue over expenditures	(119,454)	(119,454)	–	(3,138,933)
Other financing sources				
Debt issued	–	–	–	1,805,000
Premium on debt issued	–	–	–	76,760
Total other financing sources	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,881,760</u>
Net change in fund balances	<u>\$ (119,454)</u>	<u>(119,454)</u>	<u>\$ –</u>	<u>(1,257,173)</u>
Fund balances				
Beginning of year		<u>119,454</u>		<u>1,376,627</u>
End of year		<u>\$ –</u>		<u>\$ 119,454</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Debt Service Fund  
Comparative Balance Sheet  
as of June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and temporary investments	\$ 312,193	\$ 2,461,179
Receivables		
Current taxes	1,803,591	1,715,614
Delinquent taxes	34,026	40,335
Due from other governmental units	14,176	20,075
Due from other funds	<u>2,120,727</u>	<u>—</u>
Total assets	<u>\$ 4,284,713</u>	<u>\$ 4,237,203</u>
Liabilities		
Accounts and contracts payable	\$ —	\$ 550
Deferred inflows of resources		
Property taxes levied for subsequent year	3,428,913	3,449,966
Unavailable revenue – delinquent taxes	<u>59,277</u>	<u>32,449</u>
Total deferred inflows of resources	<u>3,488,190</u>	<u>3,482,415</u>
Fund balances		
Restricted for debt service	<u>796,523</u>	<u>754,238</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,284,713</u>	<u>\$ 4,237,203</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Debt Service Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended June 30, 2025  
 (With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025		Over (Under) Budget	2024
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 3,449,842	\$ 3,386,129	\$ (63,713)	\$ 2,923,096
Investment earnings	30,000	32,015	2,015	50,259
State sources	111,749	141,748	29,999	200,743
Total revenue	<u>3,591,591</u>	<u>3,559,892</u>	<u>(31,699)</u>	<u>3,174,098</u>
Expenditures				
Debt service				
Principal	1,789,000	1,864,000	75,000	1,706,000
Interest	1,547,920	1,651,607	103,687	1,625,447
Fiscal charges and other	4,500	2,000	(2,500)	2,525
Total expenditures	<u>3,341,420</u>	<u>3,517,607</u>	<u>176,187</u>	<u>3,333,972</u>
Net change in fund balances	<u>\$ 250,171</u>	42,285	<u>\$ (207,886)</u>	(159,874)
Fund balances				
Beginning of year		<u>754,238</u>		<u>914,112</u>
End of year		<u>\$ 796,523</u>		<u>\$ 754,238</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Internal Service Funds  
 Combining Statement of Net Position  
 as of June 30, 2025  
 (With Comparative Total Amounts as of June 30, 2024)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2025	2024
<b>Assets</b>				
Current assets				
Cash and temporary investments	\$ 1,109,969	\$ –	\$ 1,109,969	\$ 1,262,038
Receivables				
Due from other funds	8,035	–	8,035	9,330
Total current assets	<u>1,118,004</u>	<u>–</u>	<u>1,118,004</u>	<u>1,271,368</u>
<b>Liabilities</b>				
Current liabilities				
Accounts and contracts payable	3,317	–	3,317	3,300
Due to other funds	–	8,035	8,035	9,330
Claims incurred, but not reported	337,309	14,798	352,107	260,257
Total current liabilities	<u>340,626</u>	<u>22,833</u>	<u>363,459</u>	<u>272,887</u>
<b>Net position</b>				
Unrestricted	<u>\$ 777,378</u>	<u>\$ (22,833)</u>	<u>\$ 754,545</u>	<u>\$ 998,481</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Internal Service Funds  
 Combining Statement of Revenue, Expenses, and Changes in Net Position  
 Year Ended June 30, 2025  
 (With Comparative Total Amounts for the Year Ended June 30, 2024)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals	
			2025	2024
Operating revenue				
Charges for services				
Contributions from governmental funds	\$ 3,242,964	\$ 204,074	\$ 3,447,038	\$ 3,045,708
Operating expenses				
Health benefit claims	3,513,042	-	3,513,042	3,248,859
Dental benefit claims	-	201,287	201,287	188,447
Total operating expenses	<u>3,513,042</u>	<u>201,287</u>	<u>3,714,329</u>	<u>3,437,306</u>
Operating income (loss)	(270,078)	2,787	(267,291)	(391,598)
Nonoperating revenue				
Investment earnings	<u>23,355</u>	<u>-</u>	<u>23,355</u>	<u>46,225</u>
Change in net position	(246,723)	2,787	(243,936)	(345,373)
Net position				
Beginning of year	<u>1,024,101</u>	<u>(25,620)</u>	<u>998,481</u>	<u>1,343,854</u>
End of year	<u>\$ 777,378</u>	<u>\$ (22,833)</u>	<u>\$ 754,545</u>	<u>\$ 998,481</u>

