

Independent School District No. 709

Financial Statements and
Supplementary Information

Year Ended June 30, 2025

Independent School District No. 709

Year Ended June 30, 2025

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Independent School District No. 709

Year Ended June 30, 2025

School Officials

<u>Elective</u>	<u>Office</u>	<u>Term Expires</u>
Kelly Durick Eder	Chair	January 5, 2026
Jill Lofald	Vice Chair	January 5, 2026
Sarah Mikesell	Clerk	January 5, 2028
Amber Sadowski	Treasurer	January 5, 2026
Rosie Loeffler Kemp	Director	January 5, 2026
Henry Banks	Director	January 3, 2028
Stephanie Williams	Director	January 3, 2028

Appointive

John Magas	Superintendent
Simone Zurich	Deputy Clerk

Independent Auditor's Report

To the School Board
Independent School District No. 709
Duluth, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 709 (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 respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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

We draw attention to Note 1 of the financial statements, in 2025 the District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Correction of an Error

As discussed in Note 11 to the financial statements, the beginning net position of the governmental activities as well as the beginning fund balance of the general fund were restated to correct an error in the 2024 financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with 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.

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 6 – 13, information about the District's other postemployment health care plan, page 64, and information about the District's net pension liability, pages 65 through 70, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining nonmajor governmental funds financial statements, fiscal compliance table and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, pages 72 through 77, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental funds financial statements, fiscal compliance table and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental funds financial statements, fiscal compliance table and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 District's internal control over financial reporting and compliance.



Wipfli LLP

Eau Claire, Wisconsin
May 6, 2026

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Management's Discussion and Analysis

Independent School District No. 709

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

As management of Independent School District No. 709 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

Financial Highlights

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

- Net position increased \$3,587,315 or 5.94% of the prior year's net position.
- Overall actual revenues in the Statement of Activities were \$182,980,952 and expenses were \$179,393,637; leaving revenues exceeding expenses by \$3,587,315.
- General Fund unassigned fund balance increased \$2,013,758 compared to Fiscal Year 2024, which accounts for 1.42% of General Fund Revenues.
- Assigned Fund Balances, which include Severance, Technology, Curriculum, Transportation, Facilities, and Textbooks decreased by \$6,792,905 in FY2025. These funds will be spent in FY26 and future fiscal years for planned investments.
- The District's Capital Project Fund fund balance decreased \$3,929,293 due to significant spending for capital projects ongoing and completed during FY2025.

Overview of the Financial Statements

The financial section of the financial statements consists of four parts - Independent Auditor's Report, required supplementary information which includes the Management's Discussion and Analysis (this section), the basic financial statements and supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

Government-wide Statements

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

The two government-wide statements report the District's net position and how it has changed.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused compensated absences).

Independent School District No. 709

Management's Discussion and Analysis

Year Ended June 30, 2025

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, state statutes, and to control and manage money for particular purposes. All of the funds of the District can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds - Most of the District's basic services are included in governmental funds. Governmental fund financial statements focus on near-term inflows of cash and other financial assets that can readily be converted to cash, as well as the balances at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. A reconciliation is provided to facilitate a comparison between governmental fund financial statements and government-wide financial statements.

Proprietary funds - The District maintains two proprietary funds, both internal service funds, which accumulate and allocate costs internally among the District's various functions. The District's internal service funds are used to account for the District's postemployment benefits and health insurance benefits. Because these services predominately benefit the governmental function, they have been included in the governmental activities in the government-wide financial statements.

Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the employee insurance and employee flex benefit plan. 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 operation.

Financial Analysis of the District as a Whole

Net position may serve over time as a useful indicator of a district's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources as of June 30, 2025.

Independent School District No. 709

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

Statement of Net Position June 30,

	2025	2024
Current and other assets	\$ 81,488,329	\$ 98,733,211
Capital assets	283,763,497	288,407,261
Total assets	365,251,826	387,140,472
Deferred Outflows of Resources	23,752,557	23,789,519
Long-term liabilities	232,258,145	276,769,515
Other liabilities	20,440,665	20,443,430
Total liabilities	252,698,810	297,212,945
Deferred Inflows of Resources	68,583,642	53,352,639
Net position		
Net investment in capital assets	153,370,428	140,204,533
Restricted	11,300,855	11,118,300
Unrestricted (deficit)	(96,949,352)	(90,958,426)
Total net position	\$ 67,721,931	\$ 60,364,407

Change in Net Position For the Years Ended June 30,

	2025	2024
Revenues		
Program revenues		
Charges for service	\$ 3,871,123	\$ 5,185,512
Operating grants and contributions	65,962,120	25,111,213
Capital grants and contributions		
General revenues		
Property taxes	45,740,090	42,881,495
State aids	64,782,770	110,365,764
Other	2,624,849	4,594,388
Total revenues	182,980,952	188,138,372

Independent School District No. 709

Management's Discussion and Analysis

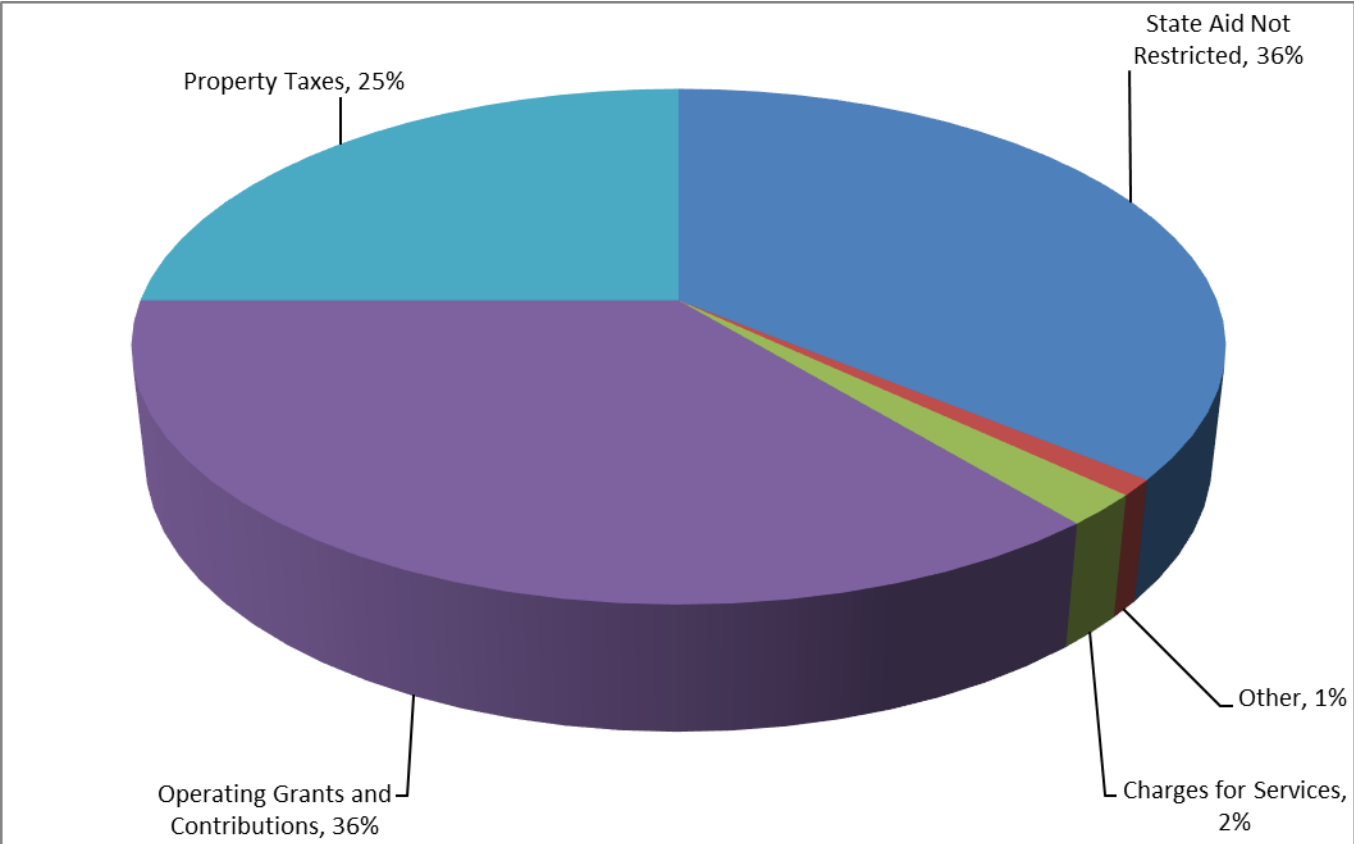
Year Ended June 30, 2025

	Change in Net Position (Continued) For the Years Ended June 30,	
	2025	2024
Expenses		
District and school administration	\$ 8,231,576	\$ 7,932,733
District support services	9,026,508	11,262,463
Regular instruction	61,350,429	39,439,430
Vocational instruction	2,963,633	1,950,780
Exceptional instruction	37,165,774	32,798,582
Instructional support services	7,627,050	5,616,115
Pupil support services	16,676,095	16,236,126
Sites, buildings and equipment	17,300,029	18,958,136
Food service	5,770,644	5,281,827
Community service	8,259,601	9,076,214
Interest and fiscal charges on long-term debt	1,742,440	2,716,305
Fiscal and other fixed cost programs	3,279,858	2,867,653
Total expenses	179,393,637	154,136,364
Change in net position	3,587,315	34,002,008
Net position - Beginning, as previously reported	60,364,407	26,362,399
Prior period adjustment - Correction of an error	(88,815)	
Prior period adjustment - Implementation of GASB 101	3,859,024	
Net position - Beginning, as restated	64,134,616	26,362,399
Net position - Ending	\$ 67,721,931	\$ 60,364,407

Independent School District No. 709

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

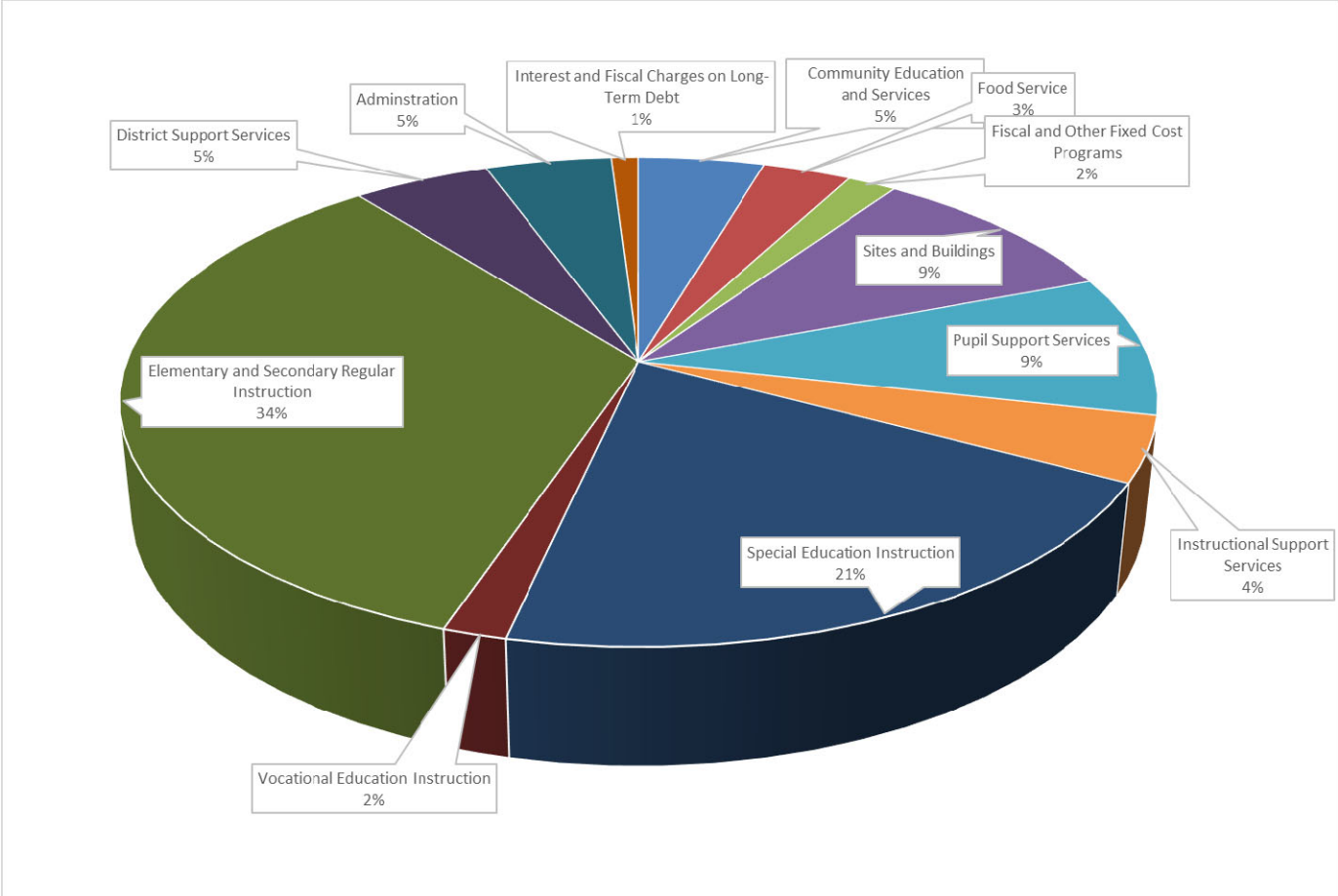
Sources of Revenue for Fiscal Year 2025



Independent School District No. 709

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

Expenses for Fiscal Year 2025



Independent School District No. 709

Management's Discussion and Analysis

Year Ended June 30, 2025

Financial Analysis of the District's Funds

While the government-wide presentations are designed to present users with a more complete picture of the District's financial position and results of operation, the traditional fund accounting basis provides users with information that can be used by the District to make decisions in the near-term.

General Fund Budgetary Highlights

The General Fund (which includes the District's general, transportation and capital funds) adopted an original revenue and other financing sources budget of \$138,817,920, which was revised to \$135,437,779. Actual revenues and other financing sources were \$6,241,566 more than budgeted amounts, or 4.6% more.

The General Fund adopted an original expenditure and other financing uses budget of \$136,135,888, which was revised to \$138,216,470, to account for construction projects and the additional costs related to programming. In the end, expenditures were \$14,995,483 over budget due to special education and transportation costs.

While the District's final budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$2,778,691, the actual results for the year showed expenditures and other financing uses exceeded revenues and other financing sources by \$11,532,608.

- Revenues and other financing resources were \$6,241,566 over budget due to the special education cross subsidy increase and additional average daily membership funding.
- Expenditures and other financing uses were \$14,995,483 more than anticipated due to special education and transportation costs. The District entered into a new ten year transportation contract which resulted in increased fuel and employee costs.

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal year 2025, the District had invested \$390,830,685 in capital assets, including school buildings and technology equipment. Total depreciation expense for the year was \$8,483,023. More detailed information about the District's capital assets is presented in Note 3 to the financial statements.

Debt Administration

At June 30, 2025, the District had 133,102,618 in general obligation bonds, certificates of participation, contracts payable and lease obligations outstanding. The District's debt rating from the State of Minnesota Credit Enhancement Program is Aa2. Under current state statutes, the District's general obligation bonded debt issuances are subject to a legal limitation of 10 percent of the fair market value of property in the District. The District is within its legal authority for bonded debt.

The District also had 99,155,527 in compensated absences, severance benefits, postemployment health benefits payable, and net pension liability at June 30, 2025.

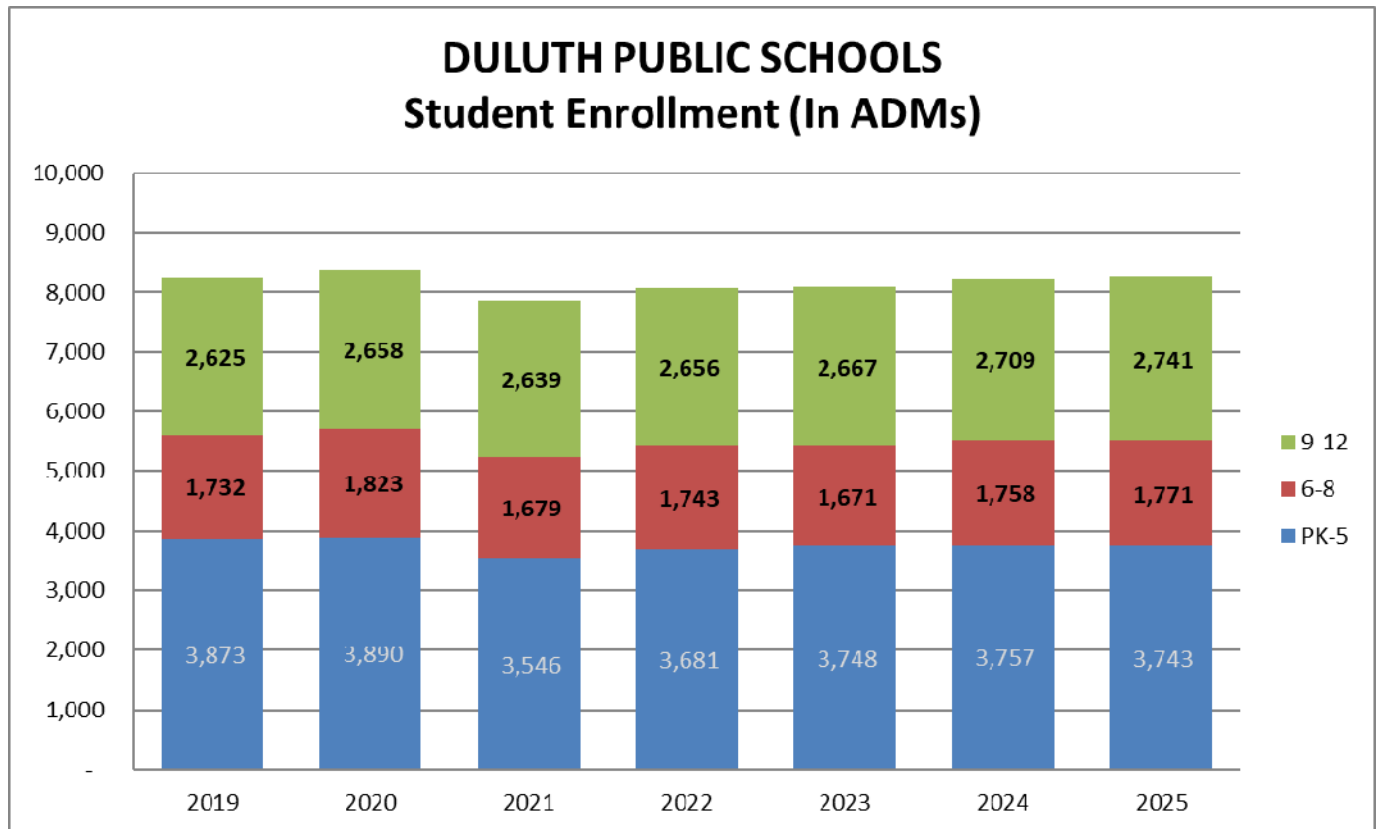
More detailed information about the District's long-term liabilities is presented in Notes 4, 5, and 7 to the financial statements.

Factors Bearing on the District's Future

Duluth Public Schools has been working with the District's financial advisors to utilize bonding in relation to the Long-Term Facilities Maintenance (LTFM) 10-year planning. This structure is allowing for more stability in funding and providing flexibility in completing projects.

Independent School District No. 709

Management’s Discussion and Analysis
Year Ended June 30, 2025



Following three years of incremental but consistent enrollment growth, the 2024-2025 academic year yielded an increase of only 31 average daily membership (ADM) over fiscal year 2024. While District enrollment currently remains stable, December 2026 estimates indicate an ADM of 8,200 which surpasses the budgeted projection of an increase of 32 ADM.

Moving forward, the District must closely monitor student retention rates to distinguish between temporary fluctuations and sustained enrollment trends. Based on a conservative analysis of these variables, we will utilize a project increase of 50 ADM per annum for future budgetary planning.

Contacting the District’s Financial Management

This financial report is 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 this report or need additional financial information contact the Business Office, Independent School District #709, 709 Portia Johnson Drive, Duluth, MN 55811 or call Simone Zurich, Executive Director of Finance, (218) 336-8700.

Government-Wide Financial Statements

Independent School District No. 709

Statement of Net Position (Deficit)

June 30, 2025

	Governmental Activities
Assets and Deferred Outflows of Resources	
Current assets	
Cash and temporary cash investments	\$ 39,119,388
Current property taxes receivable	23,893,968
Delinquent property taxes receivable	866,843
Accounts receivable	85,682
Interest receivable	7,399
Due from other Minnesota school districts	583,253
Due from the Minnesota Department of Education	12,498,791
Due from the federal government through the Minnesota Department of Education	4,063,082
Due from other governmental units	190,671
Inventory	130,333
Prepaid items	48,919
Total current assets	81,488,329
Capital assets, net of depreciation/amortization	
Assets not being depreciated/amortized	11,392,048
Assets being depreciated/amortized, net	272,371,449
Total capital assets, net of depreciation/amortization	283,763,497
Total assets	365,251,826
Deferred outflows of resources	
Items related to OPEB	679,091
Items related to pension plans	23,073,466
Total deferred inflows of resources	23,752,557
Total assets and deferred outflows of resources	\$ 389,004,383

Independent School District No. 709

Statement of Net Position (Deficit) (Continued)

June 30, 2025

	Governmental Activities
Liabilities, Deferred Inflows of Resources, and Net Position	
Current liabilities	
Salaries payable	\$ 10,493,043
Accounts payable	1,003,328
Accrued interest payable	1,552,749
Due to other governments	927
Accrued expenses	6,603,604
Claims payable	26,136
Unearned revenue	760,878
Current portion of long-term liabilities	27,430,234
Total current liabilities	47,870,899
Long-term liabilities	204,827,911
Total liabilities	252,698,810
Deferred inflows of resources	
Property taxes levied for subsequent year's expenditures	43,581,428
Gain on refunding	207,533
Items related to OPEB	2,140,626
Items related to pension plans	22,654,055
Total deferred inflows of resources	68,583,642
Net position	
Net investment in capital assets	153,370,428
Restricted	11,300,855
Unrestricted (deficit)	(96,949,352)
Total net position	67,721,931
Total liabilities, deferred inflow of resources, and net position	\$ 389,004,383

See accompanying notes to financial statements.

Independent School District No. 709

Statement of Activities

For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
District and school administration	\$ 8,231,576	\$ 1,190	\$ 2,692,174	\$	\$ (5,538,212)
District support services	9,026,508		599,007		(8,427,501)
Regular instruction	61,350,429	1,282,236	15,271,241		(44,796,952)
Vocational instruction	2,963,633		145,948		(2,817,685)
Exceptional instruction	37,165,774	1,771,925	28,102,524		(7,291,325)
Instructional support services	7,627,050		5,065,975		(2,561,075)
Pupil support services	16,676,095		1,580,980		(15,095,115)
Sites, buildings and equipment	17,300,029	660	66,838		(17,232,531)
Food service	5,770,644	162,560	5,614,594		6,510
Community service	8,259,601	652,552	5,947,448		(1,659,601)
Interest and fiscal charges on long-term debt	1,742,440				(1,742,440)
Fiscal and other fixed cost programs	3,279,858		875,391		(2,404,467)
Total governmental activities	\$ 179,393,637	\$ 3,871,123	\$ 65,962,120	\$	(109,560,394)

General revenues

Taxes

Property taxes, levied for general purposes	19,611,377
Property taxes, levied for community service	842,367
Property taxes, levied for debt service	25,286,346
State aid not restricted for particular purposes	64,782,770
Other general revenues	929,908
Investment earnings	1,694,941

Total general revenues 113,147,709

Change in net position 3,587,315

Net position - Beginning, as previously reported 60,364,407
 Prior period adjustment - Correction of error (88,815)
 Prior period adjustment - Implementation of GASB 101 3,859,024

Net position - Beginning, as restated 64,134,616

Net position - Ending \$ 67,721,931

See accompanying notes to financial statements.

Independent School District No. 709

Governmental Funds – Balance Sheet

June 30, 2025

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary cash investments	\$ 15,766,434	\$ 2,955,170	\$ 15,820,364	\$ 4,210,172	\$ 38,752,140
Current property taxes receivable	9,961,217		13,551,622	381,129	23,893,968
Delinquent property taxes receivable	360,427		484,736	21,680	866,843
Accounts receivable	50,179			35,342	85,521
Due from other Minnesota school districts	508,457			74,796	583,253
Due from the Minnesota Department of Education	11,829,857		237,862	431,072	12,498,791
Due from the federal government through the Minnesota Department of Education	3,288,971			774,111	4,063,082
Due from other governmental units	190,671				190,671
Inventory	17,343			112,990	130,333
Interest receivable	3,566	3,833			7,399
Prepaid expenses	48,919				48,919
Total assets	\$ 42,026,041	\$ 2,959,003	\$ 30,094,584	\$ 6,041,292	\$ 81,120,920
Liabilities					
Salaries payable	\$ 9,958,027	\$	\$	\$ 535,016	\$ 10,493,043
Accounts payable	900,704	41,921	1,750	58,953	1,003,328
Due to other governments	927				927
Accrued expenses	6,360,143			243,461	6,603,604
Unearned revenue	673,007			87,871	760,878
Total liabilities	17,892,808	41,921	1,750	925,301	18,861,780
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	360,427		484,736	21,680	866,843
Property taxes levied for subsequent year's expenditures	15,774,266		27,043,364	763,798	43,581,428
Total deferred inflows of resources	16,134,693		27,528,100	785,478	44,448,271
Fund balances					
Nonspendable	66,262			112,990	179,252
Restricted	5,546,077	2,917,082	2,564,734	4,236,377	15,264,270
Assigned	5,515,323				5,515,323
Unassigned	(3,129,122)			(18,854)	(3,147,976)
Total fund balances	7,998,540	2,917,082	2,564,734	4,330,513	17,810,869
Total liabilities, deferred inflows of resources and fund balances	\$ 42,026,041	\$ 2,959,003	\$ 30,094,584	\$ 6,041,292	\$ 81,120,920

See accompanying notes to financial statements.

Independent School District No. 709

Governmental Funds – Reconciliation of the Balance Sheet to the Statement of Net Position (Deficit)

June 30, 2025

Total fund balances - governmental funds	\$ 17,810,869
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	390,830,685
Less accumulated depreciation/amortization	(107,067,188)
Long-term liabilities, including bonds, certificates of participation, and leases, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Also, governmental funds report premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as an unamortized asset or liability in the District-wide financial statements. This amount is the net effect of these differences in the treatment of long-term liabilities.	
General obligation bonds	(68,496,183)
Certificates of participation	(57,165,000)
Leases	(2,152,226)
Unamortized premiums and discounts	(5,289,209)
Postemployment benefits and the deferred outflows of resources and deferred inflows of resources related to OPEB are only reported in the statement of net position.	
Total OPEB liability	(16,150,158)
Deferred outflows of resources related to OPEB	679,091
Deferred inflows of resources related to OPEB	(2,140,626)
The net pension liability and the deferred outflows of resources and inflow of resources of resources related to pensions are only reported in the statement of net position.	
Net pension liability	(70,244,248)
Deferred outflows of resources related to pensions	23,073,466
Deferred inflows of resources related to pensions	(22,654,055)
Compensated absences and severance benefits not payable with current and available resources are not reported as fund liabilities in governmental fund statements. All liabilities, both current and long-term, are reported in the statement of net position.	
Compensated absences	(12,761,121)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	866,843
Governmental funds do not report a liability for accrued interest until due and payable.	(1,552,749)
The district has advance refunded debt that has resulted in a deferred gain.	(207,533)
An internal service fund is used by management to charge the costs of OPEB to individual funds. These assets and liabilities of the internal service fund are included in the statement of net position.	341,273
Total net position - governmental activities	\$ 67,721,931

See accompanying notes to financial statements.

Independent School District No. 709

Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2025

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local property tax levies	\$ 19,580,139	\$	\$ 25,246,695	\$ 840,818	\$ 45,667,652
Other local and county revenues	5,068,324			885,242	5,953,566
Revenue from state sources	107,450,507		2,378,624	5,232,856	115,061,987
Revenue from federal sources	7,350,375			6,087,625	13,438,000
Sales and other conversion of assets	294,664			162,560	457,224
Interest income	1,141,509	553,432			1,694,941
Total revenues	140,885,518	553,432	27,625,319	13,209,101	182,273,370
Expenditures					
Current					
District and school administration	8,210,213				8,210,213
District support services	7,518,882				7,518,882
Regular instruction	59,511,050				59,511,050
Vocational instruction	2,904,568				2,904,568
Exceptional instruction	37,079,122				37,079,122
Community education and services				8,224,669	8,224,669
Instructional support services	7,757,550				7,757,550
Pupil support services	16,463,074			5,590,491	22,053,565
Site, buildings, and equipment	7,603,894	3,447,632			11,051,526
Fiscal and other fixed cost programs	3,279,858				3,279,858
Capital outlay	2,275,823	1,035,093		197,919	3,508,835
Debt service					
Principal	531,617		23,674,650	18,266	24,224,533
Interest and other fiscal costs	76,302		3,724,183	406	3,800,891
Total expenditures	153,211,953	4,482,725	27,398,833	14,031,751	199,125,262
Excess (deficiency) of revenues over expenditures	(12,326,435)	(3,929,293)	226,486	(822,650)	(16,851,892)
Other financing sources					
Issuance of leases	158,681				158,681
Insurance recovery	537,753				537,753
Sale of capital assets	97,393				97,393
Total other financing sources	793,827				793,827
Net change in fund balance	(11,532,608)	(3,929,293)	226,486	(822,650)	(16,058,065)
Fund balances - beginning, as previously reported	19,619,963	6,846,375	2,338,248	5,153,163	33,957,749
Prior period adjustment	(88,815)				(88,815)
Fund balances - beginning, as restated	19,531,148	6,846,375	2,338,248	5,153,163	33,868,934
Fund balances, ending	\$ 7,998,540	\$ 2,917,082	\$ 2,564,734	\$ 4,330,513	\$ 17,810,869

See accompanying notes to financial statements.

Independent School District No. 709

Governmental Funds – Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2025

Total net changes in fund balances - governmental funds	\$ (16,058,065)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets is allocated over the estimated useful lives as depreciation/amortization expense. This amount is the net effect of capital outlays, depreciation/amortization expense and the effect of various transaction involving capital assets.	
Capital outlays	3,883,389
Depreciation/amortization	(8,483,023)
Net book value of capital assets retired	(44,130)
The issuance of long-term debt provides current financial resources to governmental funds but increase long-term liabilities in the statement of net position.	
Lease liabilities	(158,681)
Repayment of bond, certificates of participation, leases, and contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal payments on general obligations bonds	8,429,650
Principal payments on certificates of participation	15,245,000
Principal payments on leases	549,883
Principal payments on contracts payable	1,899
Amortization of deferred gain on refunding	44,471
Amortization of bond premiums/discounts	1,741,757
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	270,324
Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.	
Change in total OPEB liability	(552,499)
Change in deferred outflows of resources related to OPEB	(102,901)
Change in deferred inflows of resources related to OPEB	354,227
Change in compensated absences	(1,689,578)
Change in net pension liability	17,084,915
Change in deferred outflows of resources related to pensions	65,939
Change in deferred inflows of resources related to pensions	(16,958,998)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditure, and therefore are unavailable in the funds.	
	72,438
The net loss of the internal service fund is reported in the statement of activities.	(108,702)
Change in net position - governmental activities	\$ 3,587,315

See accompanying notes to financial statements.

Independent School District No. 709

General Fund – Statement of Revenues, Expenditures, and Change in Fund Balance – Budget to Actual

For the Year Ended June 30, 2025

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Revenues				
Local property tax levies	\$ 16,632,253	\$ 16,632,253	\$ 19,580,139	\$ 2,947,886
Other local and county revenues	3,468,250	3,501,116	5,068,324	1,567,208
Revenue from state sources	103,540,545	108,130,416	107,450,507	(679,909)
Revenue from federal sources	7,162,672	7,150,963	7,350,375	199,412
Sales and other conversion of assets	12,700	21,531	294,664	273,133
Interest income			1,141,509	1,141,509
Total revenues	130,816,420	135,436,279	140,885,518	5,449,239
Expenditures				
Current				
District and school administration	6,350,164	6,312,442	8,210,213	(1,897,771)
District support services	5,971,474	5,971,474	7,518,882	(1,547,408)
Regular instruction	53,590,080	54,964,951	59,511,050	(4,546,099)
Vocational instruction	1,930,821	1,930,821	2,904,568	(973,747)
Exceptional instruction	35,568,093	35,568,093	37,079,122	(1,511,029)
Instructional support services	6,328,990	6,863,842	7,757,550	(893,708)
Pupil support services	12,763,997	12,768,428	16,463,074	(3,694,646)
Site, buildings, and equipment	8,804,732	8,971,465	7,603,894	1,367,571
Fiscal and other fixed cost programs	2,240,639	2,240,639	3,279,858	(1,039,219)
Debt service				
Principal	563,419	563,419	531,617	31,802
Interest and other fiscal costs	280,777	280,777	76,302	204,475
Capital outlay	1,470,137	1,507,554	2,275,823	(768,269)
Total expenditures	135,863,323	137,943,905	153,211,953	(15,268,048)
Excess (deficiency) of revenues over expenditures	(5,046,903)	(2,507,626)	(12,326,435)	(9,818,809)
Other financing sources (uses)				
Transfers out	(272,565)	(272,565)		272,565
Insurance recovery			537,753	537,753
Issuance of leases			158,681	158,681
Sale of capital assets	1,500	1,500	97,393	95,893
Total other financing sources (uses)	(271,065)	(271,065)	793,827	1,064,892
Net change in fund balance	(5,317,968)	(2,778,691)	(11,532,608)	(8,753,917)
Fund balance - beginning, as previously reported	19,619,963	19,619,963	19,619,963	
Prior period adjustment			(88,815)	(88,815)
Fund balance - beginning, as restated	19,619,963	19,619,963	19,531,148	
Fund balance, ending	\$ 14,301,995	\$ 16,841,272	\$ 7,998,540	\$ (8,753,917)

See accompanying notes to financial statements.

Independent School District No. 709

Proprietary Funds – Internal Service Funds - Statement of Net Position

June 30, 2025

	Dental Insurance Fund
Assets	
Cash and temporary cash investments	\$ 367,248
Accounts receivable	161
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Total assets	\$ 367,409
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Liabilities	
Claims payable	\$ 26,136
<hr/>	
Total liabilities	26,136
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Net position	
Unrestricted	341,273
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Total net position	341,273
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Total liabilities and net position	\$ 367,409

See accompanying notes to financial statements.

Independent School District No. 709

Proprietary Funds – Internal Service Funds - Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2025

	Dental Insurance Fund
Operating revenues	
Contributions from the District and employees	\$ 1,201,126
Total operating revenues	1,201,126
Operating expenses	
Dental care benefits/claims	1,242,645
Administrative costs	67,183
Total operating expenses	1,309,828
Operating loss	(108,702)
Net position, beginning of year	449,975
Net position, end of year	\$ 341,273

See accompanying notes to financial statements.

Independent School District No. 709

Proprietary Funds – Internal Service Funds - Statement of Cash Flows

For the Year Ended June 30, 2025

	Dental Plan Fund
<hr/>	
Cash flows from operating activities	
Contributions from the District and employees	\$ 1,174,734
Payments for health care premiums	(1,319,905)
Payments for administrative costs	(67,183)
<hr/>	
Net cash used in operating activities	(212,354)
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Cash, beginning of year	579,602
<hr/>	
Cash, end of year	\$ 367,248
<hr/>	
Reconciliation of operating loss to net cash used in operating activities	
Operating income (loss)	\$ (108,702)
Change in assets and liabilities	
Accounts receivable	43
Unearned revenue	(26,435)
Claims payable	(77,260)
<hr/>	
Net cash used in operating activities	\$ (212,354)
<hr/>	

See accompanying notes to financial statements.

Independent School District No. 709

Fiduciary Funds – Statement of Fiduciary Net Position

June 30, 2025

	Employee Benefit Trust Fund	Private- Purpose Fund
Assets		
Cash and temporary cash investments	\$ 1,187,412	\$
Investments	1,207,085	146,002
Total assets	\$ 2,394,497	\$ 146,002
Liabilities		
	\$	\$
Net position		
Restricted for endowment		126,286
Restricted for clock tower		19,716
Restricted for retirees	2,394,497	
Total net position	2,394,497	146,002
Total liabilities and net position	\$ 2,394,497	\$ 146,002

See accompanying notes to financial statements.

Independent School District No. 709

Fiduciary Funds – Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2025

	Employee Benefit Trust Fund	Private- Purpose Fund
Additions		
Contributions	\$ 241,929	\$
Interest	54,146	2,845
Total additions	296,075	2,845
Change in net position	296,075	2,845
Net position		
Beginning of year	2,098,422	143,157
End of year	\$ 2,394,497	\$ 146,002

See accompanying notes to financial statements.

Independent School District No. 709

Notes to Financial Statements

For the Year Ended June 30, 2025

Note 1 Summary of Significant Accounting Policies

Independent School District No. 709 (District) was formed and operates pursuant to applicable Minnesota laws and statutes. The Governing Body consists of a seven-member Board elected by voters of the District. Members are elected for four-year terms. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting board for establishing governmental accounting and financial reporting principles.

Reporting Entity

The District's financial statements include all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable or for which the exclusion of would render the financial statements to be misleading. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that the exclusion would cause the District's financial statements to be misleading or incomplete. Based on criteria established by the Governmental Accounting Standards Board, there are no organizations considered to be component units of the District.

Basic Financial Statement Presentation

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

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

The District applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function and is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material inter-fund activity has been removed from the government-wide financial statements.

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

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 1 Summary of Significant Accounting Policies (Continued)

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 fund is charges to customers for service. 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.

The fiduciary funds are presented in the fiduciary fund financial statements by type (benefit trust and private trust). Since by definition these assets are being held for the benefit of a third party (employees and donors) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts recognized in advanced 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition - Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year in which it applies according to Minnesota Statutes. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.
2. Recording of Expenditures - Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The District's internal service fund is used to account for the revocable trust fund established to provide funds needed for future OPEB obligations for employees and retirees.

A general summary of the nature and purpose of each of the funds maintained by the District follows:

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 1 Summary of Significant Accounting Policies (Continued)

Major Governmental Funds

General Fund - This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The general fund accounts for administration, early childhood special education through 12th grade instruction, transporting students to and from school, maintenance of facilities, equipment purchases and maintenance and capital projects.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources used in the acquisition and construction of major capital facilities.

Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources for the retirement of principal and interest on all general obligation bond indebtedness, other than the District's OPEB bonds. Assets of the Debt Service Fund are restricted to the payment of bond principal and interest.

Nonmajor Governmental Funds

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specified purposes. The District's has two special revenue funds:

Food Service Fund - Is used to account for food service revenues and expenditures. Revenues consist of state and federal aids, grants, and sales to pupils and adults.

Community Service Fund - Is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, K-6 extended day programs, or other similar services. Revenues consist of state and federal aids, grants, and program participant fees.

Proprietary Funds

Dental Insurance Fund - This internal service fund is used to account for dental benefits for employees who are covered by the self-insured plan of the District.

Fiduciary Funds

Private Purpose Trust Fund - These funds are used to account for specific purposes that were defined by the individual that gave the funds. The District includes the Miller Memorial Playground endowment and the Clock Tower endowment as Private Purpose Trust Funds.

Federal Employee Benefit Trust Fund - These funds are used to account for employees' severance for federally funded programs.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 1 Summary of Significant Accounting Policies (Continued)

Budgeting

Formal budgetary accounting is employed as a management control for all funds of the District. For each fund for which a formal budget is adopted, the budget is prepared on the same basis of accounting as the fund financial statements. The budget is adopted through passage of a resolution. The School Board must approve revisions. Legal budgetary control is at the fund account level. The annual budget is not legally binding on the District unless the District has a total deficit in its general fund, which exceeds 2.5 percent of expenditures.

Cash and Temporary Investments

Cash and investments of the individual funds are combined to form a pool, except for fiduciary funds, and are invested to the extent available in various securities as authorized by state law. Investments in state and local government securities are recorded at fair value, based on quoted market price. Negotiable certificates of deposit are recorded at cost, which approximates fair value. Money market accounts and investments in external investment pools are recorded at fair value, based on the fair value of the position in the pool. Earnings from the pooled investments are distributed between the funds based on their prorated portion of monthly cash balances.

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Receivables

All receivables are shown net of any allowance for uncollectible amounts. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are delinquent property taxes receivable.

Inventory

General Fund inventory includes instructional and other materials held in the central storeroom. Inventory in the Food Service Fund consists of food and supplies. The General Fund central storeroom inventory is priced using the weighted average method. All inventories are accounted for using the consumption method. Under the consumption method, expenditures are recognized when inventory is used rather than when purchased. Food and supplies are valued at cost on a first-in, first-out basis.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 1 Summary of Significant Accounting Policies (Continued)

Property Taxes

Property taxes are set by the school board and certified to the county auditor who acts as collecting agent, in December of the year prior to collection. Taxes become a lien on property on the following January 1. Minnesota school districts operate under a levy limitation law that generally limits annual increases in taxes per capita. This law does not cover levies for bonded indebtedness.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The county provides tax settlements to school districts and other taxing districts in January, March, June, and November or December. Portions of the tax levy paid by the state in the form of credits are included in revenue from state sources.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). General fund revenue is determined annually by statutory funding formulas. These formulas allocate revenue between property taxes and state aids based on education funding priorities set by the Minnesota State Legislature. Changes in this allocation result in an annual change in property tax revenue recognition referred to as the “tax shift”. In prior years, the amount of shift has varied between 0 and 50 percent.

The following is a summary of tax shift transactions by fund:

	(0.0%) Total Shift June 30, 2024	State Aid Adjustment	Revenue Adjustment	(0.0%) Total Shift June 30, 2025
General Fund	\$ 1,371,846	\$	\$ 5,855	\$ 1,377,701

Taxes that 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 in the fund based financial statements (unavailable revenue – delinquent taxes) because it is not available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

Capital Assets

Capital assets are recorded at historical cost if purchased, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. 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.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 1 Summary of Significant Accounting Policies (Continued)

Capital assets are reported in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives, ranging from five to fifty years.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Unearned Revenue

Unearned revenue results when asset recognition criteria have been met, but revenue recognition criteria have not been met. The balance consists primarily of revenue that will be recognized based on future expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has reported deferred outflows of resources related to pensions for its proportionate shares of collective deferred outflows of resources related to pensions and the District's contributions to pension plans subsequent to the measurement date of the collective net pension liability. The District has also reported deferred outflows of resources related to OPEB for the changes of assumption and the District's contributions subsequent to the measurement date of the total OPEB liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has reported unavailable revenue from delinquent property taxes, which arises only under a modified accrual basis of accounting, in the governmental funds balance sheet. The District has also reported property taxes levied for subsequent years expenditures as a deferred inflow of resources in both the governmental funds balance sheet and the statement of net position. The District has also reported deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions. The District has also reported deferred inflows of resources related to OPEB for the difference between expected and actual liability and changes in assumptions.

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 premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 1 Summary of Significant Accounting Policies (Continued)

Leases

The District is a lessee in a noncancelable lease. If the contract provides the District the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the District's incremental borrowing rate. The District uses the incremental borrowing rate based on the information available at the commencement date for all leases. The District's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset for leases is amortized on a straight-line basis over the lease term.

Subscription Based Information Technology Arrangements (SBITAs)

The District is a party to multiple noncancelable subscription based information technology arrangements (SBITAs). If the contract provides the District the right to use the present service capacity and the right to direct the use of the identified asset, it is considered to be or contain a SBITA. Subscription-based assets and liabilities are recognized at the agreement commencement date based on the present value of the future payments over the expected contract term. The SBITA asset is also adjusted for any prepayments made and capitalizable initial implementation costs as incurred.

The SBITA liability is initially and subsequently recognized based on the present value of its future payments. Variable payments are included in the present value when the underlying rate or index is fixed and predictable for the life of the lease. Variable costs that depend on an unpredictable index are accounted for as expenses as they are incurred. Increases (decreases) to variable payments due to subsequent changes in an index or rate are recorded as an adjustment to expense in the period in which they are incurred. The discount rate used is the implicit rate in the SBITA contract, if it is readily determinable, or the District's incremental borrowing rate.

For all underlying classes of assets, the District does not recognize SBITA assets and liabilities for short-term agreements that have a contract term of 12 months or less at contract commencement. Contracts containing termination clauses in which either party may terminate without cause and the notice period is less than 12 months are deemed short-term agreements with costs included in expense.

Compensated Absences

Vacation granted and sick pay earned is based on length of service and various bargaining unit and employee contracts. Based on individual employee and bargaining unit contracts, employees may be eligible for payment of accumulated leave. Amounts have been recorded consistent with the compensated absences reporting standards of GASB Statement No. 101, *Compensated Absences*.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 1 Summary of Significant Accounting Policies (Continued)

Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 8.

Other Postemployment Benefits (OPEB)

The District provides postemployment health insurance benefits to some retired employees as established by contracts with bargaining units or other employment contracts. These contracts state the years, age and retiring dates needed to qualify for these postemployment benefits. The contracts also establish the amount the District will contribute towards the purchase of health insurance.

Fund Balance

In the fund financial statements, governmental funds report fund balance amounts within one of the following categories: non-spendable, restricted, committed, assigned, or unassigned. Non-spendable fund balance consists of amounts that cannot be spent because it is not in spendable form. Restricted fund balance consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions. Committed fund balance consists of amounts that are constrained for specific purposes that are internally imposed by a formal action of the School Board. Assigned fund balance consists of amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 1 Summary of Significant Accounting Policies (Continued)

The District applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted fund balance is available. The portion of the fund balance not non-spendable, restricted, committed or assigned is reported as unassigned fund balance. If resources from more than one fund balance classification could be spent, the District will strive to spend resources in the following order: non-spendable, restricted, committed, assigned and unassigned.

In accordance with the District's fund balance policy, a majority vote of the School Board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board and the District's management is authorized to assign fund balance to a specific purpose.

The District strives to maintain a minimum unassigned General Fund fund balance equal to 8 percent of the annual expenditures budget. At June 30, 2025, the District had met the minimum fund balance goal.

Net Position

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

Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through TBD, the date the financial statements were available to be issued. There were no subsequent events identified by the District that are required to be disclosed.

New Accounting Pronouncement

Management has adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. The District implemented this guidance as of July 1, 2024. The implementation of this guidance required to restate its beginning net position of the year ended June 30, 2025. Further details of the restatement can be found in Note 11 to the financial statements.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 2 Deposits and Investments

Deposits

In accordance with Minnesota Statutes, the District maintains deposits at those depositories authorized by the School Board. Such depositories are members of the Federal Reserve System.

Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. Authorized collateral includes certain notes secured by first mortgages; obligations that are legally authorized investments for debt service funds and certain state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution other than that furnishing collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District requires collateral for deposits over FDIC insurance amounts. At June 30, 2025, the District's deposits were not exposed to custodial credit risk.

Investments

The District may also invest idle funds as authorized by Minnesota statutes, as follows: 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 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen 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' bank eligible for purchase by the Federal Reserve System; commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; time deposits fully insured by U.S. banks; 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 2 Deposits and Investments (Continued)

The Minnesota School District Liquid Asset Fund (MSDLAF) and MN Trust are regulated by Minnesota Statutes and are external investment pools not registered with the Securities and Exchange Commission (SEC). The District's investment in MSDLAF and MN Trust are measured at net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. MSDLAF and MN Trust are short-term money market portfolios. The portfolios are managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00.

Interest rate risk - Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The District had the following investments at June 30, 2025:

	Fair Value	Maturities		
		Less than 1 Year	1-3 Years	Over 3 Years
External Investments Pools	\$ 41,062,903	\$ 41,062,903	\$	\$
Certificates of Deposit	579,930	579,930		
Total	\$ 41,642,833	\$ 41,642,833	\$	\$

Credit risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits investments as discussed above. The District has no investment policy that would further limit its investment choices.

S&P/Fitch Rating	Fair Value
AAAm	\$ 40,062,903
AAAf	1,000,000
Not rated	579,930
Total	\$ 41,642,833

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 2 Deposits and Investments (Continued)

Concentration of credit risk - The concentration risk is the risk of loss that may be caused by the District's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer.

Custodial risk - The custodial risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. At June 30, 2025, the District's investments were not exposed to custodial risk.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.

The District has the following investments valued at recurring fair value measurements at June 30, 2025:

		Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Certificates of deposit	\$ 579,930	\$	\$ 579,930	\$
Investments measured at the net asset value (NAV)				
External investment pools	41,062,903			
Total investments	\$ 41,642,833			

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 2 Deposits and Investments (Continued)

The following table sets forth additional disclosures about the District's investments whose value is estimated using net asset value (NAV) as of June 30, 2025:

	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
External Investment Pool - MSDLAF+ Liquid Class	\$ 1,927,434	\$ 0	On Demand	2 P.M. Eastern Time transaction deadline.
External Investment Pool - MSDLAF+ MAX Class	\$ 283,315	\$ 0	14 days, with the exception of direct investments of funds distributed by the State of Minnesota	24-hour notice
External Investment Pool - MN Trust Investment Series Portfolio	\$ 37,852,154	\$ 0	On Demand	None
External Investment Pool - MN Trust Term Series	\$ 1,000,000	\$ 0	Not Applicable - Early withdrawal may result in substantial early redemption penalties	Not Applicable
Total External Pool Investments	\$ 41,062,903			

The District's total cash and investments are as follows:

Petty Cash	\$ 2,405
Deposits	14,649
Investments	41,642,833
Total	\$ 41,659,887

Presented in the basic financial statements as follows:

Statement of Net Position	
Cash and temporary cash investments	\$ 39,119,388
Statement of Fiduciary Net Position	
Private Purpose Trust Fund	
Investments	146,002
Employee Benefit Trust Fund	
Cash and temporary cash investments	1,187,412
Investments	1,207,085
Total cash and investments	\$ 41,659,887

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 3 Capital Assets

The following is a summary of capital assets:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Capital assets not being depreciated				
Land	\$ 9,686,782			\$ 9,686,782
Construction in progress	452,116	1,655,738	402,588	1,705,266
Total capital assets not being depreciated	10,138,898	1,655,738	402,588	11,392,048
Capital assets being depreciated/amortized				
Land improvements	4,150,609	533,249	1,722,046	2,961,812
Buildings	362,314,125	772,207	1,819,618	361,266,714
Equipment	10,523,272	891,774	470,808	10,944,238
Leases - Equipment	209,347	158,681	209,347	158,681
Leases - Buildings	5,334,810		1,501,946	3,832,864
Subscription-based IT arrangements	298,551	274,328	298,551	274,328
Total capital assets being depreciated/amortized	382,830,714	2,630,239	6,022,316	379,438,637
Less accumulated depreciation				
Land improvements	2,607,415	111,033	1,721,836	996,612
Buildings	90,767,880	7,132,087	1,786,346	96,113,621
Equipment	6,116,825	651,266	460,160	6,307,931
Leases - Equipment	198,139	40,961	209,347	29,753
Leases - Buildings	4,573,541	506,860	1,501,946	3,578,455
Subscription-based IT arrangements	298,551	40,816	298,551	40,816
Total accumulated depreciation/amortization	104,562,351	8,483,023	5,978,186	107,067,188
Total capital assets being depreciated/amortized, net	278,268,363	(5,852,784)	44,130	272,371,449
Capital assets, net	\$ 288,407,261	\$ (4,197,046)	\$ 446,718	\$ 283,763,497

Depreciation/amortization is charged to governmental functions as follows:

District and school administration	\$ 7,491
District support services	623,992
Regular instruction	18,917
Exceptional instruction	76,884
Community education	17,166
Instructional support services	26,100
Pupil support services	212,504
Sites, buildings and equipment	7,499,969
Total	\$ 8,483,023

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 4 Long-Term Obligations

The following is a summary of changes in long-term obligations:

	(Restated) Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Current Portion
General Obligation Bonds Payable					
\$44,320,000 General Obligation School Building Refunding Bonds (Series 2015B) due in annual installments of \$30,000 to \$5,135,000, plus interest at 2.00% to 5.00% from August 1, 2015 to February 1, 2028	\$ 19,670,000	\$	\$ (4,675,000)	\$ 14,995,000	\$ 4,870,000
\$31,497,602 General Obligation Capital Appreciation Bonds (Series 2021C) due in annual installments of \$5,894,859 to \$6,711,224, plus interest at 1.54% to 2.15% from February 1, 2029 to February 1, 2033	31,497,602			31,497,602	
\$10,035,000 General Obligation Facilities Maintenance Bonds (Series 2021D) due in annual installments of \$1,820,000 to \$4,165,000, plus interest at 2.00% from August 1, 2022 to February 1, 2026	4,050,000		(2,005,000)	2,045,000	2,045,000
\$21,708,231 Taxable General Obligation Capital Appreciation Bonds (Series 2024A) due in installments of \$821,266 to \$9,160,545 plus interest at 5.00% to 5.18% from March 1, 2025 to March 1, 2030	21,708,231		(1,749,650)	19,958,581	
Plus deferred amounts for net premiums/discounts	1,001,174		(234,309)	766,865	234,309
Total General Obligation Bonds Payable	77,927,007		(8,663,959)	69,263,048	7,149,309
Certificates of Participation					
\$82,605,000 Full Term Refunding Certificates of Participation, Series 2016A due in annual installments of \$4,470,000 to \$9,900,000 plus interest at 3.00% to 5.00% beginning in 2017	35,945,000		(8,065,000)	27,880,000	8,665,000
\$41,715,000 Refunding Certificates of Participation, Series 2019B due in annual installments of \$4,215,000 to \$5,935,000 plus interest at 5.00% beginning in 2020	21,440,000		(4,810,000)	16,630,000	5,160,000
\$2,710,000 Full Term Refunding Certificates of Participation, Series 2019C due in annual installments of \$295,000 to \$350,000 plus interest at 5.00% beginning in 2020	1,320,000		(310,000)	1,010,000	320,000
\$18,385,000 Full Term Refunding Certificates of Participation, Series 2021A due in annual installments of \$1,570,000 to \$4,145,000 plus interest at .71% to 1.72% beginning in 2022	13,705,000		(2,060,000)	11,645,000	3,620,000
\$5,070,000 Refunding Certificates of Participation, Series 2021B due in annual installments of \$405,000 to \$505,000 plus interest at 2.60% to 3.00% beginning in 2022	6,029,792		(1,507,448)	4,522,344	1,507,448
Plus deferred amounts for net premiums/discounts	6,029,792		(1,507,448)	4,522,344	1,507,448
Total Certificates of Participation	78,439,792		(16,752,448)	61,687,344	19,272,448

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 4 Long-Term Obligations (Continued)

	(Restated) Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Current Portion
Contracts payable	\$ 1,899	\$	\$ (1,899)	\$	\$
Leases payable	2,543,428	158,681	(549,883)	2,152,226	509,219
Compensated absences	11,071,543	1,689,578		12,761,121	434,970
Net pension liability	87,329,163	85,664	(17,170,579)	70,244,248	
Total OPEB obligation	15,597,659	1,774,003	(1,221,504)	16,150,158	64,288
Total	\$ 272,910,491	\$ 3,707,926	\$ (44,360,272)	\$ 232,258,145	\$ 27,430,234

General Obligation Bonds and Certificates of Participation are paid from the Debt Service Fund and the General Fund. Lease payments are made by the general fund and the community service fund. Contracts payable are paid from the General Fund. Compensated absences, severance benefits, OPEB obligations, and net pension liability are paid from the General Fund, Food Service Fund, Community Service Fund or the Federal Employee Benefit Trust Fund.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 4 Long-Term Obligations (Continued)

Annual debt service requirements for years ending June 30 are:

	General Obligation Bonds			Certificates of Participation		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 6,915,000	\$ 466,400	\$ 7,381,400	\$ 17,765,000	\$ 2,248,120	\$ 20,013,120
2027	6,309,455	519,295	6,828,750	19,070,000	1,493,810	20,563,810
2028	5,956,266	337,784	6,294,050	20,330,000	766,544	21,096,544
2029	15,871,769	3,458,231	19,330,000			
2030	15,162,341	4,162,659	19,325,000			
2031-2033	18,281,352	4,283,648	22,565,000			
Total	\$ 68,496,183	\$ 13,228,017	\$ 81,724,200	\$ 57,165,000	\$ 4,508,474	\$ 61,673,474

	Leases		
	Principal	Interest	Total
2026	\$ 509,219	\$ 72,475	\$ 581,694
2027	437,872	57,182	495,054
2028	372,236	42,659	414,895
2029	362,569	30,222	392,791
2030	374,236	19,576	393,812
2031	96,094	248	96,342
Total	\$ 2,152,226	\$ 222,362	\$ 2,374,588

Legal Debt Margin

The District's legal debt limit is 15% of the estimated or adjusted market value (whichever one is higher) of the property within the District. The District's legal debt limit at June 30, 2025 is \$2,053,045,394. The District's legal debt margin at June 30, 2025 is \$1,984,549,211.

Advance Refunded Debt (Prior Year)

In a prior fiscal year, the District advance refunded certain outstanding bonded debt by issuing new debt, the proceeds of which were placed in an irrevocable escrow with an independent escrow agent. The amounts deposited in the escrow were invested in state and local government series (SLGS) securities, which together with the interest earned thereon, are sufficient to provide for all future principal and interest payments on the refunded debt as those payments become due.

As a result, the refunded debt is considered defeased and the liability for the refunded bonds has been removed from the statement of net position. However, the refunded bonds remain outstanding and are not legally extinguished.

As of June 30, 2025, the principal amount of advance-refunded debt outstanding was \$19,710,000.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 5 Postemployment Healthcare Plan (OPEB)

Plan Description - Independent School District No. 709 (District) administers a single-employer defined benefit health care plan which provides medical benefits to eligible retirees and their dependents in accordance with the terms of the plan. The District has not established trust to account for the accumulated plan assets. The District does not issue a stand-alone financial report for the plan.

Employees covered by benefit terms

At June 30, 2025, the following employees were covered by the benefit terms:

Active employees electing coverage	1,068
Actives waiving coverage	97
Retirees electing coverage	58
	1,223
	1,223

The District's total OPEB liability of \$16,150,158 was measured as of June 30, 2025 and was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50%	
Discount rate	3.97%	
Healthcare trend rates		
	Fiscal Year	
	<u>Beginning</u>	
	2024	7.60%
	2025	6.90%
	2026	6.30%
	2027	5.60%
	2028-2034	4.90%
	2035-2075	Transition to ultimate rate
	2076+	3.90%

The discount rate was determined using the index rate for 20-Year, tax-exempt, municipal bonds (Fidelity 20-year Municipal GO AA Index).

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on Scale MP-2015 and other adjustments for teachers and Pub-2010 with projected mortality improvements based on scale MP-2021 and other adjustments for non-teachers.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 5 Postemployment Healthcare Plan (OPEB) (Continued)

<u>Changes in the Total OPEB Liability</u>	
Balances at 6/30/2024	\$ 15,597,659
Changes for the year:	
Service Cost	1,149,272
Interest	624,731
Changes of assumptions	(97,146)
Benefit payments	(1,124,358)
<hr/>	
Net changes	552,499
<hr/>	
Balances at 6/30/2025	\$ 16,150,158
<hr/>	

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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 (2.97 percent) or 1-percentage point higher (4.97 percent) than the current discount rate:

	1% Decrease 2.97%	Discount Rate 3.97%	1% Increase 4.97%
<hr/>			
Total OPEB Liability	\$ 17,044,927	\$ 16,150,158	\$ 15,284,321

Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates

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

	1% Decrease	Current Trend Rate	1% Increase
<hr/>			
Total OPEB Liability	\$ 15,643,749	\$ 16,150,158	\$ 16,738,327

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 5 Postemployment Healthcare Plan (OPEB) (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflow of Resources Related to OPEB

For the year ended June 30, 2025 the District recognized OPEB expense of \$1,409,921. 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
Difference between expected and actual liability	\$ 162,704	\$ 525,738
Changes of assumptions	274,458	1,614,888
Contributions subsequent to the measurement date	241,929	
Totals	\$ 679,091	\$ 2,140,626

The amount of \$241,929 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

<u>Year ended June 30</u>	<u>OPEB Expense Amount</u>
2026	\$ (308,663)
2027	(293,710)
2028	(292,796)
2029	(164,188)
2030	(187,644)
Thereafter	(456,463)
Total	\$ (1,703,464)

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 6 Net Position/Fund Balance

Fund balances were non-spendable for the following purposes at June 30, 2025:

Nonspendable		
General Fund		
Prepaid expenses	\$	48,919
Inventory		17,343
Food Service Fund		
Inventory		112,990
<hr/>		
Total nonspendable	\$	179,252
<hr/>		

Net position and fund balances were restricted for the following purposes at June 30, 2025:

	<u>Net Position</u>	<u>Fund Balances</u>
General Fund		
Staff development	\$ 306,000	\$ 306,000
Teacher Development & Evaluation	16,729	16,729
Basic skills	576,474	576,474
LTFM	1,108,367	1,108,367
Student Support Personnel	32,939	32,939
Medical assistance	913,776	913,776
Gifted and talented	12,675	12,675
Safe schools	428,587	428,587
Operating capital	969,630	969,630
Literary incentive aid	201,921	201,921
Area learning center	500,784	500,784
Teacher comp read act	114,649	114,649
Student activities	363,546	363,546
<hr/>		
Total General Fund		5,546,077
Debt Service Fund		
Debt service	1,480,289	2,548,302
Refinancing	16,432	16,432
Total Debt Service Fund		<hr/> 2,564,734
Building Construction Fund		
LTFM		2,917,082
Total Building Construction Fund		<hr/> 2,917,082

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 6 Net Position/Fund Balance (Continued)

Net position and fund balances were restricted for the following purposes at June 30, 2025:

Nonmajor governmental funds		
Food Service Fund	2,822,735	2,822,735
Community Service Fund		
Community service	20,767	20,767
Community education	1,218,108	1,196,428
Early childhood family education	*	*
School readiness	51,875	51,875
Adult basic education	144,572	144,572
Total Nonmajor Funds		<u>4,236,377</u>
Total restricted	\$ 11,300,855	\$ 15,264,270

* - For purposes of GAAP reporting, this must be zero. However for MDE reporting reporting purposes, this amount was \$(18,854).

Fund balances were assigned for the following purposes at June 30, 2025:

Assigned		
General Fund		
Severance-insurance premiums	\$	1,100,000
Textbooks		860,610
Equipment		1,059,000
Property sales		1,995,713
Instructional equipment		500,000
Total assigned	\$	<u>5,515,323</u>

Note 7 Defined Benefit Pension Plans

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by Teachers Retirement Association (TRA) and Public Employees Retirement Association (PERA). TRA and PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes chapters 353, 353D, 353E, 353G, 354 and 356, TRA and PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

A. Teachers Retirement Fund (TRA)

1. Plan Description

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

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 7 Defined Benefit Pension Plans (Continued)

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

2. Benefits Provided

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

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

Tier I Benefits

<u>Tier I</u>	<u>Step rate formula</u>	<u>Percentage</u>
Basic	1st ten years	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1 st ten years if service years are up to July 1, 2006	1.2 percent per year
	1 st ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are up to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

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) 3% 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).

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 7 Defined Benefit Pension Plans (Continued)

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 which 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 members terminating service are 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.

3. Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for the employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$4,354,303. The District's contributions were equal to the required contributions for each year as set by state statute.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 7 Defined Benefit Pension Plans (Continued)

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:

Experience Studies	August 2, 2023 (demographic and economic assumptions)*
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 20, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumption:

Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy Retirees:	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries:	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled Retirees:	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

**The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.*

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 7 Defined Benefit Pension Plans (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

Changes in actuarial assumptions since the 2022 valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the 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% to reflect the continued lower than expected observations.

5. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 7 Defined Benefit Pension Plans (Continued)

6. Net Pension Liability

At June 30, 2025, the District reported a liability of \$60,791,789 for its proportionate share of 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 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 0.9567% at the end of the measurement period and 0.8939% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$	60,791,789
State's proportionate share of net pension liability associated with the District	\$	3,976,141

For the year ended June 30, 2025, the District recognized pension expense of \$5,079,554. It also recognized \$4,215,402 as a decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$1,685,386 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,844,974	\$ 719,513
Net difference between projected and actual investment earnings on pension plan investments		8,323,099
Changes in proportion	6,760,615	261,626
Changes in actuarial assumptions	5,240,450	7,249,586
District contributions made to TRA subsequent to the measurement date	4,354,303	
Total	\$ 19,200,342	\$ 16,553,824

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 7 Defined Benefit Pension Plans (Continued)

The \$4,354,303 reported as deferred outflows of resources related to pensions resulting from District Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2026	\$ (2,109,649)
2027	5,883,047
2028	(2,892,281)
2029	(2,493,661)
2030	(95,241)
Total	\$ (1,707,785)

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) and one percentage point higher (8%) than the current rate.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	\$ 107,057,897	\$ 60,791,789	\$ 22,713,684

8. Pension Plan Fiduciary Net Position

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-4000; or by calling (651)296-2409 or 1-800-657-3669.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 7 Defined Benefit Pension Plans (Continued)

B. Public Employee Retirement Association (PERA)

1. Plan Description

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. Benefits Provided

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

General Employees Plan 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 highest average salary for all years of service.

For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .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 postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 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. 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 prorated increase.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 7 Defined Benefit Pension Plans (Continued)

3. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General 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 General Employees Fund for the year ended June 30, 2025, were \$1,741,851. The District's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

At June 30, 2025, the District reported a liability of \$9,452,459 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$244,421.

District's proportionate share of the net pension liability	\$	9,452,459
State of Minnesota's proportionate share of the net pension liability associated with the District		244,421
Total	\$	<u>9,696,880</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 PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.2557% percent at the end of the measurement period and 0.2419% percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$675,956 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$6,553 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

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 \$434,901 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:

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 7 Defined Benefit Pension Plans (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 870,181	\$
Net difference between projected and actual earnings on pension plan investments		2,663,475
Changes in proportion	1,219,668	
Changes in actuarial assumptions	41,424	3,436,756
Employer contributions made to PERA subsequent to the measurement date	1,741,851	
Total	\$ 3,873,124	\$ 6,100,231

The \$1,741,851 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2026	\$ (2,113,019)
2027	(182,749)
2028	(948,714)
2029	(724,476)
Total	\$ (3,968,958)

5. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 7 Defined Benefit Pension Plans (Continued)

6. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% 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% is within that range.

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

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 7 Defined Benefit Pension Plans (Continued)

7. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 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 General Employees, Police and Fire, and Correctional Plans were 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.

8. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	6.00%	7.00%	8.00%
District's proportionate share of the PERA net pension liability	\$ 20,645,692	\$ 9,452,459	\$ 245,004

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report can be obtained at www.mnpera.org.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 8 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee health and dental; and natural disasters. Risks of loss related to employee dental claims are self-insured. Risk of loss associated with workers' compensation claims were insured through participation in the Minnesota School Boards Association Insurance Trust and continue to cover claims arising during their period of coverage. The District currently carries commercial workers' compensation insurance. This policy provides coverage for up to a maximum liability limit of \$2,000,000 with a medical deductible of \$2,500 for each workers' compensation claim. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

Note 9 Dental Self-Insurance Plan

An internal service fund accounts for the District's dental self-insurance program. The District self-insures dental benefits provided to retirees and active employees. The District purchases dental insurance stop-loss reinsurance (plan) that protects against individual claims in excess of \$300,000, with no lifetime maximum, and against aggregate annual claims in excess of an amount determined by formula. The plan is administered by a third-party administrator. The plan liabilities for claims incurred but not reported are estimated based on subsequent claims activity.

An analysis of claims activity for the last two fiscal years is presented below:

Year Ended	Claim Liability Beginning of Year	Claims Incurred	Claims Paid	Claim Liability End of Year
June 30, 2025	\$ 103,396	\$ 1,309,828	\$ 1,387,088	\$ 26,136
June 30, 2024	103,396	1,158,365	1,158,365	103,396

Note 10 Commitments and Contingencies

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

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel the resolution of these matters will not have a material adverse effect on the financial conditions of the District.

Independent School District No. 709

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2025

Note 11 Restatements of Beginning Balances

During fiscal year 2025, a change in accounting principle and a correction of an error resulted in restatements of beginning net position and fund balance as follows:

	6/30/2024 As Previously Reported	Change in Accounting Principle (A)	Correction Of An Error (B)	6/30/2024 As Restated
Government-Wide				
Governmental activities	\$ 60,364,407	\$ 3,859,204	\$ (88,815)	\$ 64,134,796
Governmental Funds				
Major Funds:				
General Fund	\$ 19,619,963	\$ -	\$ (88,815)	\$ 19,531,148

(A) - Change in accounting principle - GASB Statement 101, *Compensated Absences*.

(B) - Correction of an error - After the prior year audit was finalized, the District was notified that it had to make a payment for unemployment benefits that should have been accounted for during the fiscal year ending June 30, 2024.

Required Supplementary Information

Independent School District No. 709

Information about the District's Other Postemployment Health Care Plan Year Ended June 30, 2025

Schedule of Changes in Total OPEB Liability and Related Ratios

	2025	2024	2023	2022	2021	2020	2019
Total OPEB Liability							
Service Cost	\$ 1,149,272	\$ 1,014,431	\$ 1,267,214	\$ 1,202,398	\$ 1,034,727	\$ 1,046,751	\$ 997,070
Interest	624,731	578,018	335,229	424,005	509,112	629,943	613,488
Differences between expected and actual experience	-	123,936	89,068	(26,233)	-	(1,471,559)	
Changes of assumptions	(97,146)	(226,897)	(1,726,526)	(175,570)	578,584	31,787	(49,578)
Changes of benefit terms	-	209,823					
Benefit payments	(1,124,358)	(1,503,308)	(1,511,957)	(1,159,816)	(1,338,844)	(1,383,288)	(1,500,194)
Net change in total OPEB liability	552,499	196,003	(1,546,972)	264,784	783,579	(1,146,366)	60,786
Total OPEB Liability - beginning of year	15,597,659	15,401,656	16,948,628	16,683,844	15,900,265	17,046,631	16,985,845
Total OPEB liability - end of year	<u>\$ 16,150,158</u>	<u>\$ 15,597,659</u>	<u>\$ 15,401,656</u>	<u>\$ 16,948,628</u>	<u>\$ 16,683,844</u>	<u>\$ 15,900,265</u>	<u>\$ 17,046,631</u>
Covered-employee payroll	\$ 86,186,953	\$ 77,630,466	\$ 75,080,891	\$ 67,511,107	\$ 67,802,595	\$ 57,803,966	\$ 55,080,812
Total OPEB liability as a percentage of covered-employee payroll	18.7%	20.1%	20.5%	25.1%	24.6%	27.5%	30.9%

Notes to Schedule:

Funding: There are no assets accumulated in a trust that meets the criteria of GASB NO. 75 paragraph 4, to pay related benefits.

The discount rate was increased from 3.86% to 3.97% from the previous measurement date.

*The schedule is intended to present information for the last 10 years.
Additional information will be presented as it becomes available.

Independent School District No. 709

Information about the District's Net Pension Liability

Year Ended June 30, 2025

Schedule of Employer's Share of Net Pension Liability

TEACHER'S RETIREMENT ASSOCIATION (TRA)

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability associated with the District	Total	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.9567%	\$60,791,789	\$ 3,976,141	\$64,767,930	\$64,341,341	94.5%	82.1%
June 30, 2023	0.8939%	\$73,802,386	\$ 5,169,664	\$78,972,050	\$56,838,134	129.8%	76.4%
June 30, 2022	0.8691%	\$69,592,930	\$ 5,161,200	\$74,754,130	\$54,320,051	128.1%	76.2%
June 30, 2021	0.8181%	\$35,802,502	\$ 3,019,548	\$38,822,050	\$48,954,428	73.1%	86.6%
June 30, 2020	0.8273%	\$61,122,033	\$ 5,122,031	\$66,244,064	\$47,247,879	129.4%	75.5%
June 30, 2019	0.8317%	\$53,012,733	\$ 4,691,452	\$57,704,185	\$47,226,083	112.3%	78.1%
June 30, 2018	0.8293%	\$52,088,203	\$ 4,893,726	\$56,981,929	\$45,816,146	113.7%	78.1%
June 30, 2017	0.8874%	\$177,141,137	\$ 17,123,980	\$194,265,117	\$47,767,587	370.8%	51.6%
June 30, 2016	0.8681%	\$207,062,563	\$ 20,782,926	\$227,845,489	\$45,155,373	458.6%	44.9%
June 30, 2015	0.7225%	\$44,693,771	\$ 5,481,972	\$50,175,743	\$36,668,947	121.9%	76.8%

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability associated with the District	Total	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.2557%	\$9,452,459	\$ 244,421	\$9,696,880	\$21,771,671	43.4%	89.1%
June 30, 2023	0.2419%	\$13,526,777	\$ 372,784	\$13,899,561	\$19,177,178	70.5%	74.6%
June 30, 2022	0.2295%	\$18,176,476	\$ 533,042	\$18,709,518	\$17,168,616	105.9%	76.7%
June 30, 2021	0.2154%	\$9,198,545	\$ 280,806	\$9,479,351	\$15,484,741	59.4%	87.0%
June 30, 2020	0.2284%	\$13,693,624	\$ 422,365	\$14,115,989	\$15,274,933	89.6%	79.1%
June 30, 2019	0.2265%	\$12,565,292	\$ 389,316	\$12,954,608	\$16,054,133	78.3%	80.2%
June 30, 2018	0.2357%	\$13,075,670	\$ 428,850	\$13,504,520	\$15,809,493	82.7%	79.5%
June 30, 2017	0.2588%	\$16,521,621	\$ 207,740	\$16,729,361	\$16,672,067	99.1%	75.9%
June 30, 2016	0.2547%	\$20,680,377	\$ 270,170	\$20,950,547	\$15,804,347	130.9%	68.9%
June 30, 2015	0.2582%	\$13,381,264	\$ -	\$13,381,264	\$14,926,453	89.6%	78.2%

Independent School District No. 709

Information about the District's Net Pension Liability

Year Ended June 30, 2025

Schedule of Employer's Contributions

TEACHER'S RETIREMENT ASSOCIATION (TRA)

Fiscal Year Ending	Contributions in Relation to the			Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
June 30, 2025	\$4,354,303	\$4,354,303	\$0	\$49,777,927	8.75%
June 30, 2024	\$5,629,027	\$5,629,027	\$0	\$64,341,341	8.75%
June 30, 2023	\$4,859,660	\$4,859,660	\$0	\$56,838,134	8.55%
June 30, 2022	\$4,530,292	\$4,530,292	\$0	\$54,320,051	8.34%
June 30, 2021	\$3,979,806	\$3,979,806	\$0	\$48,954,428	8.13%
June 30, 2020	\$3,742,032	\$3,742,032	\$0	\$47,247,879	7.92%
June 30, 2019	\$3,641,131	\$3,636,786	\$0	\$47,226,083	7.71%
June 30, 2018	\$3,436,211	\$3,436,211	\$0	\$45,816,146	7.50%
June 30, 2017	\$3,582,569	\$3,582,569	\$0	\$47,767,587	7.50%
June 30, 2016	\$3,386,653	\$3,386,653	\$0	\$45,155,373	7.50%

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

Fiscal Year Ending	Contributions in Relation to the			Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)		
June 30, 2025	\$1,741,851	\$1,741,851	\$0	\$23,224,209	7.50%
June 30, 2024	\$1,633,008	\$1,633,008	\$0	\$21,771,671	7.50%
June 30, 2023	\$1,438,217	\$1,438,217	\$0	\$19,177,178	7.50%
June 30, 2022	\$1,287,115	\$1,287,115	\$0	\$17,168,616	7.50%
June 30, 2021	\$1,161,356	\$1,161,356	\$0	\$15,484,741	7.50%
June 30, 2020	\$1,145,620	\$1,145,620	\$0	\$15,274,933	7.50%
June 30, 2019	\$1,204,060	\$1,204,060	\$0	\$16,054,133	7.50%
June 30, 2018	\$1,185,712	\$1,185,712	\$0	\$15,809,493	7.50%
June 30, 2017	\$1,250,405	\$1,250,405	\$0	\$16,672,067	7.50%
June 30, 2016	\$1,185,326	\$1,185,326	\$0	\$15,804,347	7.50%

*The schedule is intended to present information for the last 10 years.
Additional information will be presented as it becomes available.

Independent School District No. 709

Information about the District's Net Pension Liability

Year Ended June 30, 2025

2024 Changes

Changes in Actuarial Assumptions

The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023):

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

Changes in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Independent School District No. 709

Information about the District's Net Pension Liability

Year Ended June 30, 2025

2021 Changes

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.

Changes in Plan Provisions

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

2020 Changes

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 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

Independent School District No. 709

Information about the District's Net Pension Liability

Year Ended June 30, 2025

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1 percent per year through 2044 and 2.5 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4 percent to 3 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual increases were changed from 1 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost-of Living Adjustment, not less than 1 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA load are now 0 percent for active member liability, 15 percent for vested deferred member liability, and 3 percent for non-vested deferred member liability.
- The assumed annual increase rate was changed for 1 percent per year for all years to 1 percent per year through 2044 and 2.50 percent per year thereafter.

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.

Independent School District No. 709

Information about the District's Net Pension Liability

Year Ended June 30, 2025

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

2016 Changes:

Changes in Actuarial Assumptions

- The assumed annual increase rate was changed from 1 percent per year through 2035 and 2.50 percent per year thereafter to 1 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

- The assumed annual increase rate was changed from 1 percent per year through 2030 and 2.5 percent per year thereafter to 1 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, was due September 2015.

Supplementary Financial Information

Independent School District No. 709

Nonmajor Governmental Funds – Combining Balance Sheet

For the Year Ended June 30, 2025

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
Assets			
Cash and temporary cash investments	\$ 2,784,287	\$ 1,425,885	\$ 4,210,172
Accounts receivable	14,050	21,292	35,342
Current property taxes receivable		381,129	381,129
Delinquent property taxes receivable		21,680	21,680
Due from other Minnesota school districts		74,796	74,796
Due from the Minnesota Department of Education		431,072	431,072
Due from the federal government through the Minnesota Department of Education	97,624	676,487	774,111
Inventory	112,990		112,990
Total assets	\$ 3,008,951	\$ 3,032,341	\$ 6,041,292
Liabilities			
Salaries payable	\$ 21,962	\$ 513,054	\$ 535,016
Accounts payable	47,712	11,241	58,953
Accrued expenses	3,552	239,909	243,461
Deferred revenue		87,871	87,871
Total liabilities	73,226	852,075	925,301
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes		21,680	21,680
Property taxes levied for subsequent year's expenditures		763,798	763,798
Total deferred inflows of resources		785,478	785,478
Fund balances			
Nonspendable	112,990		112,990
Restricted	2,822,735	1,413,642	4,236,377
Unassigned		(18,854)	(18,854)
Total fund balances	2,935,725	1,394,788	4,330,513
Total liabilities, deferred inflows of resources and fund balances	\$ 3,008,951	\$ 3,032,341	\$ 6,041,292

Independent School District No. 709

Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2025

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
Revenues			
Local property tax levies	\$	\$ 840,818	\$ 840,818
Other local and county revenues		885,242	885,242
Revenue from state sources	2,036,917	3,195,939	5,232,856
Revenue from federal sources	3,567,126	2,520,499	6,087,625
Sales and other conversion of assets	162,560		162,560
Total revenues	5,766,603	7,442,498	13,209,101
Expenditures			
Current			
Community education and services		8,224,669	8,224,669
Pupil support services	5,590,491		5,590,491
Capital outlay	180,153	17,766	197,919
Debt Service			
Principal		18,266	18,266
Interest		406	406
Total expenditures	5,770,644	8,261,107	14,031,751
Net change in fund balances	(4,041)	(818,609)	(822,650)
Fund balances, beginning	2,939,766	2,213,397	5,153,163
Fund balances, ending	\$ 2,935,725	\$ 1,394,788	\$ 4,330,513

Independent School District No. 709

Fiscal Compliance Table For the Year Ended June 30, 2025

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total revenues	\$140,885,518	\$140,885,519	\$ (1)	Total revenues	\$ 553,432	\$ 553,432	\$ -
Total expenditures	153,211,953	153,211,953	-	Total expenditures	4,482,725	4,482,725	-
Non spendable				Non spendable			
460 Non spendable fund balance	66,262	66,262	-	460 Non spendable fund balance			-
Restricted/Reserve				Restricted/Reserve			
401 Student activities	363,546	363,546	-	407 Down payment levy			-
403 Staff development	306,000	306,000	-	413 Projects funded by COP			-
405 Deferred maintenance			-	409 Alternative facility program			-
406 Health and safety			-	467 LTFM	2,917,082	2,917,083	(1)
407 Capital Projects Levy			-	Restricted			
408 Cooperative revenue			-	464 Restricted fund balance	-		-
411 Severance pay			-	Unassigned			
412 Literacy Incentive aid	201,921	201,921	-	463 Unassigned fund balance	-	-	-
414 Operating debt			-				
416 Levy reduction			-	07 DEBT SERVICE			
417 Taconite building maintenance			-	Total revenues	27,625,319	27,625,319	-
420 American Indian Ed Aid	-		-	Total expenditures	27,398,833	27,398,833	-
424 Operating capital	969,630	969,630	-	Non spendable			
426 \$25 Taconite			-	460 Non spendable fund balance			-
427 Disabled accessibility			-	Restricted/Reserve			
428 Learning and development			-	425 Bond refundings	16,432	16,432	-
434 Area learning center	500,784	500,784	-	451 QZAB payments			-
435 Contracted alt. programs			-	Restricted			
436 St. approved alt. program			-	464 Restricted fund balance	2,548,302	2,548,303	(1)
438 Gifted & talented	12,675	12,675	-	Unassigned			
440 Teacher development & eval	16,729	16,729	-	463 Unassigned fund balance			-
441 Basic skills program	576,474	576,474	-				
445 Career and technical programs			-	08 TRUST			
448 Achievement & integration	-		-	Total revenues	298,920	298,920	-
449 Safe schools levy	428,587	428,587	-	Total expenditures	-	-	-
450 Prekindergarten			-	401 Student activities			-
				402 Scholarships			-
451 QZAB payments			-	422 Unassigned	2,540,499	2,540,499	-
452 OPEB liability not in trust			-	18 CUSTODIAL FUND			
457 Teacher Comp Read Act	114,649	114,649	-	Total revenues			-
467 LTFM	1,108,367	1,108,367	-	Total expenditures			-
471 Student Support Personnel	32,939	32,939	-	401 Student activities			-
472 Medical Assistance	913,776	913,776	-	402 Scholarships			-
Restricted							
464 Restricted fund balance			-	20 INTERNAL SERVICE			
Committed				Total revenues	1,201,126	1,201,126	-
418 Committed for separation			-	Total expenditures	1,309,828	1,309,828	-
461 Committed fund balance			-	422 Net position	341,273	341,273	-
Assigned							
462 Assigned fund balance	5,515,323	5,515,323	-	25 OPEB REVOCABLE TRUST FUND			
Unassigned				Total revenues			-
422 Unassigned fund balance	-3,129,122	(3,129,120)	(2)	Total expenditures			-
				422 Net position			-
02 FOOD SERVICE							
Total revenues	5,766,603	5,766,603	-	45 OPEB IRREVOCABLE TRUST FUND			
Total expenditures	5,770,644	5,770,644	-	Total revenues			-
Non spendable				Total expenditures			-
460 Non spendable fund balance	112,990	112,990	-	422 Net position			-
Restricted							
452 OPEB liability not in trust			-	47 OPEB DEBT SERVICE FUND			
464 Restricted fund balance	2,822,735	2,822,742	(7)	Total revenues			-
Unassigned				Total expenditures			-
463 Unassigned fund balance			-	Non spendable			
				460 Non spendable fund balance			-
04 COMMUNITY SERVICE				Restricted			
Total revenues	7,442,498	7,442,498	-	425 Bond refundings			-
Total expenditures	8,261,107	8,261,112	(5)	464 Restricted fund balance			-
Non spendable				Unassigned			
460 Non spendable fund balance			-	463 Unassigned fund balance			-
Restricted/Reserve							
426 \$25 taconite			-				
431 Community education	1,196,428	1,196,428	-				
432 ECFE	(18,854)	(18,854)	-				
444 School readiness	51,875	51,875	-				
447 Adult Basic Education	144,572	144,572	-				
452 OPEB liability not in trust			-				
Restricted							
464 Restricted fund balance	20,767	20,767	-				
Unassigned							

Reports Required by *Government Auditing Standards*,
Uniform Guidance, and the State of Minnesota

Independent School District No. 709

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Agriculture				
Passed-through Minnesota Department of Education:				
Child Nutrition Cluster				
School Breakfast Program	10.553	None reported	\$	\$ 752,576
National School Lunch Program (Noncash assistance)	10.555	None reported		375,932
National School Lunch Program (Cash assistance)	10.555	None reported		2,252,928
Total National School Lunch Program (10.555)				2,628,860
Summer Food Service Program for Children	10.559	None reported		128,441
Fresh Fruit and Vegetable Program	10.582	None reported		15,557
Total Child Nutrition Cluster				3,525,434
State Administrative Expenses for Child Nutrition	10.560	None reported		7,794
Child and Adult Care Food Program	10.558	None reported		35,648
Total U.S. Department of Agriculture				3,568,876
U.S. Department of Interior				
Passed-through Fond du Lac Band of Lake Superior Chippewa				
Indian Education Assistance to Schools	15.130	None reported		19,893
U.S. Department of Treasury				
Passed-through St. Louis County				
Covid-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	None reported		722,583
Environmental Protection Agency				
Passed-through Minnesota Department of Education:				
Performance Partnership Grants	66.605	None reported		660
U.S. Department of Education				
Direct Program				
Indian Education Grants to Local Educational Agencies	84.060	None reported		186,291
Passed-through Minnesota Department of Education:				
Special Education Cluster				
Special Education - Grants to States (FIN 419)	84.027	None reported		2,020,155
Special Education - Grants to States (FIN 425)	84.027	None reported		419,598
Total Special Education - Grants to States (84.027)				2,439,753
Special Education Preschool Grants	84.173A	None reported		89,229
Total Special Education Cluster				2,528,982
Title I Grants to Local Educational Agencies	84.010	None reported		2,677,248
Title I, