

INDEPENDENT SCHOOL DISTRICT NO. 283
ST. LOUIS PARK, MINNESOTA

Financial Statements and
Supplementary Information

Year Ended
June 30, 2025



Certified Public Accountants Business Consultants

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INDEPENDENT SCHOOL DISTRICT NO. 283

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 283

School Board and Superintendent's Cabinet
As of June 30, 2025

SCHOOL BOARD

	<u>Position</u>
C. Colin Cox	Chairperson
Abdihakim Ibrahim	Vice Chairperson
Taylor Williams	Treasurer
Celia Anderson	Clerk
Anne Casey	Director
Sarah Davis	Director
Virginia Mancini	Director

SUPERINTENDENT'S CABINET

Dr. Carlondrea Hines	Superintendent
Patricia Magnuson	Director of Business Services
Dr. Constance Robinson	Director of Student Services
Jason Loewe	Director of Human Resources
Dr. Patrick Duffy	Director of Teaching and Learning
Patrice Howard	Director of Community Education
Ashley Sukhu	Director of Communications and Community Relations
Tom Marble, CETL	Director of Information Services
Freida Bailey	Principal on Special Assignment
Silvy Lafayette	Director of Assessment, Research, and Evaluation

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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. 283
St. Louis Park, 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 the Independent School District No. 283 (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 supplementary information, as listed in the table of contents, is presented for purpose of additional analysis and is 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 supplementary information 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 section, 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 26, 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 2, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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,

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

LB CARLSON, LLP
Minneapolis, Minnesota

December 2, 2025

INDEPENDENT SCHOOL DISTRICT NO. 283

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

As management of Independent School District No. 283 (the District), we have provided readers of the District's financial statements with this narrative overview and analysis of the District's financial activities during the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the other components of the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2025 by \$18,452,632. The District's total net position increased by \$8,478,206 during the fiscal year ended June 30, 2025, including the change in accounting principle.
- Government-wide revenues totaled \$122,330,636, and were \$10,618,997 more than expenses of \$111,711,639.
- The District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, during the year. Beginning net position was restated for the cumulative impact of implementing this new guidance, which lowered beginning net position by \$2,140,791. This change is further described in Note 1 of the notes to basic financial statements.
- The District's General Fund, its primary operating fund, ended the most recent fiscal year with a total fund balance of \$10,861,864, a decrease of \$805,830 from the prior year. The unrestricted portion of the year-end fund balance (assigned and unassigned) was \$7,173,677, which represents 8.3 percent of annual General Fund expenditures based on fiscal 2025 expenditure levels. The unassigned fund balance was 8.8 percent of General Fund noncategorical expenditures and is above the District's policy for year-end minimum amounts of unassigned fund balance of 6.0 percent.

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 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. Governmental funds (Food Service and Community Service Special Revenue Funds) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds is presented as supplementary information.

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. 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 its self-insured dental plan, self-insured medical plan, and its other post-employment benefits (OPEB) obligations financed by an OPEB Revocable Trust Fund. These services have been included within governmental activities in the government-wide financial statements. Proprietary fund financial statements 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. 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:

	<u>2025</u>	<u>2024</u>
Assets		
Current and other assets	\$ 141,292,791	\$ 170,006,429
Capital assets, net of depreciation/amortization	<u>255,482,844</u>	<u>216,712,752</u>
Total assets	<u>\$ 396,775,635</u>	<u>\$ 386,719,181</u>
Deferred outflows of resources		
Pension plan deferments	\$ 15,513,025	\$ 15,289,939
Single-employer pension plan deferments	924,389	386,527
OPEB plan deferments	<u>1,312,123</u>	<u>1,573,246</u>
Total deferred outflows of resources	<u>\$ 17,749,537</u>	<u>\$ 17,249,712</u>
Liabilities		
Current and other liabilities	\$ 26,541,488	\$ 20,627,607
Long-term liabilities, including due within one year	<u>305,644,355</u>	<u>314,858,081</u>
Total liabilities	<u>\$ 332,185,843</u>	<u>\$ 335,485,688</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 41,183,838	\$ 41,011,303
Pension plan deferments	20,569,453	14,919,060
Single-employer pension plan deferments	459,605	561,663
OPEB plan deferments	<u>1,673,801</u>	<u>2,016,753</u>
Total deferred inflows of resources	<u>\$ 63,886,697</u>	<u>\$ 58,508,779</u>
Net position		
Net investment in capital assets	\$ 55,897,375	\$ 49,130,428
Restricted	7,023,190	7,055,174
Unrestricted	<u>(44,467,933)</u>	<u>(46,211,176)</u>
Total net position	<u>\$ 18,452,632</u>	<u>\$ 9,974,426</u>

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 depreciation/amortization estimates and capitalization policies. Another major factor in determining net position is the inclusion of liabilities for long-term compensated absences, OPEB, and pension benefits, which impacts the unrestricted portion of net position.

Total net position increased by \$8,478,206 in 2025. 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, depreciated/amortized, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. 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, long-term liabilities, deferred inflows, and unrestricted net position. The change in accounting principle related to compensated absences also impacted unrestricted net position. The decrease in current and other assets and increase in capital assets, net of depreciation/amortization and current and other liabilities is due to the District spending down prior year and current year debt proceeds on various improvement projects at district sites.

Table 2 presents a condensed version of the change in net position of the District:

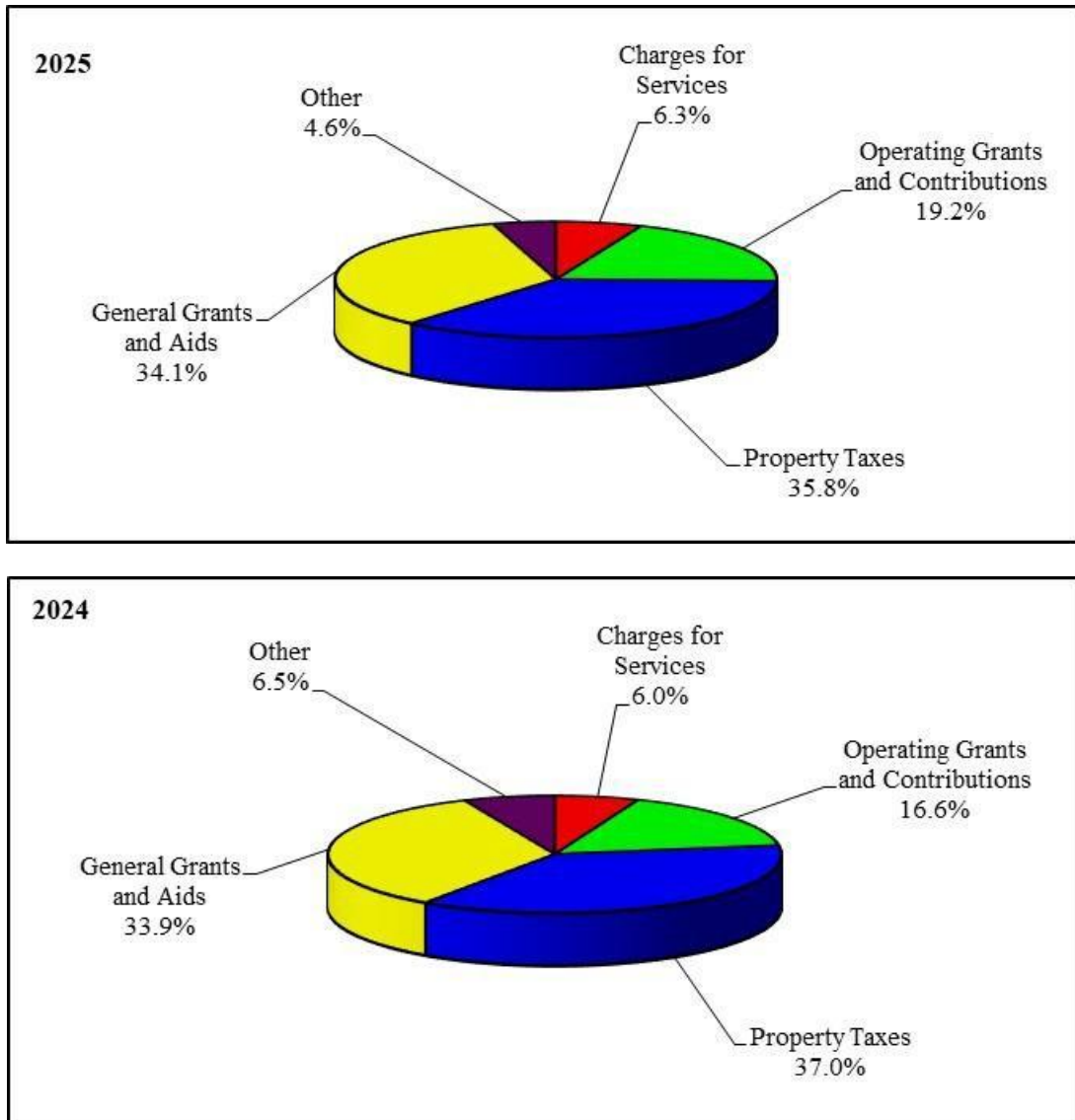
	<u>2025</u>	<u>2024</u>
Revenues		
Program revenues		
Charges for services	\$ 7,719,927	\$ 6,967,052
Operating grants and contributions	23,450,005	19,288,517
General revenues		
Property taxes	43,840,738	42,972,578
General grants and aids	41,709,926	39,291,868
Other	<u>5,610,040</u>	<u>7,551,586</u>
Total revenues	122,330,636	116,071,601
Expenses		
Administration	3,327,144	2,795,917
District support services	5,853,552	5,317,453
Elementary and secondary regular instruction	35,164,797	30,479,250
Vocational education instruction	566,157	919,594
Special education instruction	16,315,051	13,013,577
Instructional support services	5,880,530	4,400,139
Pupil support services	10,032,925	9,424,126
Sites and buildings	7,306,729	11,471,349
Fiscal and other fixed cost programs	674,393	634,919
Food service	2,961,683	2,860,513
Community service	8,308,061	7,780,033
Unallocated depreciation/amortization	5,565,968	5,676,392
Interest and fiscal charges	<u>9,754,649</u>	<u>11,781,597</u>
Total expenses	<u>111,711,639</u>	<u>106,554,859</u>
Change in net position	10,618,997	9,516,742
Net position – beginning, as previously reported	9,974,426	457,684
Change in accounting principle	<u>(2,140,791)</u>	<u>–</u>
Net position – beginning, as restated	<u>7,833,635</u>	<u>457,684</u>
Net position – ending	<u>\$ 18,452,632</u>	<u>\$ 9,974,426</u>

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

Total revenues for fiscal year 2025 were \$6,259,035 higher than last year. The District recognized more special education funding contributing to the increase in operating grants and contributions. General grants and aids were up largely in general education funding with the increase in the formula allowance. Other revenues were down largely in investment earnings with a lower cash and temporary investments balance as the District continues to spend down debt proceeds issued in a prior year. Total expenses increased \$5,156,780, compared to fiscal year 2024 levels. Contractual increases to salaries, inflationary increases in benefits and other expenses, and changes in the pension expense for the District's proportionate share of the PERA and the TRA state-wide pension plans contributed to this increase. Sites and buildings decreased with more capitalized projects in the current year. Interest and fiscal charges decreased as anticipated in approved debt financing plans.

Figure A shows further analysis of these revenue sources:

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

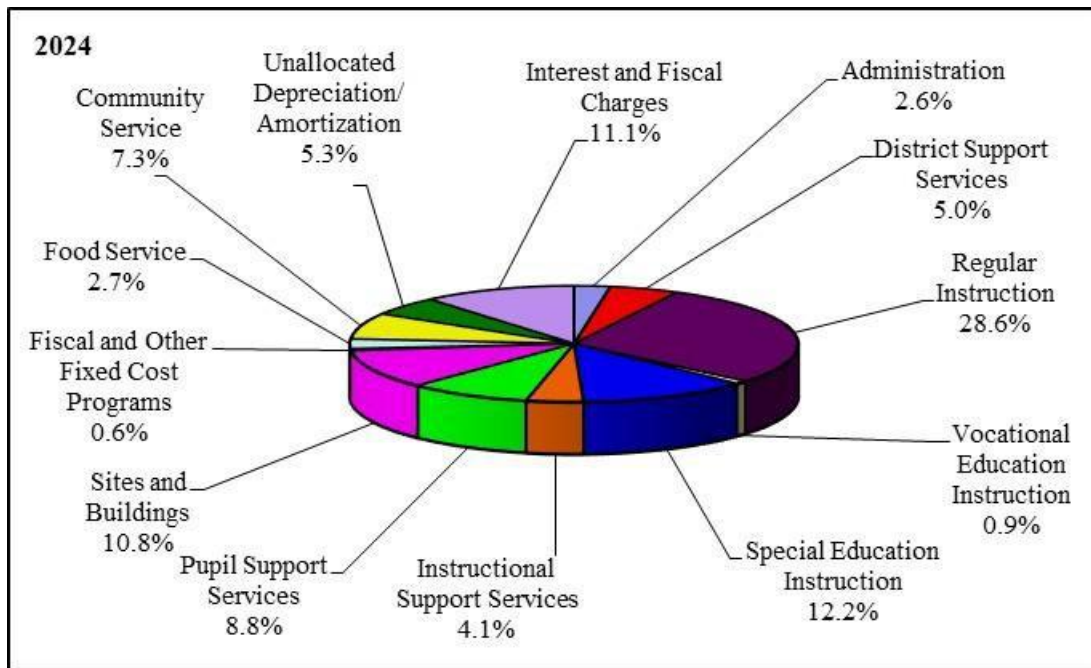
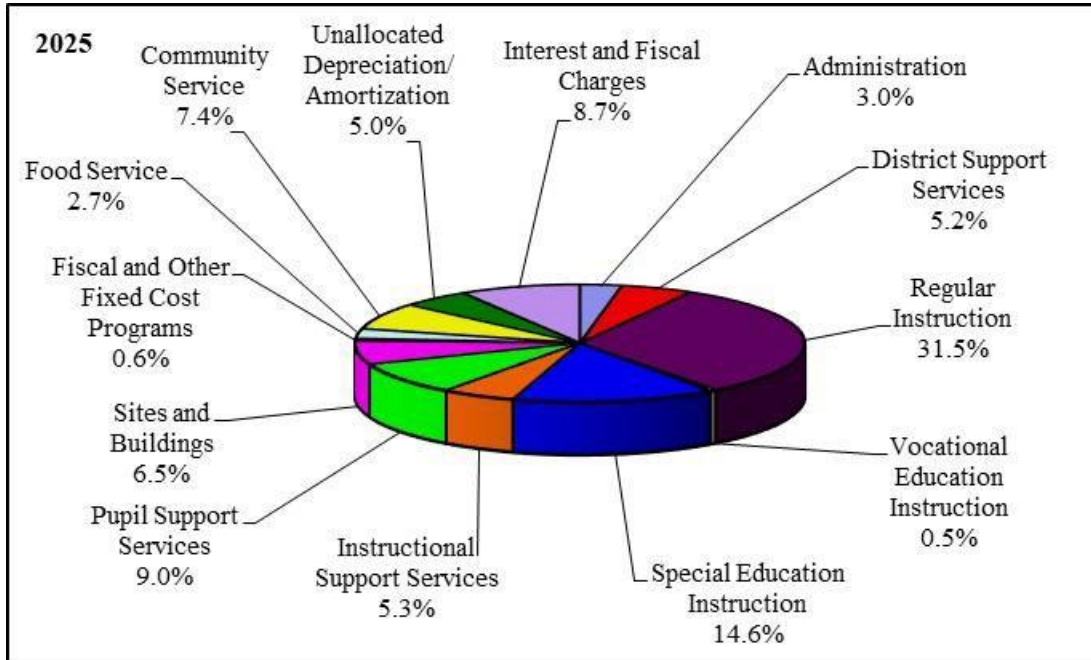


The largest share of the District’s revenue is received from the state, including the general education aid formula and most of the operating grants.

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 the 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	\$ 10,861,864	\$ 11,667,694	\$ (805,830)
Capital Projects – Building Construction	53,763,008	89,211,516	(35,448,508)
Debt Service	3,782,887	3,451,037	331,850
Nonmajor funds			
Food Service Special Revenue	1,183,502	854,608	328,894
Community Service Special Revenue	<u>2,133,259</u>	<u>1,274,656</u>	<u>858,603</u>
Total governmental funds	<u>\$ 71,724,520</u>	<u>\$ 106,459,511</u>	<u>\$ (34,734,991)</u>

In 2025, the General Fund balance decreased \$805,830 from the prior year. This compares to a final budget that anticipated a decline in fund balance of \$1,284,600.

The Capital Projects – Building Construction Fund decreased \$35,448,508 from the prior year, due to the spending of debt issued in the prior and current year.

The Debt Service Fund increased \$331,850, consistent with property tax levies and debt service payment schedules in this fund.

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing the fund balance by \$328,894, compared to a planned fund balance increase of \$64,000.

The Community Service Special Revenue Fund experienced a net change in fund balance increase of \$858,603, which was \$798,713 higher than budgeted amounts.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenues	<u>\$ 79,995,000</u>	<u>\$ 83,022,700</u>	<u>\$ 3,027,700</u>	<u>3.8%</u>
Expenditures	<u>\$ 81,816,650</u>	<u>\$ 84,307,300</u>	<u>\$ 2,490,650</u>	<u>3.0%</u>

The District was required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. It is the District's practice to amend the General Fund budget during the year for known significant changes in circumstances, such as: updated enrollment estimates, legislation changes, new or additional funding received from grants or other local sources, staffing changes, employee contract settlements, adjustments to health insurance premiums, special education tuition changes, or new debt issued.

Table 5 summarizes the operating results of the General Fund:

	<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	\$ 85,388,651	\$ 2,365,951	2.8%	\$ 5,955,179	7.5%
Expenditures	86,194,481	\$ 1,887,181	2.2%	\$ 6,361,984	8.0%
Other financing sources	—	\$ —	—	\$ (8,330)	(100.0%)
Net change in fund balances	<u>\$ (805,830)</u>				

General Fund revenues exceeded budgeted amounts by \$2,365,951. State sources were over budget by \$1,262,990, mainly in special education aid, general education aid, and new legislative entitlements. Other local sources (such as donations, activity fees, and local grants) exceeded budgeted amounts by \$682,048, due to conservative budgeting for these inconsistent revenue sources.

Expenditures were over budget by \$1,887,181. This was mainly in purchased services, which were \$1,613,316 over budget, mainly in elementary and secondary regular instruction, special education instruction, pupil support services, and sites and buildings. This was mainly due to substitute teacher costs and tuition billing being more than anticipated. The timing of projects also contributed to this budget variance.

The increase in 2025 actual revenues was mainly due to state revenue increasing \$5,178,595 as a result of legislative improvements for general education and special education entitlements and new categorical grant funding. Property taxes also increased \$662,454, due to the increase in the approved levy.

Expenditure increases were mainly in salaries and employee benefits, which increased \$5,737,438, due to contractual increases.

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 three internal service funds. These funds are used to account for the District's self-insured dental insurance, medical insurance, and OPEB Revocable Trust functions.

- **Dental Self-Insurance**

Operating revenues for fiscal 2025 totaled \$645,414, while expenses totaled \$728,493. The net position as of June 30, 2025 was \$365,447, which represents 50.2 percent of annual operating expenses of this fund.

- **Medical Self-Insurance**

Operating revenues for fiscal 2025 totaled \$10,197,581, while expenses totaled \$10,521,115. The net position as of June 30, 2025 was \$3,303,836, which represents 31.4 percent of annual operating expenses of this fund.

- **Other Post-Employment Benefits**

Operating revenues for fiscal 2025 totaled \$211,878, while expenses totaled \$203,823. The net position as of June 30, 2025 was a deficit \$2,852,644.

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/amortization expense for fiscal years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Land	\$ 7,812,500	\$ 7,812,500	\$ –
Construction in progress	86,988,666	51,773,369	35,215,297
Land improvements	274,634	264,344	10,290
Buildings and improvements	188,550,777	182,852,419	5,698,358
Furniture and equipment	67,933,856	63,685,351	4,248,505
Technology subscriptions	544,941	544,941	–
Buildings and improvements – lease	1,290,949	1,290,949	–
Furniture and equipment – lease	256,091	359,301	(103,210)
Less accumulated depreciation/amortization	<u>(98,169,570)</u>	<u>(91,870,422)</u>	<u>(6,299,148)</u>
Total	<u><u>\$ 255,482,844</u></u>	<u><u>\$ 216,712,752</u></u>	<u><u>\$ 38,770,092</u></u>
Depreciation/amortization expense	<u><u>\$ 6,446,524</u></u>	<u><u>\$ 6,506,180</u></u>	<u><u>\$ (59,656)</u></u>

By the end of fiscal year 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 of projects at district sites during fiscal year 2025, including the activity of the Capital Projects – Building Construction 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 shows the components of the District's long-term liabilities and the change from the prior year:

	<u>2025</u>	<u>2024</u>	<u>Change</u>
General obligation bonds	\$ 232,490,000	\$ 240,940,000	\$ (8,450,000)
Certificates of participation	5,840,000	–	5,840,000
Unamortized premiums	12,009,542	12,527,335	(517,793)
Financed purchases	266,907	337,996	(71,089)
Lease liabilities	691,329	925,376	(234,047)
Subscription liabilities	182,923	269,050	(86,127)
Arbitrage liability	1,867,776	1,794,083	73,693
Net pension liability	38,384,874	46,423,504	(8,038,630)
Single-employer total pension liability	3,334,785	3,366,575	(31,790)
Total OPEB liability	4,234,108	4,384,221	(150,113)
Compensated absences	<u>6,342,111</u>	<u>3,889,941</u>	<u>2,452,170</u>
Total	<u>\$ 305,644,355</u>	<u>\$ 314,858,081</u>	<u>\$ (9,213,726)</u>

The changes in general obligation bonds, certificates of participation, unamortized premiums, financed purchases, lease liabilities, and subscription liabilities are due to the scheduled principal payments and amortization, offset by the sale of certificates of participation in the current year.

The change in net pension liability is related to changes in the District's proportionate share of the state-wide pension plans.

The implementation of new GASB guidance for compensated absences, as previously discussed, increased compensated absences 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	\$ 9,379,785,850
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 1,406,967,878</u>

Additional details of the District's long-term liabilities 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 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. 283, 6300 Walker Street, St. Louis Park, Minnesota 55416.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	Governmental Activities	
	2025	2024
Assets		
Cash and temporary investments	\$ 106,552,389	\$ 133,872,979
Receivables		
Current taxes	22,816,528	22,416,677
Delinquent taxes	454,605	510,446
Accounts and interest	1,634,624	3,769,486
Due from fiduciary fund	-	176,688
Due from other governmental units	7,491,439	6,489,526
Inventory	21,371	34,326
Prepaid items	157,700	660,942
Restricted assets – temporarily restricted		
Cash and investments for OPEB	2,129,221	2,053,814
Interest receivable for OPEB	34,914	21,545
Capital assets		
Not depreciated	94,801,166	59,585,869
Depreciated, net of accumulated depreciation/amortization	160,681,678	157,126,883
Total capital assets, net of accumulated depreciation/amortization	<u>255,482,844</u>	<u>216,712,752</u>
Total assets	396,775,635	386,719,181
Deferred outflows of resources		
Pension plan deferments	15,513,025	15,289,939
Single-employer pension plan deferments	924,389	386,527
OPEB plan deferments	1,312,123	1,573,246
Total deferred outflows of resources	<u>17,749,537</u>	<u>17,249,712</u>
Total assets and deferred outflows of resources	<u>\$ 414,525,172</u>	<u>\$ 403,968,893</u>
Liabilities		
Salaries payable	\$ 5,923,762	\$ 5,686,896
Accounts and contracts payable	12,661,698	8,381,019
Accrued interest payable	4,295,150	4,294,604
Due to other governmental units	297,845	451,972
Severance payable	741,613	401,909
Unearned revenue	1,622,091	929,427
Claims incurred, but not reported	999,329	481,780
Long-term liabilities		
Due within one year	11,315,767	10,597,620
Due in more than one year	294,328,588	304,260,461
Total long-term liabilities	<u>305,644,355</u>	<u>314,858,081</u>
Total liabilities	332,185,843	335,485,688
Deferred inflows of resources		
Property taxes levied for subsequent year	41,183,838	41,011,303
Pension plan deferments	20,569,453	14,919,060
Single-employer pension plan deferments	459,605	561,663
OPEB plan deferments	1,673,801	2,016,753
Total deferred inflows of resources	<u>63,886,697</u>	<u>58,508,779</u>
Net position		
Net investment in capital assets	55,897,375	49,130,428
Restricted for		
Capital asset acquisition	3,518,077	4,803,411
Food service	1,183,502	854,608
Community service	2,151,501	1,286,718
Other purposes (state funding restrictions)	170,110	110,437
Unrestricted	(44,467,933)	(46,211,176)
Total net position	<u>18,452,632</u>	<u>9,974,426</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 414,525,172</u>	<u>\$ 403,968,893</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

Functions/Programs	2025			Net (Expense)	2024
	Expenses	Program Revenues		Revenue and	Net (Expense)
		Charges for	Operating	Changes in	Revenue and
		Services	Grants and	Net Position	Changes in
			Contributions	Governmental	Net Position
				Activities	Governmental
				Activities	Activities
Governmental activities					
Administration	\$ 3,327,144	\$ -	\$ -	\$ (3,327,144)	\$ (2,795,917)
District support services	5,853,552	145,767	157,294	(5,550,491)	(4,999,326)
Elementary and secondary regular instruction	35,164,797	504,696	1,742,525	(32,917,576)	(28,475,607)
Vocational education instruction	566,157	-	-	(566,157)	(919,594)
Special education instruction	16,315,051	117,470	15,989,441	(208,140)	(523,624)
Instructional support services	5,880,530	-	330,372	(5,550,158)	(4,061,494)
Pupil support services	10,032,925	66,646	621,210	(9,345,069)	(8,643,994)
Sites and buildings	7,306,729	-	-	(7,306,729)	(11,471,349)
Fiscal and other fixed cost programs	674,393	-	-	(674,393)	(634,919)
Food service	2,961,683	181,527	3,078,116	297,960	(99,283)
Community service	8,308,061	6,703,821	1,531,047	(73,193)	(216,194)
Unallocated depreciation/amortization	5,565,968	-	-	(5,565,968)	(5,676,392)
Interest and fiscal charges	<u>9,754,649</u>	-	-	<u>(9,754,649)</u>	<u>(11,781,597)</u>
Total governmental activities	<u>\$ 111,711,639</u>	<u>\$ 7,719,927</u>	<u>\$ 23,450,005</u>	(80,541,707)	(80,299,290)
General revenue					
Taxes					
Property taxes, levied for general purposes				23,849,779	22,989,057
Property taxes, levied for community service				1,024,483	1,043,282
Property taxes, levied for debt service				18,966,476	18,940,239
General grants and aids				41,709,926	39,291,868
Other general revenues				570,861	484,566
Investment earnings				<u>5,039,179</u>	<u>7,067,020</u>
Total general revenues				<u>91,160,704</u>	<u>89,816,032</u>
Change in net position				10,618,997	9,516,742
Net position – beginning, as previously reported				9,974,426	457,684
Change in accounting principle				<u>(2,140,791)</u>	-
Net position – beginning, as restated				<u>7,833,635</u>	<u>457,684</u>
Net position – ending				<u>\$ 18,452,632</u>	<u>\$ 9,974,426</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
Assets			
Cash and temporary investments	\$ 20,833,891	\$ 64,985,505	\$ 13,162,496
Receivables			
Current taxes	12,219,667	–	9,966,320
Delinquent taxes	260,938	–	181,761
Accounts and interest	212,709	616,931	–
Due from other governmental units	6,939,839	–	–
Due from other funds	420,993	–	–
Inventory	–	–	–
Prepaid items	–	–	–
Total assets	<u>\$ 40,888,037</u>	<u>\$ 65,602,436</u>	<u>\$ 23,310,577</u>
Liabilities			
Salaries payable	\$ 5,638,394	\$ 21	\$ –
Accounts and contracts payable	664,468	11,839,407	–
Due to other governmental units	288,190	–	–
Severance payable	709,109	–	–
Unearned revenue	1,578,844	–	–
Total liabilities	<u>8,879,006</u>	<u>11,839,428</u>	<u>–</u>
Deferred inflows of resources			
Property taxes levied for subsequent year	20,740,893	–	19,226,536
Unavailable revenue – delinquent taxes	406,274	–	301,154
Total deferred inflows of resources	<u>21,147,167</u>	<u>–</u>	<u>19,527,690</u>
Fund balances			
Nonspendable	–	–	–
Restricted	3,688,187	53,763,008	3,782,887
Assigned	1,076,578	–	–
Unassigned	6,097,094	–	–
Total fund balances	<u>10,861,862</u>	<u>53,763,008</u>	<u>3,782,887</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 40,888,037</u>	<u>\$ 65,602,436</u>	<u>\$ 23,310,577</u>

<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
	<u>2025</u>	<u>2024</u>
\$ 3,750,389	\$ 102,732,281	\$ 129,569,271
630,541	22,816,528	22,416,677
11,906	454,605	510,446
102,281	931,921	3,632,446
551,600	7,491,439	6,489,526
–	420,993	374,044
21,371	21,371	34,326
<u>–</u>	<u>–</u>	<u>503,242</u>
<u>\$ 5,068,088</u>	<u>\$ 134,869,138</u>	<u>\$ 163,529,978</u>
\$ 285,347	\$ 5,923,762	\$ 5,686,896
145,924	12,649,799	8,163,972
9,655	297,845	448,303
32,504	741,613	401,909
<u>43,240</u>	<u>1,622,090</u>	<u>929,420</u>
516,676	21,235,110	15,630,507
1,216,409	41,183,838	41,011,303
<u>18,242</u>	<u>725,670</u>	<u>428,657</u>
1,234,651	41,909,508	41,439,960
21,371	21,371	537,568
3,295,390	64,529,472	99,670,259
–	1,076,578	966,638
<u>–</u>	<u>6,097,090</u>	<u>5,285,040</u>
<u>3,316,761</u>	<u>71,724,520</u>	<u>106,459,510</u>
<u>\$ 5,068,088</u>	<u>\$ 134,869,138</u>	<u>\$ 163,529,978</u>

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INDEPENDENT SCHOOL DISTRICT NO. 283

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	\$ 71,724,520	\$ 106,459,511
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	353,652,414	308,583,174
Accumulated depreciation/amortization	(98,169,570)	(91,870,422)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums are excluded from net position until amortized, but are included in fund balances upon issuance.		
General obligation bonds	(232,490,000)	(240,940,000)
Certificates of participation	(5,840,000)	–
Unamortized premiums	(12,009,542)	(12,527,335)
Financed purchases	(266,907)	(337,996)
Lease liabilities	(691,329)	(925,376)
Subscription liabilities	(182,923)	(269,050)
Arbitrage liability	(1,867,776)	(1,794,083)
Net pension liability	(38,384,874)	(46,423,504)
Single-employer total pension liability	(3,334,785)	(3,366,575)
Compensated absences	(6,342,111)	(3,889,941)
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	15,513,025	15,289,939
Deferred outflows of resources – single-employer pension plan deferments	924,389	386,527
Deferred inflows of resources – pension plan deferments	(20,569,453)	(14,919,060)
Deferred inflows of resources – single-employer pension plan deferments	(459,605)	(561,663)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in the governmental activities in the Statement of Net Position.		
	816,639	946,227
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.		
	(4,295,150)	(4,294,604)
Certain revenues (including delinquent property taxes) are included in net position, but are excluded from fund balances until they are available to liquidate liabilities of the current period.		
	<u>725,670</u>	<u>428,657</u>
Total net position – governmental activities	<u>\$ 18,452,632</u>	<u>\$ 9,974,426</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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)

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
Revenue			
Local sources			
Property taxes	\$ 23,693,533	\$ –	\$ 18,831,889
Investment earnings	892,258	3,480,244	263,330
Other	1,333,848	71,592	–
State sources	57,141,190	–	–
Federal sources	<u>2,327,822</u>	<u>–</u>	<u>–</u>
Total revenue	85,388,651	3,551,836	19,095,219
Expenditures			
Current			
Administration	3,522,248	–	–
District support services	6,357,760	–	–
Elementary and secondary regular instruction	35,543,547	–	–
Vocational education instruction	580,653	–	–
Special education instruction	16,646,462	–	–
Instructional support services	5,835,606	–	–
Pupil support services	10,081,231	–	–
Sites and buildings	6,511,661	–	–
Fiscal and other fixed cost programs	674,393	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	45,005,167	–
Debt service			
Principal	391,263	–	8,450,000
Interest and fiscal charges	<u>49,657</u>	<u>171,413</u>	<u>10,313,369</u>
Total expenditures	<u>86,194,481</u>	<u>45,176,580</u>	<u>18,763,369</u>
Excess (deficiency) of revenue over expenditures	(805,830)	(41,624,744)	331,850
Other financing sources			
Debt issued	–	5,840,000	–
Premium on debt issued	–	336,236	–
Insurance recovery	–	–	–
Sale of assets	<u>–</u>	<u>–</u>	<u>–</u>
Total other financing sources	<u>–</u>	<u>6,176,236</u>	<u>–</u>
Net change in fund balances	(805,830)	(35,448,508)	331,850
Fund balances			
Beginning of year	<u>11,667,694</u>	<u>89,211,516</u>	<u>3,451,037</u>
End of year	<u>\$ 10,861,864</u>	<u>\$ 53,763,008</u>	<u>\$ 3,782,887</u>

<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>	
	<u>2025</u>	<u>2024</u>
\$ 1,018,303	\$ 43,543,725	\$ 43,011,208
134,377	4,770,209	6,823,849
6,885,348	8,290,788	7,443,288
3,050,350	60,191,540	54,597,960
<u>1,558,812</u>	<u>3,886,632</u>	<u>3,815,821</u>
12,647,191	120,682,897	115,692,126
—	3,522,248	3,109,882
—	6,357,760	5,594,377
—	35,543,547	34,629,677
—	580,653	997,241
—	16,646,462	14,555,957
—	5,835,606	4,681,846
—	10,081,231	9,824,143
—	6,511,661	5,349,491
—	674,393	634,919
2,998,083	2,998,083	2,833,811
8,437,977	8,437,977	7,969,674
23,634	45,028,801	49,999,057
—	8,841,263	6,711,680
—	<u>10,534,439</u>	<u>12,212,393</u>
<u>11,459,692</u>	<u>161,594,124</u>	<u>159,104,148</u>
1,187,497	(40,911,227)	(43,412,022)
—	5,840,000	—
—	336,236	—
—	—	7,625
—	—	<u>705</u>
—	<u>6,176,236</u>	<u>8,330</u>
1,187,497	(34,734,991)	(43,403,692)
<u>2,129,264</u>	<u>106,459,511</u>	<u>149,863,203</u>
<u>\$ 3,316,761</u>	<u>\$ 71,724,520</u>	<u>\$ 106,459,511</u>

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INDEPENDENT SCHOOL DISTRICT NO. 283

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 as of June 30, 2024)

	<u>2025</u>	<u>2024</u>
Total net change in fund balances – governmental funds	\$(34,734,991)	\$(43,403,692)
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 and amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase. A gain or loss on disposal of capital assets is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
Capital outlays	45,252,450	45,717,059
Depreciation/amortization expense	(6,446,524)	(6,506,180)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	(35,834)	(1,031,267)
The amount of debt issued including the related premiums/discounts are 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.		
Certificates of participation	(5,840,000)	–
Unamortized premiums	(336,236)	–
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.		
	(129,588)	794,689
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances. Debt issuance premiums 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.		
General obligation bonds	8,450,000	6,320,000
Unamortized premiums	854,029	839,489
Financed purchases	71,089	68,902
Lease liabilities	234,047	253,675
Subscription liabilities	86,127	69,103
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.		
Arbitrage liability	(73,693)	(1,794,083)
Net pension liability	8,038,630	16,560,517
Single-employer total pension liability	31,790	(22,184)
Compensated absences	(311,379)	290,366
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.		
	(546)	1,385,390
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	223,086	(5,334,678)
Deferred outflows of resources – single-employer pension plan deferments	537,862	(152,618)
Deferred inflows of resources – pension plan deferments	(5,650,393)	(4,502,747)
Deferred inflows of resources – single-employer pension plan deferments	102,058	3,631
Deferred inflows of resources – unavailable revenue – delinquent taxes	<u>297,013</u>	<u>(38,630)</u>
Change in net position – governmental activities	<u>\$ 10,618,997</u>	<u>\$ 9,516,742</u>

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INDEPENDENT SCHOOL DISTRICT NO. 283

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Local sources				
Property taxes	\$ 23,502,000	\$ 23,527,000	\$ 23,693,533	\$ 166,533
Investment earnings	263,500	700,000	892,258	192,258
Other	476,500	651,800	1,333,848	682,048
State sources	53,456,000	55,878,200	57,141,190	1,262,990
Federal sources	<u>2,297,000</u>	<u>2,265,700</u>	<u>2,327,821</u>	<u>62,122</u>
Total revenue	79,995,000	83,022,700	85,388,651	2,365,951
Expenditures				
Current				
Administration	3,506,450	3,497,225	3,522,248	25,023
District support services	6,688,000	5,544,413	6,357,760	813,347
Elementary and secondary regular instruction	35,090,900	35,208,883	35,543,547	334,664
Vocational education instruction	649,300	539,600	580,653	41,053
Special education instruction	14,819,500	16,188,701	16,646,462	457,761
Instructional support services	5,102,700	5,876,275	5,835,606	(40,669)
Pupil support services	8,771,800	9,832,595	10,081,231	248,636
Sites and buildings	5,881,100	6,561,508	6,511,661	(49,847)
Fiscal and other fixed cost programs	961,900	675,000	674,393	(607)
Debt service				
Principal	330,000	284,000	391,263	107,263
Interest and fiscal charges	<u>15,000</u>	<u>99,100</u>	<u>49,657</u>	<u>(49,443)</u>
Total expenditures	<u>81,816,650</u>	<u>84,307,300</u>	<u>86,194,481</u>	<u>1,887,181</u>
Net change in fund balances	<u>\$ (1,821,650)</u>	<u>\$ (1,284,600)</u>	(805,830)	<u>\$ 478,770</u>
Fund balances				
Beginning of year			<u>11,667,694</u>	
End of year			<u>\$ 10,861,864</u>	

INDEPENDENT SCHOOL DISTRICT NO. 283

Statement of Net Position
 Proprietary Funds
 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	\$ 3,820,108	\$ 4,303,708
Cash and investments – held by trustee	2,129,221	2,053,814
Accounts and interest receivable	737,617	158,585
Prepaid items	<u>157,700</u>	<u>157,700</u>
Total current assets	6,844,646	6,673,807
Deferred outflows of resources		
OPEB plan deferments	1,312,123	1,573,246
Liabilities		
Current liabilities		
Claims payable	11,899	217,047
Claims incurred, but not reported	999,329	481,780
Due to other governmental units	–	3,669
Due to other funds	420,993	197,356
Total OPEB liability – due within one year	<u>400,241</u>	<u>468,438</u>
Total current liabilities	1,832,463	1,368,290
Long-term liabilities		
Total OPEB liability – due in more than one year	<u>3,833,866</u>	<u>3,915,783</u>
Total liabilities	5,666,329	5,284,073
Deferred inflows of resources		
OPEB plan deferments	<u>1,673,801</u>	<u>2,016,753</u>
Net position		
Unrestricted	<u>\$ 816,639</u>	<u>\$ 946,227</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

Statement of Revenue, Expenses, and Changes in Net Position
 Proprietary Funds
 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		
Contributions from governmental funds	\$ 11,054,873	\$ 10,325,714
Operating expenses		
Dental benefit claims	728,493	622,541
Medical benefit claims	10,521,115	8,950,513
OPEB	<u>203,823</u>	<u>201,142</u>
Total operating expenses	<u>11,453,431</u>	<u>9,774,196</u>
Operating income (loss)	(398,558)	551,518
Nonoperating revenue		
Investment earnings	<u>268,970</u>	<u>243,171</u>
Change in net position	(129,588)	794,689
Net position		
Beginning of year	<u>946,227</u>	<u>151,538</u>
End of year	<u>\$ 816,639</u>	<u>\$ 946,227</u>

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INDEPENDENT SCHOOL DISTRICT NO. 283

Statement of Cash Flows
 Proprietary Funds
 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	\$ 11,054,873	\$ 10,325,714
Payments for dental claims	(742,951)	(621,688)
Payments for medical claims	(10,763,588)	(9,467,939)
Payments for OPEB	<u>(435,765)</u>	<u>(503,083)</u>
Net cash flows from operating activities	(887,431)	(266,996)
Cash flows from noncapital financing activities		
Payments from (to) other funds	<u>223,637</u>	<u>(9,427)</u>
Cash flows from investing activities		
Investment income received	<u>255,601</u>	<u>243,752</u>
Net change in cash and cash equivalents	(408,193)	(32,671)
Cash and cash equivalents		
Beginning of year	<u>6,357,522</u>	<u>6,390,193</u>
End of year	<u>\$ 5,949,329</u>	<u>\$ 6,357,522</u>
Presented on Statement of Net Position as follows:		
Cash and temporary investments	\$ 3,820,108	\$ 4,303,708
Cash and investments – held by trustee	<u>2,129,221</u>	<u>2,053,814</u>
Total cash and cash equivalents	<u>\$ 5,949,329</u>	<u>\$ 6,357,522</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (398,558)	\$ 551,518
Adjustments to reconcile operating income (loss) to cash provided by operating activities		
Changes in assets, deferred inflows of resources, liabilities, and deferred outflows of resources		
Accounts and interest receivable	(565,663)	(137,040)
Deferred outflows of resources	261,123	(13,982)
Total OPEB liability	(150,113)	(1,128,377)
Claims payable	(205,148)	(94,383)
Deferred inflows of resources	(342,952)	840,418
Claims incurred, but not reported	517,549	(284,657)
Due to other governmental units	<u>(3,669)</u>	<u>(493)</u>
Net cash flows from operating activities	<u>\$ (887,431)</u>	<u>\$ (266,996)</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	<u>Scholarship and Other Custodial Funds</u>
Assets	
Cash and temporary investments	\$ 63,471
Accounts and interest receivable	<u>63,804</u>
Total assets	127,275
Liabilities	
Salaries payable	415
Accounts and contracts payable	<u>2,105</u>
Total liabilities	<u>2,520</u>
Net position	
Restricted for scholarships and other custodial purposes	<u>\$ 124,755</u>

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

	<u>Scholarship and Other Custodial Funds</u>
Additions	
Contributions	
Private donations	\$ 10,000
Deductions	
Scholarships and other deductions	<u>6,939</u>
Change in net position	3,061
Net position	
Beginning of year	<u>121,694</u>
End of year	<u>\$ 124,755</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

Notes to Basic Financial Statements
June 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 283 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a seven-member School Board elected by the 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation/amortization expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation/amortization expense is reported as “unallocated depreciation/amortization.” Interest on long-term 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 Minnesota Statutes (which include state aid funding formulas for specific years) and accounting principles generally accepted in the United States of America. Debt proceeds 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 liabilities, 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.

Internal service funds are presented in the proprietary fund financial statements. Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. Because the principal users of the internal services are the District’s governmental activities, the internal service funds are consolidated into the governmental 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 services. Operating expenses for the internal service funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 used to account for all financial resources 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 or construction of major capital facilities authorized by bond issue or the long-term facilities maintenance program.

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 primarily used to account for 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 – The District has established internal service funds to account for dental and medical benefits provided to employees as self-insured plans and OPEB Revocable Trust Fund activities.

Fiduciary Fund

Scholarship and Other Custodial Funds – The Scholarship and Other Custodial Funds is used to account for resources held in trust to be used by various other third parties to award scholarships to former students of the District and account for grants and donations made for specific purposes to these third parties.

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds, except the Capital Projects – Building Construction Fund, on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures exceeded budgeted amounts in the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund by \$1,887,181, \$35,456, and \$277,328, respectively. Revenues and other financing sources in excess of budget and available fund balance covered these variances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Bond 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 established for specific purposes. In the Other Post-Employment Benefits Internal Service Fund, these assets represent amounts contributed to a revocable trust established to finance the District's liability for post-employment insurance benefits. Earnings from all trust fund investments are allocated directly to the respective funds.

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

Investments are generally stated at fair value, except for investments in 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.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed 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 in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Minnesota 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 \$2,832,690 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 are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Lease capital assets are recorded based on the measurement of payments applicable to the lease term. Technology subscriptions are recorded based on the measurement of any subscription liability plus the payments due to a SBITA vendor at the commencement of the subscription term, including any applicable initial implementation costs as defined in the standard. Generally, 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.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated/amortized using the straight-line method over their estimated useful lives. Since 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/amortization purposes. Useful lives vary from 20 to 40 years for land improvements, buildings, and building improvements and 5 to 15 years for furniture and equipment. Lease assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described if future ownership is anticipated. Technology subscriptions are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying information technology (IT) assets. Land and construction in progress are not depreciated/amortized.

The District does not possess any 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Bond and certificates of participation (COP) premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

In the fund financial statements, governmental fund types recognize bond and COP premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively. Arbitrage liabilities are reported as expenditures when paid.

M. Subscription-Based Information Technology Arrangements (SBITAs)

A SBITA is a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The District has entered into certain technology subscriptions for education solutions and other purposes. Capital assets associated with SBITAs are presented separately from other capital assets in Note 3 and are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. When applicable, a subscription liability is reported in Note 4 to include the terms and related disclosures associated with any subscription liability.

N. 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 and sick leave at varying rates. Some employee bargaining groups are eligible to be compensated for unused sick leave upon termination subject to certain conditions. Compensated absences are accrued when incurred 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.

O. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Risk Management

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 reductions in the District’s insurance coverage in the current year.

2. **Self-Insurance** – The District has established internal service funds to account for and finance its uninsured risk of loss for its employee medical and dental insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various medical and dental costs as described in the plan. The District makes premium payments to the internal service funds on behalf of program participants based on provisional rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss insurance premium costs and administrative service charges.

Liabilities include an amount for claims that have been incurred, but not reported. District claims incurred, but not reported liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. 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. Claims incurred, but not reported 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 for dental insurance claims incurred, but not reported for the last two years were:

Fiscal Year Ended June 30,	Balance Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance End of Year
2024	\$ 12,413	\$ 622,541	\$ 628,312	\$ 6,642
2025	\$ 6,642	\$ 728,493	\$ 718,115	\$ 17,020

Changes in the balance for medical insurance claims incurred, but not reported for the last two years were:

Fiscal Year Ended June 30,	Balance Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance End of Year
2024	\$ 754,024	\$ 8,950,513	\$ 9,229,399	\$ 475,138
2025	\$ 475,138	\$ 10,521,115	\$ 10,013,944	\$ 982,309

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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 in the government-wide and proprietary fund Statements of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, differences between projected and actual earnings on pension and OPEB Plan investments, 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.

R. Net Position Components and Flow Assumption

In the government-wide, proprietary, 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/amortization, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted** – 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** – 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balance Classifications and Flow Assumption

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 superintendent or the superintendent's designee are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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. 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 amounts reported in the financial statements during the reporting period. Actual results could differ from those estimates.

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 prior year financial statements, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Restricted Assets

Restricted assets are cash and cash equivalents and interest accrued thereon whose use is limited by legal requirements, such as a trust agreement. Restricted assets are reported only in the government-wide financial statements and include balances held in a segregated account that is established for specific purposes. In the fund financial statements, these assets have been reported as “cash and investments held by trustee.”

W. 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 statement, beginning net position was reduced by \$2,140,791. See Note 4 of the notes to basic financial statements for additional details on this change.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	\$	7,814,781
Investments		<u>100,930,300</u>
Total	\$	<u>108,745,081</u>

Cash and investments are presented in the financial statements as follows:

Statement of Net Position		
Cash and temporary investments	\$	106,552,389
Restricted assets – temporarily restricted		
Cash and investments for OPEB		2,129,221
Statement of Fiduciary Net Position		
Custodial Fund		
Cash and temporary investments		<u>63,471</u>
Total	\$	<u>108,745,081</u>

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. 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 \$7,814,781, while the balance on the bank records was \$7,814,781. 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.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Rate Risk – Maturity Duration in Years			Total
	Rating	Agency		Less Than 1	1 to 5	6 to 10	
U.S. treasuries	N/A	N/A	Level 2	\$ 4,762,759	\$ 1,001,338	\$ –	\$ 5,764,097
General obligation bonds							
State and local bonds	Aa	Moody’s	Level 2	\$ 5,460,317	\$ –	\$ –	5,460,317
Investment pools/mutual funds							
Morgan Stanley Liquid Government	AAA	S&P	NAV	N/A	N/A	N/A	6,150,711
Goldman Sachs Government Money Market	AAA	S&P	Level 2	N/A	N/A	N/A	1,796,371
MNTrust Term Series	N/R	N/A	Amortized Cost	\$ –	\$ 2,000,000	\$ –	2,000,000
MNTrust Term Series II	AAA	Fitch	Amortized Cost	\$ 4,500,000	\$ –	\$ –	4,500,000
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost	N/A	N/A	N/A	64,658,058
MNTrust Term Series Flex	N/R	N/A	Amortized Cost	N/A	N/A	N/A	1,258,033
MNTrust Limited Term Duration	N/R	N/A	Amortized Cost	N/A	N/A	N/A	9,342,713
Total investments							<u>\$ 100,930,300</u>

N/A – Not Applicable

N/R – Not Rated

NAV – Net Asset Value. There are no unfunded commitments or restrictions on redemptions.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Minnesota Trust (MNTrust) Investment Shares Portfolio, MNTrust Term Series, MNTrust Term Series II, MNTrust Term Series Flex, and MNTrust Limited Term Duration are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investment in these pools is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio investment pool. MNTrust Term Series and MNTrust Term Series II are intended to be held until maturity. A participant's withdrawal prior to maturity will require seven-days' notice of redemption and will likely carry a penalty, which could be substantial in that it would be intended to allow the Term Series Portfolio to recoup any associated penalties, charges, losses, or other costs associated with the early redemption of the investments therein. MNTrust Term Series Flex offers weekly liquidity with a one-day notice of withdrawal. Investments in the MNTrust Limited Term Duration must be deposited for a minimum of 30 calendar days.

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. 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.

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.

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.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5.0 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.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the current year ended is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated/amortized					
Land	\$ 7,812,500	\$ –	\$ –	\$ –	\$ 7,812,500
Construction in progress	51,773,369	40,673,707	–	(5,458,410)	86,988,666
Total capital assets, not depreciated/amortized	59,585,869	40,673,707	–	(5,458,410)	94,801,166
Capital assets, depreciated/amortized					
Land improvements	264,344	10,290	–	–	274,634
Buildings and improvements	182,852,419	239,948	–	5,458,410	188,550,777
Furniture and equipment	63,685,351	4,328,505	(80,000)	–	67,933,856
Technology subscriptions	544,941	–	–	–	544,941
Buildings and improvements – lease	1,290,949	–	–	–	1,290,949
Furniture and equipment – lease	359,301	–	(103,210)	–	256,091
Total capital assets, depreciated/amortized	248,997,305	4,578,743	(183,210)	5,458,410	258,851,248
Less accumulated depreciation/amortization for					
Land improvements	(181,737)	(4,240)	–	–	(185,977)
Buildings and improvements	(37,870,598)	(4,603,251)	–	–	(42,473,849)
Furniture and equipment	(52,881,528)	(1,484,474)	44,166	–	(54,321,836)
Technology subscriptions	(184,672)	(103,929)	–	–	(288,601)
Buildings and improvements – lease	(553,263)	(184,422)	–	–	(737,685)
Furniture and equipment – lease	(198,624)	(66,208)	103,210	–	(161,622)
Total accumulated depreciation/amortization	(91,870,422)	(6,446,524)	147,376	–	(98,169,570)
Net capital assets, depreciated/amortized	157,126,883	(1,867,781)	(35,834)	5,458,410	160,681,678
Total capital assets, net	<u>\$ 216,712,752</u>	<u>\$ 38,805,926</u>	<u>\$ (35,834)</u>	<u>\$ –</u>	<u>\$ 255,482,844</u>

Depreciation/amortization expense was charged to the following governmental functions:

District support services	\$ 411,324
Elementary and secondary regular instruction	179,965
Vocational education instruction	1,492
Special education instruction	3,050
Instructional support services	83,033
Pupil support services	15,665
Sites and buildings	184,421
Community service	1,606
Unallocated depreciation/amortization	5,565,968
Total depreciation/amortization expense	<u>\$ 6,446,524</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The District currently has the following general obligation bonds outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
Facilities bonds					
2019A Facilities Maintenance Bonds	07/18/2019	3.00–5.00%	\$ 22,795,000	02/01/2036	\$ 18,025,000
School building bonds					
2018A School Building Bonds	02/15/2018	3.13–5.00%	\$ 92,950,000	02/01/2038	81,570,000
2022A School Building Bonds	11/03/2022	4.00–5.00%	\$ 136,000,000	02/01/2043	<u>132,895,000</u>
Total general obligation bonds					<u>\$ 232,490,000</u>

These bonds were issued to finance the acquisition or construction of capital facilities or to finance the retirement (refunding) of prior general obligation bond issues. Assets of the Debt Service Fund, together with future ad valorem tax levies, are dedicated for the retirement of these bonds. Future annual 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.

B. Certificates of Participation (COP)

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2024A Certificates of Participation	10/24/2024	4.00–5.00%	\$ 5,840,000	04/01/2040	\$ 5,840,000

The District has issued certificates of participation under Minnesota Statutes to finance the construction of a building addition to an elementary school. Scheduled future ad valorem lease obligations tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

C. Financed Purchase

The District has entered into an agreement for the financing of the following capital asset purchase. The financed purchase agreement is being paid by the General Fund.

Asset Description	Asset Value Capitalized	Interest Rate	Financed Purchase Date	Final Maturity	Principal Outstanding
Peter Hobart Elementary School remodeling	\$ 964,000	3.15 %	07/24/2013	08/01/2028	\$ 266,907

Failure by the District to pay any payments under this agreement, or upon the occurrence of and continuation of an event of default, the lender, without any further demand or notice, may take one or any combination of the following steps: 1) the lender, with or without terminating the agreement, may declare all payments due, or become due, during the fiscal year in effect when the default occurs; 2) the lender may repossess the facility or equipment by giving the District written notice to surrender the facility or equipment to the lender and; 3) the lender will thereafter use its best efforts to sell or lease its interest in the facility or equipment, or any portion thereof, in a commercially reasonable manner, in accordance with applicable state laws. The lender may also pursue any other remedy available to require the District to perform any of its obligations in this agreement.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

D. Lease Liabilities

The District has obtained the use of certain equipment and building space through lease financing agreements. The total amount of underlying lease assets by major classes and the related accumulated amortization is presented in Note 3 of the notes to basic financial statements. Annual principal and interest on these agreements will be paid from the General Fund. The agreements are secured by the original property. The lessor also may repossess the property and seek full recovery of the losses upon default.

The District currently has the following lease liability obligations outstanding:

<u>Lease Description</u>	<u>Interest Rate</u>	<u>Lease Date</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Office building	3.50 %	02/01/2018	06/30/2028	\$ 615,259
Copiers	3.50 %	11/20/2016	07/04/2027	33,009
Copiers	3.50 %	10/07/2021	09/07/2026	<u>43,061</u>
Total				<u>\$ 691,329</u>

E. Subscription Liabilities

The District entered into an agreement to finance the use of finance software, which calls for monthly principal and interest payments through June 2027. This subscription liability is paid by the General Fund. The amount of the underlying technology subscription asset and the related accumulated amortization is presented in Note 3 of the notes to basic financial statements.

<u>Description</u>	<u>Interest Rate</u>	<u>Subscription Date</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Software	4.00 %	03/23/2021	06/30/2027	\$ 182,923

F. Arbitrage Liability

The District must remit to the Internal Revenue Service any bond and COP proceeds issued at one rate but reinvested at higher rates as arbitrage rebates. These rebates are calculated and remitted every five years and upon maturity of related debt. These rebates will be paid by the Capital Projects – Building Construction Fund. The arbitrage liability relates to the 2022A bond.

G. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including compensated absences, pension benefits, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are paid from the General Fund, Food Service Special Revenue Fund, Community Service Special Revenue Fund, and Other Post-Employment Benefits Internal Service Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

District employees participate in three defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA, and one single-employer plan administered by the District. The following is a summary of the pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2025:

Pension Plans	Net/Total Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 6,422,639	\$ 2,048,988	\$ 4,716,370	\$ 482,631
State-wide, multiple-employer – TRA	31,962,235	13,464,037	15,853,083	2,553,988
Single-employer – District	3,334,785	924,389	459,605	149,623
Total	\$ 41,719,659	\$ 16,437,414	\$ 21,029,058	\$ 3,186,242

H. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds, certificates of participation, financed purchases, lease liabilities, and subscription liabilities are as follows:

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Financed Purchases		Lease Liabilities		Subscription Liabilities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 8,945,000	\$ 9,884,356	\$ 200,000	\$ 372,671	\$ 73,346	\$ 7,839	\$ 243,565	\$ 20,314	\$ 89,635	\$ 7,453
2027	9,920,000	9,437,106	295,000	249,500	75,675	5,511	229,785	11,893	93,288	3,801
2028	10,490,000	8,941,106	310,000	234,750	78,077	3,108	217,979	4,132	–	–
2029	11,105,000	8,416,606	325,000	219,250	39,809	629	–	–	–	–
2030	11,645,000	7,861,356	340,000	203,000	–	–	–	–	–	–
2031–2035	64,890,000	31,349,144	1,960,000	747,350	–	–	–	–	–	–
2036–2040	67,680,000	18,677,150	2,410,000	296,600	–	–	–	–	–	–
2041–2043	47,815,000	4,161,263	–	–	–	–	–	–	–	–
	<u>\$ 232,490,000</u>	<u>\$ 98,728,087</u>	<u>\$ 5,840,000</u>	<u>\$ 2,323,121</u>	<u>\$ 266,907</u>	<u>\$ 17,087</u>	<u>\$ 691,329</u>	<u>\$ 36,339</u>	<u>\$ 182,923</u>	<u>\$ 11,254</u>

I. Changes in Long-Term Liabilities

	June 30, 2024	Change in Accounting Principle (1)	Additions	Retirements	June 30, 2025	Due Within One Year
General obligation bonds	\$ 240,940,000	\$ –	\$ –	\$ 8,450,000	\$ 232,490,000	\$ 8,945,000
Certificates of participation	–	–	5,840,000	–	5,840,000	200,000
Unamortized premiums	12,527,335	–	336,236	854,029	12,009,542	–
Financed purchases	337,996	–	–	71,089	266,907	73,346
Lease liabilities	925,376	–	–	234,047	691,329	243,565
Subscription liabilities	269,050	–	–	86,127	182,923	89,635
Arbitrage liability	1,794,083	–	73,693	–	1,867,776	–
Net pension liability	46,423,504	–	9,827,670	17,866,300	38,384,874	–
Single-employer total pension liability	3,366,575	–	149,623	181,413	3,334,785	262,106
Total OPEB liability	4,384,221	–	155,882	305,995	4,234,108	400,242
Compensated absences (2)	3,889,941	2,140,791	311,379	–	6,342,111	1,101,873
	<u>\$ 314,858,081</u>	<u>\$ 2,140,791</u>	<u>\$ 16,694,483</u>	<u>\$ 28,049,000</u>	<u>\$ 305,644,355</u>	<u>\$ 11,315,767</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.

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds defined earlier in this report. Any such 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. However, a description of these deficit balance restrictions is included herein since the District has specific authority to use future resources for such deficits.

A. Classifications

At June 30, 2025, a summary of the District’s governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ –	\$ –	\$ –	\$ 21,371	\$ 21,371
Restricted					
Student activities	68,090	–	–	–	68,090
Capital projects levy	822,470	–	–	–	822,470
American Indian education aid	33,732	–	–	–	33,732
Operating capital	900,899	–	–	–	900,899
Teacher compensation for READ Act	68,288	–	–	–	68,288
Long-term facilities maintenance	1,794,708	–	–	–	1,794,708
Food service	–	–	–	1,162,131	1,162,131
Community education	–	–	–	1,464,652	1,464,652
Early childhood family education	–	–	–	80,003	80,003
School readiness	–	–	–	68,559	68,559
Adult basic education	–	–	–	25,127	25,127
Community service	–	–	–	494,918	494,918
Capital projects	–	53,763,008	–	–	53,763,008
Debt service	–	–	3,782,887	–	3,782,887
Total restricted	<u>3,688,187</u>	<u>53,763,008</u>	<u>3,782,887</u>	<u>3,295,390</u>	<u>64,529,472</u>
Assigned					
Subsequent year’s budget	33,000	–	–	–	33,000
Severance payments	1,043,578	–	–	–	1,043,578
Total assigned	<u>1,076,578</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,076,578</u>
Unassigned	6,097,099	–	–	–	<u>6,097,099</u>
Total	<u>\$ 10,861,864</u>	<u>\$ 53,763,008</u>	<u>\$ 3,782,887</u>	<u>\$ 3,316,761</u>	<u>\$ 71,724,520</u>

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy that establishes a desired unassigned General Fund balance. The policy states the District establishes a year-end minimum unassigned fund balance of 6.0 percent of current year’s General Fund noncategorical expenditures. The unassigned fund balance was 8.8 percent of General Fund noncategorical expenditures and is above the District’s policy.

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
Basic Plan	
First 10 years of service	2.2 %
All years after	2.7 %
Coordinated Plan	
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 \$1,203,734. 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 \$3,139,504. 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 \$6,422,639 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 \$166,076.

District's proportionate share of the net pension liability	\$ 6,422,639
State's proportionate share of the net pension liability associated with the District	<u>166,076</u>
Total	<u>\$ 6,588,715</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 0.1737 percent at the end of the measurement period and 0.1711 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$478,179 for its proportionate share of the GERF's pension expense. The District also recognized an additional \$4,452 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 \$295,501 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 604,220	\$ –
Changes in actuarial assumptions	33,625	2,403,999
Net difference between projected and actual investment earnings on pension plan investments	–	1,710,448
Changes in proportion	207,409	601,923
District’s contributions to the GERF subsequent to the measurement date	<u>1,203,734</u>	<u>–</u>
Total	<u>\$ 2,048,988</u>	<u>\$ 4,716,370</u>

The \$1,203,734 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:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2026	\$ (2,123,763)
2027	\$ (508,125)
2028	\$ (746,972)
2029	\$ (492,256)

2. TRA Pension Costs

At June 30, 2025, the District reported a liability of \$31,962,235 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 0.5030 percent at the end of the measurement period and 0.4464 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	\$ 31,962,235
State’s proportionate share of the net pension liability associated with the District	<u>2,090,468</u>
Total	<u>\$ 34,052,703</u>

For the year ended June 30, 2025, the District recognized pension expense of \$2,439,074. It also recognized \$114,914 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 \$886,118 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	\$ 1,551,594	\$ 387,494
Changes in actuarial assumptions	3,442,585	3,811,583
Net difference between projected and actual investment earnings on pension plan investments	–	3,257,695
Changes in proportion	5,330,354	8,396,311
District’s contributions to the TRA subsequent to the measurement date	<u>3,139,504</u>	<u>–</u>
Total	<u>\$ 13,464,037</u>	<u>\$ 15,853,083</u>

The \$3,139,504 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	\$ (2,320,126)
2027	\$ 2,892,945
2028	\$ (3,138,147)
2029	\$ (3,237,647)
2030	\$ 274,425

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:

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

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. GERP

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	\$ 14,028,077	\$ 6,422,639	\$ 166,472
TRA discount rate	6.00%	7.00%	8.00%
District’s proportionate share of the TRA net pension liability	\$ 56,287,365	\$ 31,962,235	\$ 11,942,075

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.

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 – DEFINED BENEFIT PENSION PLAN – DISTRICT

A. Plan Description

The District provides pension benefits to certain eligible employees through its Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups, with eligibility based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are available to the following groups: building operations supervisors, clerical/secretarial association, director of information services, director of special services, principal and assistant principals, professional personnel, school nutrition personnel, supervisors/managers, student support personnel, and teachers.

B. Contributions and Funding Policy

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 not established a trust fund to finance these pension benefits.

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

C. Membership

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

Active plan members	94
Retirees and beneficiaries receiving benefits	<u>5</u>
Total	<u><u>99</u></u>

D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of June 30, 2023 and update procedures were used to roll forward the total pension liability to the measurement date. The total pension liability was measured as of June 30, 2024, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.97%
20-year municipal bond yield	3.97%
Inflation rate	2.50%

Mortality rates were based on the Pub-2010 General Mortality Tables with projected mortality improvements based on 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. Annual salary increases are based on the most recently disclosed assumption for the pension plan in which the employee participates.

E. Discount Rate

The discount rate used to measure the pension liability was 3.97 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

F. Changes in the Total Pension Liability

	<u>Total Pension Liability</u>
Beginning balance – July 1, 2024	\$ 3,366,575
Changes for the year	
Service cost	92,548
Interest	128,855
Assumption changes	(11,356)
Benefit payments – employer-financed	<u>(241,837)</u>
Total net changes	<u>(31,790)</u>
Ending balance – June 30, 2025	<u><u>\$ 3,334,785</u></u>

NOTE 7 – DEFINED BENEFIT PENSION PLAN – DISTRICT (CONTINUED)

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.86 percent to 3.97 percent.

G. Total Pension Liability Sensitivity to Discount Rate Changes

The following presents the total pension liability of the District, as well as what the District's total pension liability 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>
Pension discount rate	2.97%	3.97%	4.97%
Total pension liability	\$ 3,436,013	\$ 3,334,785	\$ 3,229,740

H. Pension Expense and Related Deferred Outflows and Deferred Inflows of Resources

For the current year ended, the District recognized pension expense of \$149,623, and at year-end reported the following deferred outflows and 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	\$ 13,966	\$ 278,359
Changes in actuarial assumptions	114,524	181,246
District contributions subsequent to the measurement date	<u>795,899</u>	<u>—</u>
Total	<u>\$ 924,389</u>	<u>\$ 459,605</u>

A total of \$795,899 reported as deferred outflows of resources related to contributions to the single-employer plan subsequent to the measurement date will be recognized as a reduction of total pension liability in the year ending June 30, 2026. These amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2026	\$ (66,097)
2027	\$ (55,834)
2028	\$ (54,131)
2029	\$ (67,853)
2030	\$ (73,965)
Thereafter	\$ (13,235)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment insurance benefits to certain eligible employees through its 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.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. Benefits Provided

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays the eligible retiree's premiums for medical, dental, and/or life insurance, for some period after retirement. The length of the benefits to be paid by the District differ by bargaining unit.

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, 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's contributions in the current year totaled \$435,514 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section. The District has established a separate Internal Service Fund to finance these OPEB obligations.

D. Membership

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

Retirees and beneficiaries receiving benefits	26
Active plan members	<u>632</u>
Total members	<u><u>658</u></u>

E. Total OPEB Liability of the District

The District's total OPEB liability of \$4,234,108 as of year-end was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2023, and update procedures were used to roll forward the total OPEB liability to the measurement date.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.97%
20-year municipal bond yield	3.97%
Inflation rate	2.50%
Medical trend rate	7.60%, grading to 3.90% over 51 years

Mortality rates were based on the Pub-2010 General Mortality Tables with projected mortality improvements based on 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.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as consistency with other economic assumptions. Annual salary increases are based on the most recently disclosed assumption for the pension plan in which the employee participates.

G. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance – July 1, 2024	\$ 4,384,221
Changes for the year	
Service cost	170,806
Interest	167,062
Differences between expected and actual experience	(13,498)
Assumption changes	(20,505)
Benefit payments	<u>(453,978)</u>
Total net changes	<u>(150,113)</u>
Ending balance – June 30, 2025	<u>\$ 4,234,108</u>

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 3.86 percent to 3.97 percent.

H. Total OPEB Liability Sensitivity to Discount and Medical Cost Trend Rate Changes

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using 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	2.97%	3.97%	4.97%
Total OPEB liability	\$ 4,419,973	\$ 4,234,108	\$ 4,047,953

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using medical cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current medical cost trend rates:

	<u>1% Decrease in Medical Cost Trend Rate</u>	<u>Current Medical Cost Trend Rate</u>	<u>1% Increase in Medical Cost Trend Rate</u>
OPEB medical cost trend rate	6.60%, decreasing to 2.90% over 51 years	7.60%, decreasing to 3.90% over 51 years	8.60%, decreasing to 4.90% over 51 years
Total OPEB liability	\$ 3,924,688	\$ 4,234,108	\$ 4,581,122

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

I. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized OPEB expense of \$203,823. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	\$ 630,783	\$ 1,215,022
Changes in actuarial assumptions	245,826	458,779
District contributions subsequent to the measurement date	<u>435,514</u>	<u>—</u>
Total	<u>\$ 1,312,123</u>	<u>\$ 1,673,801</u>

A total of \$435,514 reported as deferred outflows of resources related to contributions to the OPEB Plan subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ending June 30, 2026. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	OPEB Expense Amount
2026	\$ (176,529)
2027	\$ (159,168)
2028	\$ (133,836)
2029	\$ (118,463)
2030	\$ (71,831)
Thereafter	\$ (137,365)

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has established the St. Louis Park Employees' Flex-Benefits Plan (the Plan). The Plan is a flexible benefit plan classified as a "cafeteria plan" under § 125 of the IRC. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for health insurance, 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 July 1 to June 30, 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 medical expense contributions to the Plan, whether or not such contributions have been made.

The employee portion of insurance premiums (health, dental, and disability) are withheld and paid by the District directly to the designated insurance companies. The dependent care and medical expense reimbursement portions of the Plan are administered by an independent contract administrator. All plan activity is accounted for in the General Fund and special revenue funds. 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 the 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 10 – COMMITMENTS AND CONTINGENCIES

A. 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.

B. Federal and State Receivables

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.

C. Construction Contracts

At June 30, 2025, the District had commitments totaling \$17,796,297 under construction contracts for which the work was not yet completed.

D. Solar Power Purchase Commitment

The District has entered into solar subscription agreements with an outside company for each of the District buildings. The District is committed to purchasing 100 percent of the annual delivered energy from the solar systems for a period of 25 years from the commercial operation date to receive bill credits associated with the energy production.

NOTE 11 – INTERFUND BALANCES

The District's General Fund has a receivable of \$420,993 at year-end due from the Post-Employment Benefits Internal Service Fund related to reimbursements of OPEB costs. Interfund receivables and payables reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements.

NOTE 12 – DEFICIT NET POSITION

At June 30, 2025, the District's Other Post-Employment Benefits Internal Service Fund reported a deficit net position of \$2,852,644.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 283

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 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 Total Pension Liability
06/30/2016	06/30/2015	0.1838%	\$ 9,525,470	\$ -	\$ 9,525,470	\$ 12,107,860	78.67%	78.20%
06/30/2017	06/30/2016	0.1856%	\$ 15,069,799	\$ 196,897	\$ 15,266,696	\$ 13,223,419	113.96%	68.90%
06/30/2018	06/30/2017	0.1878%	\$ 11,989,028	\$ 150,271	\$ 12,139,299	\$ 13,404,414	89.44%	75.90%
06/30/2019	06/30/2018	0.1816%	\$ 10,074,423	\$ 330,535	\$ 10,404,958	\$ 13,732,693	73.36%	79.50%
06/30/2020	06/30/2019	0.1787%	\$ 9,879,923	\$ 307,153	\$ 10,187,076	\$ 12,518,036	78.93%	80.20%
06/30/2021	06/30/2020	0.1795%	\$ 10,761,845	\$ 331,973	\$ 11,093,818	\$ 12,747,970	84.42%	79.10%
06/30/2022	06/30/2021	0.1772%	\$ 7,567,233	\$ 231,073	\$ 7,798,306	\$ 12,757,568	59.32%	87.00%
06/30/2023	06/30/2022	0.1863%	\$ 14,755,023	\$ 432,434	\$ 15,187,457	\$ 13,957,291	105.72%	76.70%
06/30/2024	06/30/2023	0.1711%	\$ 9,567,720	\$ 263,724	\$ 9,831,444	\$ 13,506,749	70.84%	83.10%
06/30/2025	06/30/2024	0.1737%	\$ 6,422,639	\$ 166,076	\$ 6,588,715	\$ 14,697,712	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	\$ 860,304	\$ 860,304	\$ -	\$ 13,223,419	6.51%
06/30/2017	\$ 909,358	\$ 909,358	\$ -	\$ 13,404,414	6.78%
06/30/2018	\$ 915,421	\$ 915,421	\$ -	\$ 13,732,693	6.67%
06/30/2019	\$ 939,245	\$ 939,245	\$ -	\$ 12,518,036	7.50%
06/30/2020	\$ 955,918	\$ 955,918	\$ -	\$ 12,747,970	7.50%
06/30/2021	\$ 956,639	\$ 956,639	\$ -	\$ 12,757,568	7.50%
06/30/2022	\$ 1,046,468	\$ 1,046,468	\$ -	\$ 13,957,291	7.50%
06/30/2023	\$ 1,012,935	\$ 1,012,935	\$ -	\$ 13,506,749	7.50%
06/30/2024	\$ 1,102,445	\$ 1,102,445	\$ -	\$ 14,697,712	7.50%
06/30/2025	\$ 1,203,734	\$ 1,203,734	\$ -	\$ 16,052,568	7.50%

INDEPENDENT SCHOOL DISTRICT NO. 283

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	0.5156%	\$ 31,894,959	\$ 3,911,929	\$ 35,806,888	\$ 26,167,840	121.89%	76.80%
06/30/2017	06/30/2016	0.5340%	\$127,371,741	\$ 12,784,807	\$140,156,548	\$ 27,779,987	458.50%	44.88%
06/30/2018	06/30/2017	0.5527%	\$110,328,946	\$ 10,664,657	\$120,993,603	\$ 29,998,018	367.79%	51.57%
06/30/2019	06/30/2018	0.5446%	\$ 34,205,978	\$ 3,213,935	\$ 37,419,913	\$ 30,255,612	113.06%	78.07%
06/30/2020	06/30/2019	0.5391%	\$ 34,362,347	\$ 3,040,919	\$ 37,403,266	\$ 30,530,140	112.55%	78.21%
06/30/2021	06/30/2020	0.5402%	\$ 39,910,700	\$ 3,344,802	\$ 43,255,502	\$ 31,353,181	127.29%	75.48%
06/30/2022	06/30/2021	0.5372%	\$ 23,509,478	\$ 1,982,738	\$ 25,492,216	\$ 32,130,320	73.17%	86.63%
06/30/2023	06/30/2022	0.6023%	\$ 48,228,998	\$ 3,576,796	\$ 51,805,794	\$ 37,229,561	129.54%	76.17%
06/30/2024	06/30/2023	0.4464%	\$ 36,855,784	\$ 2,581,860	\$ 39,437,644	\$ 28,378,573	129.87%	76.42%
06/30/2025	06/30/2024	0.5030%	\$ 31,962,235	\$ 2,090,468	\$ 34,052,703	\$ 33,323,586	95.91%	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	\$ 2,159,961	\$ 2,159,961	\$ -	\$ 27,779,987	7.78%
06/30/2017	\$ 2,239,979	\$ 2,239,979	\$ -	\$ 29,998,018	7.47%
06/30/2018	\$ 2,268,034	\$ 2,268,034	\$ -	\$ 30,255,612	7.50%
06/30/2019	\$ 2,356,658	\$ 2,356,658	\$ -	\$ 30,530,140	7.72%
06/30/2020	\$ 2,485,617	\$ 2,485,617	\$ -	\$ 31,353,181	7.93%
06/30/2021	\$ 2,614,040	\$ 2,614,040	\$ -	\$ 32,130,320	8.14%
06/30/2022	\$ 3,105,037	\$ 3,105,037	\$ -	\$ 37,229,561	8.34%
06/30/2023	\$ 2,426,513	\$ 2,426,513	\$ -	\$ 28,378,573	8.55%
06/30/2024	\$ 2,916,697	\$ 2,916,697	\$ -	\$ 33,323,586	8.75%
06/30/2025	\$ 3,139,504	\$ 3,139,504	\$ -	\$ 35,880,612	8.75%

INDEPENDENT SCHOOL DISTRICT NO. 283

Pension Benefits Plan
 Schedule of Changes in the District's Total
 Pension Liability and Related Ratios
 Year Ended June 30, 2025

	District Fiscal Year-End Date								
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total pension liability									
Service cost	\$ 191,808	\$ 198,521	\$ 186,488	\$ 154,407	\$ 172,090	\$ 155,692	\$ 174,663	\$ 96,347	\$ 92,548
Interest	121,139	119,344	144,153	148,975	128,622	97,686	75,784	124,884	128,855
Differences between expected and actual experience	-	-	70,820	-	(44,888)	-	(289,305)	(108,172)	-
Assumption changes	-	(122,198)	(125,009)	77,443	102,616	71,973	(221,976)	21,797	(11,356)
Change of benefit terms	-	-	-	-	(3,622)	-	-	-	-
Benefit payments	(293,415)	(471,857)	(103,099)	(322,312)	(486,674)	(434,453)	(334,403)	(112,672)	(241,837)
Net change in total pension liability	19,532	(276,190)	173,353	58,513	(131,856)	(109,102)	(595,237)	22,184	(31,790)
Total pension liability – beginning of year	4,205,378	4,224,910	3,948,720	4,122,073	4,180,586	4,048,730	3,939,628	3,344,391	3,366,575
Total pension liability – end of year	<u>\$ 4,224,910</u>	<u>\$ 3,948,720</u>	<u>\$ 4,122,073</u>	<u>\$ 4,180,586</u>	<u>\$ 4,048,730</u>	<u>\$ 3,939,628</u>	<u>\$ 3,344,391</u>	<u>\$ 3,366,575</u>	<u>\$ 3,334,785</u>
Covered-employee payroll	<u>\$ 12,064,057</u>	<u>\$ 12,564,715</u>	<u>\$ 11,789,415</u>	<u>\$ 12,153,286</u>	<u>\$ 10,602,032</u>	<u>\$ 10,927,514</u>	<u>\$ 8,615,873</u>	<u>\$ 8,416,650</u>	<u>\$ 8,669,150</u>
Total pension liability as a percentage of covered-employee payroll	<u>35.02%</u>	<u>31.43%</u>	<u>34.96%</u>	<u>34.40%</u>	<u>38.19%</u>	<u>36.05%</u>	<u>38.82%</u>	<u>40.00%</u>	<u>38.47%</u>

Note 1: The District has not established a trust fund to finance GASB Statement No. 73-related benefits.

Note 2: The District implemented GASB Statement No. 73 for the year ended June 30, 2017. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	District Fiscal Year-End Date							
	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability								
Service cost	\$ 298,346	\$ 283,062	\$ 272,916	\$ 309,654	\$ 277,698	\$ 309,562	\$ 212,396	\$ 170,806
Interest	159,816	194,344	191,866	174,232	123,032	99,418	201,806	167,062
Differences between expected and actual experience	-	434,159	-	(629,621)	(32,679)	824,908	(1,213,387)	(13,498)
Assumption changes	(169,944)	(703,143)	129,192	(49,830)	121,374	(392,426)	182,798	(20,505)
Changes in benefit terms	-	-	-	14,045	-	1,510	-	-
Benefit payments	(341,220)	(408,795)	(398,420)	(330,327)	(332,301)	(397,666)	(511,990)	(453,978)
Net change in total OPEB liability	(53,002)	(200,373)	195,554	(511,847)	157,124	445,306	(1,128,377)	(150,113)
Total OPEB liability – beginning of year	5,479,836	5,426,834	5,226,461	5,422,015	4,910,168	5,067,292	5,512,598	4,384,221
Total OPEB liability – end of year	\$ 5,426,834	\$ 5,226,461	\$ 5,422,015	\$ 4,910,168	\$ 5,067,292	\$ 5,512,598	\$ 4,384,221	\$ 4,234,108
Covered-employee payroll	\$ 42,960,575	\$ 41,333,803	\$ 41,888,500	\$ 41,927,677	\$ 44,102,506	\$ 41,821,027	\$ 41,715,329	\$ 45,520,454
Total OPEB liability as a percentage of covered-employee payroll	12.63%	12.64%	12.94%	11.71%	11.49%	13.18%	10.51%	9.30%

Note 1: The District has not established an irrevocable trust fund to finance GASB Statement No. 75-related benefits.

Note 2: The District implemented GASB Statement No. 75 for the year ended June 30, 2018. The schedules within the RSI section require a 10-year presentation. Additional years will be presented as they become available.

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INDEPENDENT SCHOOL DISTRICT NO. 283

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.

PENSION BENEFITS PLAN

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.86 percent to 3.97 percent.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.69 percent to 3.86 percent.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the July 1, 2022 PERA General Employees Plan valuation to the rates used in the July 1, 2023 valuation.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 1.92 percent to 3.69 percent.
- Mortality rates were updated from the rates used in the July 1, 2020 PERA General Employees Plan valuation to the rates used in the July 1, 2022 valuation.
- The inflation assumption was changed from 2.25 percent to 2.50 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.45 percent to 1.92 percent.

2020 CHANGES IN BENEFIT TERMS

- Severance benefits were removed from several individual director and coordinator contracts.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.13 percent to 2.45 percent.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the July 1, 2018 PERA General Employees Retirement Plan and July 1, 2018 TRA valuations to the rates used in the July 1, 2020 valuations.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.62 percent to 3.13 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.53 percent to 3.62 percent.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the July 1, 2015 PERA General Employees Retirement Plan and July 1, 2015 TRA valuations to the rates used in the July 1, 2018 valuations.
- The inflation assumption was changed from 2.72 percent to 2.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.85 percent to 3.53 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.86 percent to 3.97 percent.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.69 percent to 3.86 percent.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the July 1, 2022 PERA General Employees Plan valuation to the rates used in the July 1, 2023 valuation.
- The percent of future retirees not eligible for an explicit subsidy assumed to elect coverage at retirement changed from 20.00 percent to 15.00 percent to reflect recent plan experience.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 1.92 percent to 3.69 percent.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality rates were updated from the rates used in the July 1, 2020 PERA General Employees Plan valuation to the rates used in the July 1, 2022 valuation.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.
- The inflation assumption was changed from 2.25 percent to 2.50 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.45 percent to 1.92 percent.

2020 CHANGES IN BENEFIT TERMS

- Severance benefits were removed from several individual director, coordinator, and technical personnel contracts.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.13 percent to 2.45 percent.
- Healthcare trend medical and dental rates were reset to reflect updated cost increase expectations. Medical trend updates include the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the July 1, 2018 PERA General Employees Retirement Plan and July 1, 2018 TRA valuations to the rates used in the July 1, 2020 valuations.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.62 percent to 3.13 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.53 percent to 3.62 percent.
- Medical trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated to RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale for teachers and with MP-2017 Generational Scale for nonteachers to the rates used in the July 1, 2018 valuations.
- The inflation assumption was changed from 2.75 percent to 2.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.85 percent to 3.53 percent.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Food Service</u>	<u>Community Service</u>	
Assets			
Cash and temporary investments	\$ 1,174,808	\$ 2,575,581	\$ 3,750,389
Receivables			
Current taxes	–	630,541	630,541
Delinquent taxes	–	11,906	11,906
Accounts and interest	67,145	35,136	102,281
Due from other governmental units	56,740	494,860	551,600
Inventory	<u>21,371</u>	<u>–</u>	<u>21,371</u>
Total assets	<u>\$ 1,320,064</u>	<u>\$ 3,748,024</u>	<u>\$ 5,068,088</u>
Liabilities			
Salaries payable	\$ 60,320	\$ 225,027	\$ 285,347
Accounts and contracts payable	32,385	113,539	145,924
Due to other governmental units	611	9,044	9,655
Severance payable	–	32,504	32,504
Unearned revenue	<u>43,246</u>	<u>–</u>	<u>43,246</u>
Total liabilities	136,562	380,114	516,676
Deferred inflows of resources			
Property taxes levied for subsequent year	–	1,216,409	1,216,409
Unavailable revenue – delinquent taxes	<u>–</u>	<u>18,242</u>	<u>18,242</u>
Total deferred inflows of resources	–	1,234,651	1,234,651
Fund balances			
Nonspendable	21,371	–	21,371
Restricted	<u>1,162,131</u>	<u>2,133,259</u>	<u>3,295,390</u>
Total fund balances	<u>1,183,502</u>	<u>2,133,259</u>	<u>3,316,761</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,320,064</u>	<u>\$ 3,748,024</u>	<u>\$ 5,068,088</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Food Service</u>	<u>Community Service</u>	
Revenue			
Local sources			
Property taxes	\$ –	\$ 1,018,303	\$ 1,018,303
Investment earnings	67,707	66,670	134,377
Other	181,527	6,703,821	6,885,348
State sources	1,528,511	1,521,839	3,050,350
Federal sources	<u>1,549,605</u>	<u>9,208</u>	<u>1,558,813</u>
Total revenue	3,327,350	9,319,841	12,647,191
Expenditures			
Current			
Food service	2,998,083	–	2,998,083
Community service	–	8,437,977	8,437,977
Capital outlay	<u>373</u>	<u>23,261</u>	<u>23,634</u>
Total expenditures	<u>2,998,456</u>	<u>8,461,238</u>	<u>11,459,694</u>
Net change in fund balances	328,894	858,603	1,187,497
Fund balances			
Beginning of year	<u>854,608</u>	<u>1,274,656</u>	<u>2,129,264</u>
End of year	<u>\$ 1,183,502</u>	<u>\$ 2,133,259</u>	<u>\$ 3,316,761</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	<u>2025</u>	<u>2024</u>
Assets		
Cash and temporary investments	\$ 20,833,891	\$ 20,968,938
Receivables		
Current taxes	12,219,667	12,078,109
Delinquent taxes	260,938	290,850
Accounts and interest	212,709	192,800
Due from other governmental units	6,939,839	6,036,541
Due from other funds	420,993	374,044
Prepaid items	<u>—</u>	<u>502,162</u>
Total assets	<u>\$ 40,888,037</u>	<u>\$ 40,443,444</u>
Liabilities		
Salaries payable	\$ 5,638,394	\$ 5,464,354
Accounts and contracts payable	664,468	528,956
Due to other governmental units	288,190	448,303
Severance payable	709,109	401,909
Unearned revenue	<u>1,578,844</u>	<u>879,142</u>
Total liabilities	8,879,006	7,722,664
Deferred inflows of resources		
Property taxes levied for subsequent year	20,740,893	20,803,058
Unavailable revenue – delinquent taxes	<u>406,274</u>	<u>250,028</u>
Total deferred inflows of resources	21,147,167	21,053,086
Fund balances		
Nonspendable for prepaid items	—	502,162
Restricted for student activities	68,090	110,437
Restricted for capital projects levy	822,470	1,905,726
Restricted for American Indian education aid	33,732	—
Restricted for operating capital	900,899	1,262,687
Restricted for teacher compensation for READ Act	68,288	—
Restricted for long-term facilities maintenance	1,794,708	1,634,998
Assigned for subsequent year’s budget	33,000	—
Assigned for severance payments	1,043,578	966,638
Unassigned	<u>6,097,094</u>	<u>5,285,046</u>
Total fund balances	<u>10,861,864</u>	<u>11,667,694</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 40,888,037</u>	 <u>\$ 40,443,444</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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)

		<u>2025</u>	Over (Under)	<u>2024</u>
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Revenue				
Local sources				
Property taxes	\$ 23,527,000	\$ 23,693,533	\$ 166,533	\$ 23,031,079
Investment earnings	700,000	892,258	192,258	871,233
Other	651,800	1,333,848	682,048	1,189,328
State sources	55,878,200	57,141,190	1,262,990	51,962,595
Federal sources	<u>2,265,700</u>	<u>2,327,822</u>	<u>62,122</u>	<u>2,379,237</u>
Total revenue	83,022,700	85,388,651	2,365,951	79,433,472
Expenditures				
Current				
Administration				
Salaries	2,459,200	2,467,119	7,919	2,126,555
Employee benefits	859,525	873,401	13,876	739,001
Purchased services	129,000	115,095	(13,905)	192,247
Supplies and materials	23,200	22,868	(332)	12,132
Other expenditures	<u>26,300</u>	<u>43,762</u>	<u>17,462</u>	<u>39,947</u>
Total administration	3,497,225	3,522,248	25,023	3,109,882
District support services				
Salaries	2,754,100	2,753,525	(575)	2,516,118
Employee benefits	1,097,813	1,203,603	105,790	1,107,641
Purchased services	538,300	515,503	(22,797)	602,189
Supplies and materials	623,400	1,021,245	397,845	693,391
Capital expenditures	777,500	896,693	119,193	750,574
Other expenditures	<u>(246,700)</u>	<u>(32,809)</u>	<u>213,891</u>	<u>(75,536)</u>
Total district support services	5,544,413	6,357,760	813,347	5,594,377
Elementary and secondary regular instruction				
Salaries	22,439,800	22,228,781	(211,019)	21,577,088
Employee benefits	8,891,783	9,092,130	200,347	8,720,292
Purchased services	2,671,450	3,151,415	479,965	3,098,908
Supplies and materials	933,650	678,421	(255,229)	726,932
Capital expenditures	206,600	151,667	(54,933)	275,503
Other expenditures	<u>65,600</u>	<u>241,132</u>	<u>175,532</u>	<u>230,954</u>
Total elementary and secondary regular instruction	35,208,883	35,543,547	334,664	34,629,677

INDEPENDENT SCHOOL DISTRICT NO. 283

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		Over (Under)	2024	
	Budget	Actual	Budget	Actual	
Expenditures (continued)					
Current (continued)					
Vocational education instruction					
Salaries	375,800	363,603	(12,197)	560,591	
Employee benefits	105,100	104,990	(110)	108,710	
Purchased services	42,200	63,203	21,003	296,980	
Supplies and materials	15,000	30,887	15,887	27,612	
Capital expenditures	1,500	15,802	14,302	1,495	
Other expenditures	—	2,168	2,168	1,853	
Total vocational education instruction	539,600	580,653	41,053	997,241	
Special education instruction					
Salaries	10,705,500	10,500,036	(205,464)	9,502,853	
Employee benefits	4,062,401	3,935,409	(126,992)	3,226,508	
Purchased services	1,323,800	1,971,143	647,343	1,659,735	
Supplies and materials	96,000	94,776	(1,224)	98,681	
Capital expenditures	—	80,208	80,208	—	
Other expenditures	1,000	64,890	63,890	68,180	
Total special education instruction	16,188,701	16,646,462	457,761	14,555,957	
Instructional support services					
Salaries	3,959,300	3,828,488	(130,812)	2,896,279	
Employee benefits	1,097,375	1,339,896	242,521	971,116	
Purchased services	425,900	463,205	37,305	555,734	
Supplies and materials	305,900	142,685	(163,215)	218,105	
Capital expenditures	83,000	46,719	(36,281)	27,874	
Other expenditures	4,800	14,612	9,813	12,738	
Total instructional support services	5,876,275	5,835,606	(40,669)	4,681,846	
Pupil support services					
Salaries	2,453,300	2,359,254	(94,046)	2,141,282	
Employee benefits	946,395	1,035,839	89,444	848,303	
Purchased services	6,323,000	6,531,373	208,373	6,582,142	
Supplies and materials	109,900	143,734	33,834	237,221	
Capital expenditures	—	185	185	—	
Other expenditures	—	10,846	10,846	15,195	
Total pupil support services	9,832,595	10,081,231	248,636	9,824,143	

INDEPENDENT SCHOOL DISTRICT NO. 283

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		Over (Under)	2024	
	Budget	Actual		Budget	Actual
Expenditures (continued)					
Current (continued)					
Sites and buildings					
Salaries	2,336,000	2,325,792	(10,208)	1,802,099	
Employee benefits	941,308	978,343	37,035	808,335	
Purchased services	2,011,000	2,267,636	256,636	1,920,262	
Supplies and materials	638,700	925,424	286,724	825,625	
Capital expenditures	615,000	134,170	(480,830)	110,753	
Other expenditures	<u>19,500</u>	<u>(119,704)</u>	<u>(139,204)</u>	<u>(117,583)</u>	
Total sites and buildings	6,561,508	6,511,661	(49,847)	5,349,491	
Fiscal and other fixed cost programs					
Purchased services	675,000	674,393	(607)	634,919	
Debt service					
Principal	284,000	391,263	107,263	391,680	
Interest and fiscal charges	<u>99,100</u>	<u>49,657</u>	<u>(49,443)</u>	<u>63,284</u>	
Total debt service	<u>383,100</u>	<u>440,920</u>	<u>57,820</u>	<u>454,964</u>	
Total expenditures	<u>84,307,300</u>	<u>86,194,481</u>	<u>1,887,181</u>	<u>79,832,497</u>	
Excess (deficiency) of revenue over expenditures	(1,284,600)	(805,830)	478,770	(399,025)	
Other financing sources					
Insurance recovery	-	-	-	7,625	
Sale of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>705</u>	
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,330</u>	
Net change in fund balances	<u>\$ (1,284,600)</u>	(805,830)	<u>\$ 478,770</u>	(390,695)	
Fund balances					
Beginning of year		<u>11,667,694</u>		<u>12,058,389</u>	
End of year		<u>\$ 10,861,864</u>		<u>\$ 11,667,694</u>	

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	<u>2025</u>	<u>2024</u>
Assets		
Cash and temporary investments	\$ 1,174,808	\$ 816,020
Receivables		
Accounts and interest	67,145	84,416
Due from other governmental units	56,740	49,514
Inventory	<u>21,371</u>	<u>34,326</u>
Total assets	<u>\$ 1,320,064</u>	<u>\$ 984,276</u>
Liabilities		
Salaries payable	\$ 60,320	\$ 55,086
Accounts and contracts payable	32,385	24,297
Due to other governmental units	611	-
Unearned revenue	<u>43,246</u>	<u>50,285</u>
Total liabilities	136,562	129,668
Fund balances		
Nonspendable for inventory	21,371	34,326
Restricted for food service	<u>1,162,131</u>	<u>820,282</u>
Total fund balances	<u>1,183,502</u>	<u>854,608</u>
Total liabilities and fund balances	<u>\$ 1,320,064</u>	<u>\$ 984,276</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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)

		<u>2025</u>	Over (Under)	<u>2024</u>
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Revenue				
Local sources				
Investment earnings	\$ 20,000	\$ 67,707	\$ 47,707	\$ 28,713
Other – primarily meal sales	207,000	181,527	(25,473)	133,425
State sources	1,260,000	1,528,511	268,511	1,193,378
Federal sources	<u>1,540,000</u>	<u>1,549,602</u>	<u>9,602</u>	<u>1,434,427</u>
Total revenue	<u>3,027,000</u>	<u>3,327,350</u>	<u>300,350</u>	<u>2,789,943</u>
Expenditures				
Current				
Salaries	947,000	955,672	8,672	1,037,444
Employee benefits	370,000	382,262	12,262	320,442
Purchased services	52,000	56,462	4,462	96,144
Supplies and materials	1,284,000	1,369,946	85,946	1,157,876
Other expenditures	260,000	233,741	(26,259)	221,905
Capital outlay	<u>50,000</u>	<u>373</u>	<u>(49,627)</u>	<u>32,367</u>
Total expenditures	<u>2,963,000</u>	<u>2,998,456</u>	<u>35,456</u>	<u>2,866,177</u>
Net change in fund balances	<u>\$ 64,000</u>	328,894	<u>\$ 264,894</u>	(76,230)
Fund balances				
Beginning of year		<u>854,608</u>		<u>930,838</u>
End of year		<u>\$ 1,183,502</u>		<u>\$ 854,608</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	<u>2025</u>	<u>2024</u>
Assets		
Cash and temporary investments	\$ 2,575,581	\$ 1,558,776
Receivables		
Current taxes	630,541	530,205
Delinquent taxes	11,906	13,757
Accounts and interest	35,136	38,434
Due from other governmental units	494,860	403,471
Prepaid items	<u>—</u>	<u>1,080</u>
Total assets	<u>\$ 3,748,024</u>	<u>\$ 2,545,723</u>
Liabilities		
Salaries payable	\$ 225,027	\$ 166,336
Accounts and contracts payable	113,539	56,306
Due to other governmental units	9,044	—
Severance payable	<u>32,504</u>	<u>—</u>
Total liabilities	380,114	222,642
Deferred inflows of resources		
Property taxes levied for subsequent year	1,216,409	1,036,363
Unavailable revenue – delinquent taxes	<u>18,242</u>	<u>12,062</u>
Total deferred inflows of resources	1,234,651	1,048,425
Fund balances		
Nonspendable for prepaid items	—	1,080
Restricted for community education	1,464,652	575,757
Restricted for early childhood family education	80,003	132,941
Restricted for school readiness	68,559	90,102
Restricted for adult basic education	25,127	72,465
Restricted for community service	<u>494,918</u>	<u>402,311</u>
Total fund balances	<u>2,133,259</u>	<u>1,274,656</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,748,024</u>	<u>\$ 2,545,723</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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)

		<u>2025</u>	Over (Under)	<u>2024</u>
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Revenue				
Local sources				
Property taxes	\$ 1,119,400	\$ 1,018,303	\$ (101,097)	\$ 1,046,296
Investment earnings	20,000	66,670	46,670	33,570
Other – primarily tuition and fees	5,470,800	6,703,821	1,233,021	6,119,695
State sources	1,633,600	1,521,839	(111,761)	1,441,987
Federal sources	–	9,208	9,208	2,157
Total revenue	<u>8,243,800</u>	<u>9,319,841</u>	<u>1,076,041</u>	<u>8,643,705</u>
Expenditures				
Current				
Salaries	4,894,300	4,909,231	14,931	4,801,334
Employee benefits	1,691,900	1,863,423	171,523	1,648,482
Purchased services	1,222,776	1,281,273	58,497	1,150,566
Supplies and materials	360,034	369,355	9,321	364,725
Other expenditures	6,000	14,695	8,695	4,567
Capital outlay	<u>8,900</u>	<u>23,261</u>	<u>14,361</u>	<u>3,051</u>
Total expenditures	<u>8,183,910</u>	<u>8,461,238</u>	<u>277,328</u>	<u>7,972,731</u>
Net change in fund balances	<u>\$ 59,890</u>	858,603	<u>\$ 798,713</u>	670,973
Fund balances				
Beginning of year		<u>1,274,656</u>		<u>603,683</u>
End of year		<u>\$ 2,133,259</u>		<u>\$ 1,274,656</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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	\$ 64,985,505	\$ 93,450,253
Receivables		
Accounts and interest	<u>616,931</u>	<u>3,316,796</u>
Total assets	<u>\$ 65,602,436</u>	<u>\$ 96,767,049</u>
Liabilities		
Salaries payable	\$ 21	\$ 1,120
Accounts and contracts payable	<u>11,839,407</u>	<u>7,554,413</u>
Total liabilities	11,839,428	7,555,533
Fund balances		
Restricted for capital projects	<u>53,763,008</u>	<u>89,211,516</u>
Total liabilities and fund balances	<u>\$ 65,602,436</u>	<u>\$ 96,767,049</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

Capital Projects – Building Construction Fund
 Comparative Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Revenue		
Local sources		
Investment earnings	\$ 3,480,244	\$ 5,589,124
Other	<u>71,592</u>	<u>840</u>
Total revenue	3,551,836	5,589,964
Expenditures		
Capital outlay		
Salaries	314,293	437,016
Employee benefits	145,545	157,455
Purchased services	7,046,829	9,689,402
Capital expenditures	37,498,500	39,679,150
Other expenditures	–	614
Debt service		
Fiscal charges and other	<u>171,413</u>	<u>–</u>
Total expenditures	<u>45,176,580</u>	<u>49,963,637</u>
Excess (deficiency) of revenue over expenditures	(41,624,744)	(44,373,673)
Other financing sources		
Debt issued	5,840,000	–
Premium on debt issued	<u>336,236</u>	<u>–</u>
Total other financing sources	<u>6,176,236</u>	<u>–</u>
Net change in fund balances	(35,448,508)	(44,373,673)
Fund balances		
Beginning of year	<u>89,211,516</u>	<u>133,585,189</u>
End of year	<u>\$ 53,763,008</u>	<u>\$ 89,211,516</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	<u>2025</u>	<u>2024</u>
Assets		
Cash and temporary investments	\$ 13,162,496	\$ 12,775,284
Receivables		
Current taxes	9,966,320	9,808,363
Delinquent taxes	<u>181,761</u>	<u>205,839</u>
Total assets	<u>\$ 23,310,577</u>	<u>\$ 22,789,486</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 19,226,536	\$ 19,171,882
Unavailable revenue – delinquent taxes	<u>301,154</u>	<u>166,567</u>
Total deferred inflows of resources	19,527,690	19,338,449
Fund balances		
Restricted for debt service	<u>3,782,887</u>	<u>3,451,037</u>
Total deferred inflows of resources and fund balances	<u>\$ 23,310,577</u>	<u>\$ 22,789,486</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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)

	<u>Budget</u>	<u>2025 Actual</u>	<u>Over (Under) Budget</u>	<u>2024 Actual</u>
Revenue				
Local sources				
Property taxes	\$ 19,171,000	\$ 18,831,889	\$ (339,111)	\$ 18,933,833
Investment earnings	—	263,330	263,330	301,209
Total revenue	<u>19,171,000</u>	<u>19,095,219</u>	<u>(75,781)</u>	<u>19,235,042</u>
Expenditures				
Debt service				
Principal	8,450,000	8,450,000	—	6,320,000
Interest	10,308,000	10,307,051	(949)	12,127,584
Fiscal charges and other	<u>25,000</u>	<u>6,318</u>	<u>(18,682)</u>	<u>21,525</u>
Total expenditures	<u>18,783,000</u>	<u>18,763,369</u>	<u>(19,631)</u>	<u>18,469,109</u>
Net change in fund balances	<u>\$ 388,000</u>	331,850	<u>\$ (56,150)</u>	765,933
Fund balances				
Beginning of year		<u>3,451,037</u>		<u>2,685,104</u>
End of year		<u>\$ 3,782,887</u>		<u>\$ 3,451,037</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	<u>Dental Self-Insurance</u>	<u>Medical Self-Insurance</u>	<u>Other Post-Employment Benefits</u>
Assets			
Current assets			
Cash and temporary investments	\$ 388,656	\$ 3,431,452	\$ –
Cash and investments – held by trustee	–	–	2,129,221
Accounts and interest receivable	–	702,703	34,914
Prepaid items	<u>–</u>	<u>157,700</u>	<u>–</u>
Total current assets	388,656	4,291,855	2,164,135
Deferred outflows of resources			
OPEB plan deferments	–	–	1,312,123
Liabilities			
Current liabilities			
Claims payable	6,189	5,710	–
Claims incurred, but not reported	17,020	982,309	–
Due to other governmental units	–	–	–
Due to other funds	–	–	420,993
Total OPEB liability – due within one year	<u>–</u>	<u>–</u>	<u>400,242</u>
Total current liabilities	23,209	988,019	821,235
Long-term liabilities			
Total OPEB liability – due in more than one year	<u>–</u>	<u>–</u>	<u>3,833,866</u>
Total liabilities	23,209	988,019	4,655,101
Deferred inflows of resources			
OPEB plan deferments	<u>–</u>	<u>–</u>	<u>1,673,801</u>
Net position			
Unrestricted	<u>\$ 365,447</u>	<u>\$ 3,303,836</u>	<u>\$ (2,852,644)</u>

<u>Totals</u>	
<u>2025</u>	<u>2024</u>
\$ 3,820,108	\$ 4,303,708
2,129,221	2,053,814
737,617	158,585
<u>157,700</u>	<u>157,700</u>
6,844,646	6,673,807
1,312,123	1,573,246
11,899	217,047
999,329	481,780
—	3,669
420,993	197,356
<u>400,240</u>	<u>468,432</u>
1,832,463	1,368,290
<u>3,833,866</u>	<u>3,915,783</u>
5,666,329	5,284,073
<u>1,673,801</u>	<u>2,016,753</u>
<u>\$ 816,639</u>	<u>\$ 946,227</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	<u>Dental Self-Insurance</u>	<u>Medical Self-Insurance</u>	<u>Other Post-Employment Benefits</u>
Operating revenue			
Contributions from governmental funds	\$ 645,414	\$ 10,197,581	\$ 211,878
Operating expenses			
Dental benefit claims	728,493	-	-
Medical benefit claims	-	10,521,115	-
OPEB	<u>-</u>	<u>-</u>	<u>203,823</u>
Total operating expenses	<u>728,493</u>	<u>10,521,115</u>	<u>203,823</u>
Operating income (loss)	(83,079)	(323,534)	8,055
Nonoperating revenue			
Investment earnings	<u>19,898</u>	<u>160,046</u>	<u>89,026</u>
Change in net position	(63,181)	(163,488)	97,081
Net position			
Beginning of year	<u>428,628</u>	<u>3,467,324</u>	<u>(2,949,725)</u>
End of year	<u>\$ 365,447</u>	<u>\$ 3,303,836</u>	<u>\$ (2,852,644)</u>

<u>Totals</u>	
<u>2025</u>	<u>2024</u>
\$ 11,054,873	\$ 10,325,714
728,493	622,541
10,521,115	8,950,513
<u>203,823</u>	<u>201,142</u>
<u>11,453,431</u>	<u>9,774,196</u>
(398,558)	551,518
<u>268,970</u>	<u>243,171</u>
(129,588)	794,689
<u>946,227</u>	<u>151,538</u>
<u>\$ 816,639</u>	<u>\$ 946,227</u>

INDEPENDENT SCHOOL DISTRICT NO. 283

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

	Dental Self-Insurance	Medical Self-Insurance	Other Post-Employment Benefits
Cash flows from operating activities			
Contributions from governmental funds	\$ 645,414	\$ 10,197,581	\$ 211,878
Payments for dental claims	(742,951)	-	-
Payments for medical claims	-	(10,763,588)	-
Payments for OPEB	-	-	(435,765)
Net cash flows from operating activities	<u>(97,537)</u>	<u>(566,007)</u>	<u>(223,887)</u>
Cash flows from noncapital financing activities			
Payments from (to) other funds	-	-	223,637
Cash flows from investing activities			
Investment income received	<u>19,898</u>	<u>160,046</u>	<u>75,657</u>
Net change in cash and cash equivalents	(77,639)	(405,961)	75,407
Cash and cash equivalents			
Beginning of year	<u>466,295</u>	<u>3,837,413</u>	<u>2,053,814</u>
End of year	<u>\$ 388,656</u>	<u>\$ 3,431,452</u>	<u>\$ 2,129,221</u>
Presented on statement of net position as follows			
Cash and temporary investments	\$ 388,656	\$ 3,431,452	\$ -
Cash and investments – held by trustee	-	-	2,129,221
Total cash and cash equivalents	<u>\$ 388,656</u>	<u>\$ 3,431,452</u>	<u>\$ 2,129,221</u>
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ (83,079)	\$ (323,534)	\$ 8,055
Adjustments to reconcile operating income (loss) to cash flows from operating activities			
Changes in assets and liabilities			
Accounts and interest receivable	-	(565,663)	-
Deferred outflows of resources	-	-	261,123
Total OPEB liability	-	-	(150,113)
Claims payable	(24,836)	(180,312)	-
Deferred inflows of resources	-	-	(342,952)
Claims incurred, but not reported	10,378	507,171	-
Due to other governmental units	-	(3,669)	-
Net cash flows from operating activities	<u>\$ (97,537)</u>	<u>\$ (566,007)</u>	<u>\$ (223,887)</u>

<u>Totals</u>	
<u>2025</u>	<u>2024</u>
\$ 11,054,873	\$ 10,325,714
(742,951)	(621,688)
(10,763,588)	(9,467,939)
<u>(435,765)</u>	<u>(503,083)</u>
(887,431)	(266,996)
<u>223,637</u>	<u>(9,427)</u>
<u>255,601</u>	<u>243,752</u>
(408,193)	(32,671)
<u>6,357,522</u>	<u>6,390,193</u>
<u>\$ 5,949,329</u>	<u>\$ 6,357,522</u>
\$ 3,820,108	\$ 4,303,708
<u>2,129,221</u>	<u>2,053,814</u>
<u>\$ 5,949,329</u>	<u>\$ 6,357,522</u>
\$ (398,558)	\$ 551,518
(565,663)	(137,040)
261,123	(13,982)
(150,113)	(1,128,377)
(205,148)	(94,383)
(342,952)	840,418
517,549	(284,657)
<u>(3,669)</u>	<u>(493)</u>
<u>\$ (887,431)</u>	<u>\$ (266,996)</u>

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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. 283
St. Louis Park, 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. 283 (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 2, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

(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*.

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,

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

LB CARLSON, LLP
Minneapolis, Minnesota

December 2, 2025



INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 283
St. Louis Park, 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. 283 (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 2, 2025.

MINNESOTA LEGAL COMPLIANCE

In connection with our audit, we noted that the District failed to comply with provisions of the claims and disbursements section 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 finding 2025-001. 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 contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, miscellaneous provisions, and uniform financial accounting and reporting standards for Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, 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 RESPONSE TO FINDING

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the legal compliance 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 the response.

(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,

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

LB CARLSON, LLP
Minneapolis, Minnesota

December 2, 2025

INDEPENDENT SCHOOL DISTRICT NO. 283

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

A. FINANCIAL STATEMENT FINDINGS

None.

B. MINNESOTA LEGAL COMPLIANCE FINDINGS

2025-001 UNTIMELY PAYMENT OF INVOICES

Criteria – Minnesota Statutes § 471.425, Subd. 2.

Condition – Minnesota Statutes require prompt payment of local government bills within a standard payment period of 35 days from receipt for governing boards that meet at least once a month. If such obligations are not paid within the appropriate time period, a school must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month.

Questioned Costs – Not applicable.

Context – We noted 7 of 40 disbursements tested were not paid within the statutory timeline. This was not a statistically valid sample.

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

Cause – This was an oversight by district personnel.

Effect – Independent School District No. 283 (the District) did not pay seven invoices selected for testing in a timely manner, based on statutory requirements.

Recommendation – We recommend that the District review its payment procedures 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 disbursements to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 283
Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2025

	Audit	UFARS	Audit – UFARS
General Fund			
Total revenue	\$ 85,388,651	\$ 85,388,651	\$ –
Total expenditures	\$ 86,194,481	\$ 86,194,481	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted			
401 Student activities	\$ 68,090	\$ 68,090	\$ –
402 Scholarships	\$ –	\$ –	\$ –
403 Staff development	\$ –	\$ –	\$ –
407 Capital projects levy	\$ 822,470	\$ 822,470	\$ –
408 Cooperative revenue	\$ –	\$ –	\$ –
412 Literacy incentive aid	\$ –	\$ –	\$ –
414 Operating debt	\$ –	\$ –	\$ –
416 Levy reduction	\$ –	\$ –	\$ –
417 Taconite building maintenance	\$ –	\$ –	\$ –
420 American Indian education aid	\$ 33,732	\$ 33,732	\$ –
424 Operating capital	\$ 900,899	\$ 900,899	\$ –
426 \$25 taconite	\$ –	\$ –	\$ –
427 Disabled accessibility	\$ –	\$ –	\$ –
428 Learning and development	\$ –	\$ –	\$ –
434 Area learning center	\$ –	\$ –	\$ –
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 aid	\$ –	\$ –	\$ –
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	\$ 68,288	\$ 68,288	\$ –
459 Basic skills extended time	\$ –	\$ –	\$ –
467 Long-term facilities maintenance	\$ 1,794,708	\$ 1,794,708	\$ –
471 Student support personnel	\$ –	\$ –	\$ –
472 Medical Assistance	\$ –	\$ –	\$ –
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	\$ 1,076,578	\$ 1,076,578	\$ –
Unassigned			
422 Unassigned fund balance	\$ 6,097,099	\$ 6,097,098	\$ 1
Food Service			
Total revenue	\$ 3,327,350	\$ 3,327,349	\$ 1
Total expenditures	\$ 2,998,456	\$ 2,998,456	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ 21,371	\$ 21,371	\$ –
Restricted			
452 OPEB liability not in trust	\$ –	\$ –	\$ –
464 Restricted fund balance	\$ 1,162,131	\$ 1,162,131	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
Community Service			
Total revenue	\$ 9,319,841	\$ 9,319,840	\$ 1
Total expenditures	\$ 8,461,238	\$ 8,461,238	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted			
426 \$25 taconite	\$ –	\$ –	\$ –
431 Community education	\$ 1,464,652	\$ 1,464,652	\$ –
432 ECFE	\$ 80,003	\$ 80,003	\$ –
437 Quality compensation	\$ –	\$ –	\$ –
440 Teacher development and evaluation	\$ –	\$ –	\$ –
444 School readiness	\$ 68,559	\$ 68,559	\$ –
447 Adult basic education	\$ 25,127	\$ 25,127	\$ –
452 OPEB liability not in trust	\$ –	\$ –	\$ –
456 Literacy aid	\$ –	\$ –	\$ –
457 Teacher compensation for READ Act	\$ –	\$ –	\$ –
464 Restricted fund balance	\$ 494,918	\$ 494,917	\$ 1
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –

INDEPENDENT SCHOOL DISTRICT NO. 283
Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2025

	Audit	UFARS	Audit – UFARS
Building Construction			
Total revenue	\$ 3,551,836	\$ 3,551,836	\$ –
Total expenditures	\$ 45,176,580	\$ 45,176,580	\$ –
Nonspendable			
460 Nonspendable fund balance	\$ –	\$ –	\$ –
Restricted			
407 Capital projects levy	\$ –	\$ –	\$ –
413 Projects funded by COP	\$ –	\$ –	\$ –
467 Long-term facilities maintenance	\$ –	\$ –	\$ –
464 Restricted fund balance	\$ 53,763,008	\$ 53,763,008	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
Debt Service			
Total revenue	\$ 19,095,219	\$ 19,095,219	\$ –
Total expenditures	\$ 18,763,369	\$ 18,763,369	\$ –
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	\$ 3,782,887	\$ 3,782,887	\$ –
Unassigned			
463 Unassigned fund balance	\$ –	\$ –	\$ –
Trust			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
401 Student activities	\$ –	\$ –	\$ –
402 Scholarships	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
Custodial Fund			
Total revenue	\$ 10,000	\$ 10,000	\$ –
Total expenditures	\$ 6,939	\$ 6,940	\$ (1)
401 Student activities	\$ –	\$ –	\$ –
402 Scholarships	\$ –	\$ –	\$ –
448 Achievement and integration	\$ –	\$ –	\$ –
464 Restricted fund balance	\$ 124,755	\$ 124,755	\$ –
Internal Service			
Total revenue	\$ 11,022,939	\$ 11,022,939	\$ –
Total expenditures	\$ 11,249,608	\$ 11,249,608	\$ –
422 Net position	\$ 3,669,283	\$ 3,669,283	\$ –
OPEB Revocable Trust Fund			
Total revenue	\$ 300,904	\$ 300,904	\$ –
Total expenditures	\$ 203,823	\$ 203,822	\$ 1
422 Net position	\$ (2,852,644)	\$ (2,852,644)	\$ –
OPEB Irrevocable Trust Fund			
Total revenue	\$ –	\$ –	\$ –
Total expenditures	\$ –	\$ –	\$ –
422 Net position	\$ –	\$ –	\$ –
OPEB Debt Service Fund			
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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