INDEPENDENT SCHOOL DISTRICT NO. 286

Internal Service Funds  
 Combining Statement of Cash Flows  
 Year Ended June 30, 2025  
 (With Comparative Total Amounts for the Year Ended June 30, 2024)

	Health Benefits	Dental	Totals	
	Self-Insurance	Self-Insurance	2025	2024
Cash flows from operating activities				
Contributions from governmental funds	\$ 3,242,964	\$ 204,074	\$ 3,447,038	\$ 3,045,708
Payment for health claims	(3,419,683)	–	(3,419,683)	(3,143,887)
Payment for dental claims	–	(202,779)	(202,779)	(191,431)
Net cash flows from operating activities	(176,719)	1,295	(175,424)	(289,610)
Cash flows from noncapital financing activities				
Cash received from other funds	1,295	–	1,295	2,426
Cash paid to other funds	–	(1,295)	(1,295)	(2,426)
Net cash flows from noncapital financing activities	1,295	(1,295)	–	–
Cash flows from investing activities				
Investment income received	23,355	–	23,355	46,225
Net change in cash and cash equivalents	(152,069)	–	(152,069)	(243,385)
Cash and cash equivalents				
Beginning of year	1,262,038	–	1,262,038	1,505,423
End of year	\$ 1,109,969	\$ –	\$ 1,109,969	\$ 1,262,038
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ (270,078)	\$ 2,787	\$ (267,291)	\$ (391,598)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and contracts payable	17	–	17	(1,728)
Claims incurred, but not reported	93,342	(1,492)	91,850	103,716
Net cash flows from operating activities	\$ (176,719)	\$ 1,295	\$ (175,424)	\$ (289,610)

OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 286

Student Enrollment  
Last Ten Fiscal Years

Year Ended June 30,	Adjusted Average Daily Membership (ADM)					Total Pupil Units
	Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2016	12.76	166.07	1,059.03	1,171.58	2,409.44	2,643.76
2017	71.50	160.00	991.19	1,196.06	2,418.75	2,657.96
2018	74.24	159.88	1,010.58	1,330.05	2,574.75	2,840.78
2019	85.20	147.93	917.41	1,336.78	2,487.32	2,754.69
2020	73.46	155.92	862.41	1,330.57	2,422.36	2,688.46
2021	59.13	108.60	822.63	1,317.14	2,307.50	2,570.92
2022	77.58	120.51	731.94	1,271.66	2,201.69	2,456.03
2023	79.08	119.38	707.43	1,277.05	2,182.94	2,438.33
2024	77.04	95.12	701.93	1,262.43	2,136.52	2,389.00
2025	72.47	102.07	642.73	1,407.64	2,224.91	2,506.45

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1-6	Secondary 7-12+
All years presented	1.000	0.550	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

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OTHER REQUIRED REPORTS

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

To the School Board and Management of  
Independent School District No. 286  
Brooklyn Center, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 286 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2025.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as finding 2025-001, that we consider to be a significant deficiency.

(continued)

## **REPORT ON COMPLIANCE AND OTHER MATTERS**

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

## **DISTRICT'S RESPONSE TO FINDING**

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

## **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 report is not suitable for any other purpose.

Respectfully submitted,



LB CARLSON, LLP  
Minneapolis, Minnesota

December 19, 2025



INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of  
Independent School District No. 286  
Brooklyn Center, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 286 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2025.

**MINNESOTA LEGAL COMPLIANCE**

In connection with our audit, we noted that the District failed to comply with provisions of the contracting – bid laws, claims and disbursements, 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 as described in the Schedule of Findings and Questioned Costs as findings 2025-002, 2025-003, 2025-004, and 2025-005. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

**DISTRICT'S RESPONSES TO FINDINGS**

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

(continued)

**PURPOSE OF THIS REPORT**

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

Respectfully submitted,

A handwritten signature in black ink that reads "LB Carlson, LLP". The signature is written in a cursive, flowing style.

LB CARLSON, LLP  
Minneapolis, Minnesota

December 19, 2025

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2025

**A. FINANCIAL STATEMENT FINDINGS**

**SIGNIFICANT DEFICIENCY**

**2025-001 Segregation of Duties**

**Criteria** – Internal control over financial reporting.

**Condition** – Independent School District No. 286 (the District) has limited segregation of duties in several areas, including the processing of general disbursements, payroll transactions, cash receipts, and journal entries.

**Questioned Costs** – Not applicable.

**Context** – The condition applies to multiple areas as noted above.

**Repeat Finding** – This is a current year and prior year finding.

**Cause** – The limited segregation of duties is primarily caused by the limited size of the District's business office staff.

**Effect** – One important element of internal accounting controls is an adequate segregation of duties such that no one individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business.

**Recommendation** – We recommend that the District continue its efforts to segregate duties as best it can within the limits of what the District considers to be cost-beneficial.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding. The District intends to review policies, procedures, and transaction cycles, and work with the District's financial auditors to review specific weaknesses identified during the annual audit and actions needed to eliminate or mitigate this internal control weakness. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2025

**B. MINNESOTA LEGAL COMPLIANCE FINDINGS**

**2025-002 Payment of Invoices**

**Criteria** – Minnesota Statutes § 471.425 requires prompt payment of local government bills within a standard payment period of 35 days from the receipt of goods and services, or the invoice for goods and services, for districts with governing boards that meet at least once a month. If such obligations are not paid within the appropriate time period, districts must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month.

**Condition** – Six of forty disbursements selected for testing were not paid within the required 35 days from the receipt of goods and services.

**Questioned Costs** – Not applicable.

**Context** – Six of forty disbursements tested were not paid within the required 35-day period.

**Repeat Finding** – This is a current year and prior year finding.

**Cause** – This was an oversight by district personnel.

**Effect** – The District did not pay these claims within the time frame allowed by state statutes.

**Recommendation** – We recommend that the District review its procedures for paying invoices to ensure that all bills are paid within the statutory time limit.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding. The District will review its procedures relating to processing disbursements to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2025

**B. MINNESOTA LEGAL COMPLIANCE FINDINGS (CONTINUED)**

**2025-003 Contracting, Bid, and Quote Laws Compliance**

**Criteria** – Minnesota Statutes § 471.345.

**Condition** – Minnesota Statutes require contracts for goods or services in excess of certain dollar thresholds to be awarded using sealed bids or quotations. For three of four contracts tested to which this requirement applied, the District had not awarded a contract based on sealed bids or quotations.

**Questioned Costs** – Not applicable.

**Context** – Three of four contracts tested were not in compliance with Minnesota Statutes and had not awarded a contract based on sealed bids or quotations.

**Repeat Finding** – This is a current year and prior year finding.

**Cause** – This was an oversight by district personnel.

**Effect** – The District was not in compliance with bid and quote law requirements.

**Recommendation** – We recommend that the District comply with statutory contracting requirements for all applicable vendors.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding. The District will review its procedures relating to statutory contracting requirements to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2025

**B. MINNESOTA LEGAL COMPLIANCE FINDINGS (CONTINUED)**

**2025-004 Withholding Affidavit**

**Criteria** – Minnesota Statutes § 270C.66.

**Condition** – Before making final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor or subcontractors, the District must obtain a certification by the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minnesota Statutes § 290.92 (either a Commissioner of Revenue Form IC134 or a Contractor’s Withholding Affidavit). The District did not obtain the required certificate for one of three contracts selected for testing prior to making final settlement during fiscal year 2025.

**Questioned Costs** – Not applicable.

**Context** – One of three contracts tested was not in compliance.

**Repeat Finding** – This is a current year and prior year finding.

**Cause** – This was an oversight by district personnel.

**Effect** – The District did not obtain the required documentation of either a Commissioner of Revenue Form IC134 or a Contractor’s Withholding Affidavit as required by state statutes prior to making final settlement.

**Recommendation** – We recommend that the District review purchasing procedures and obtain required documentation prior to making final settlement for future contracts.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding. The District will review its procedures relating to withholding affidavits to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2025

**B. MINNESOTA LEGAL COMPLIANCE FINDINGS (CONTINUED)**

**2025-005 Cash Flow Borrowing**

**Criteria** – Minnesota Statutes § 123B.78.

**Condition** – Minnesota Statutes states that a district must not, for the purpose of increasing the available cash balance of another fund, borrow or transfer funds from the building construction fund, debt redemption fund, trust and agency fund, or from any sinking fund for outstanding bonds issued for any purpose.

**Questioned Costs** – Not applicable.

**Context** – The District utilizes a pooled cash and investment account throughout the year. Through the use of this account, the District did, in fact, use the Debt Service Fund for cash flow at times during the year.

**Repeat Finding** – This is a current year finding.

**Cause** – This was due to insufficient fund balance to support operations and a lack of short-term borrowing during the year.

**Effect** – The District reported amounts due from other funds in the Debt Service Fund necessary to eliminate cash deficits in other funds as of year-end.

**Recommendation** – We recommend that the District review cash flow demands and the ability to borrow between funds for cash flow timing variances in accordance with Minnesota Statutes.

**View of Responsible Official and Planned Corrective Actions** – The District agrees with the finding. The District will review its procedures relating to cash flow borrowing to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 286

Uniform Financial Accounting and Reporting Standards  
Compliance Table  
June 30, 2025

		Audit	UFARS	Audit – UFARS
<b>General Fund</b>				
Total revenue		\$ 43,233,385	\$ 43,233,382	\$ 3
Total expenditures		\$ 46,407,124	\$ 46,407,124	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 54,093	\$ 54,093	\$ –
Restricted				
401	Student activities	\$ 1,601	\$ 1,601	\$ –
402	Scholarships	\$ 69,803	\$ 69,803	\$ –
403	Staff development	\$ –	\$ –	\$ –
407	Capital projects levy	\$ –	\$ –	\$ –
408	Cooperative revenue	\$ –	\$ –	\$ –
412	Literacy incentive aid	\$ –	\$ –	\$ –
414	Operating debt	\$ –	\$ –	\$ –
416	Levy reduction	\$ –	\$ –	\$ –
417	Taconite building maintenance	\$ –	\$ –	\$ –
420	American Indian education aid	\$ 44,293	\$ 44,293	\$ –
424	Operating capital	\$ –	\$ –	\$ –
426	\$25 taconite	\$ –	\$ –	\$ –
427	Disabled accessibility	\$ –	\$ –	\$ –
428	Learning and development	\$ –	\$ –	\$ –
434	Area learning center	\$ 127,724	\$ 127,724	\$ –
435	Contracted alternative programs	\$ –	\$ –	\$ –
436	State approved alternative program	\$ –	\$ –	\$ –
437	Quality compensation	\$ –	\$ –	\$ –
438	Gifted and talented	\$ –	\$ –	\$ –
439	English learner	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
441	Basic skills programs	\$ –	\$ –	\$ –
443	School library sid	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
449	Safe schools levy	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
453	Unfunded severance and retirement levy	\$ –	\$ –	\$ –
456	Literacy aid	\$ –	\$ –	\$ –
457	Teacher compensation for READ Act training	\$ 31,691	\$ 31,691	\$ –
459	Basic skills extended time	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
471	Student support personnel	\$ –	\$ –	\$ –
472	Medical Assistance	\$ 78,713	\$ 78,713	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
475	Title VII – impact aid	\$ –	\$ –	\$ –
476	PILT	\$ –	\$ –	\$ –
Committed				
418	Committed for separation	\$ –	\$ –	\$ –
461	Committed fund balance	\$ –	\$ –	\$ –
Assigned				
462	Assigned fund balance	\$ –	\$ –	\$ –
Unassigned				
422	Unassigned fund balance	\$ 406	\$ 406	\$ –
<b>Food Service</b>				
Total revenue		\$ 1,458,249	\$ 1,458,248	\$ 1
Total expenditures		\$ 1,614,538	\$ 1,614,538	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 22,491	\$ 22,491	\$ –
Restricted				
452	OPEB liability not in trust	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ (155,085)	\$ (155,085)	\$ –
<b>Community Service</b>				
Total revenue		\$ 1,788,195	\$ 1,788,195	\$ –
Total expenditures		\$ 1,976,704	\$ 1,976,704	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ 330	\$ 330	\$ –
Restricted				
426	\$25 taconite	\$ –	\$ –	\$ –
431	Community education	\$ (238,742)	\$ (238,742)	\$ –
432	ECFE	\$ (91,975)	\$ (91,975)	\$ –
437	Quality compensation	\$ –	\$ –	\$ –
440	Teacher development and evaluation	\$ –	\$ –	\$ –
444	School readiness	\$ –	\$ –	\$ –
447	Adult basic education	\$ –	\$ –	\$ –
452	OPEB liability not in trust	\$ –	\$ –	\$ –
456	Literacy aid	\$ –	\$ –	\$ –
457	Teacher compensation for READ Act training	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –

INDEPENDENT SCHOOL DISTRICT NO. 286

Uniform Financial Accounting and Reporting Standards  
Compliance Table (continued)  
June 30, 2025

		Audit	UFARS	Audit – UFARS
<b>Building Construction</b>				
Total revenue		\$ 19,354	\$ 19,354	\$ –
Total expenditures		\$ 138,808	\$ 138,808	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
407	Capital projects levy	\$ –	\$ –	\$ –
413	Projects funded by COP	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Debt Service</b>				
Total revenue		\$ 3,559,892	\$ 3,559,893	\$ (1)
Total expenditures		\$ 3,517,607	\$ 3,517,607	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
433	Maximum effort loan	\$ –	\$ –	\$ –
451	QZAB payments	\$ –	\$ –	\$ –
467	Long-term facilities maintenance	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ 796,523	\$ 796,523	\$ –
Unassigned				
463	Unassigned fund balance	\$ –	\$ –	\$ –
<b>Trust</b>				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
<b>Custodial Fund</b>				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
401	Student activities	\$ –	\$ –	\$ –
402	Scholarships	\$ –	\$ –	\$ –
448	Achievement and integration	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –
<b>Internal Service</b>				
Total revenue		\$ 3,470,393	\$ 3,470,393	\$ –
Total expenditures		\$ 3,714,329	\$ 3,714,329	\$ –
422	Net position	\$ 754,545	\$ 754,545	\$ –
<b>OPEB Revocable Trust Fund</b>				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
422	Net position	\$ –	\$ –	\$ –
<b>OPEB Irrevocable Trust Fund</b>				
Total revenue		\$ 62,646	\$ 62,646	\$ –
Total expenditures		\$ 250	\$ 250	\$ –
422	Net position	\$ 1,447,290	\$ 1,447,290	\$ –
<b>OPEB Debt Service Fund</b>				
Total revenue		\$ –	\$ –	\$ –
Total expenditures		\$ –	\$ –	\$ –
Nonspendable				
460	Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted				
425	Bond refundings	\$ –	\$ –	\$ –
464	Restricted fund balance	\$ –	\$ –	\$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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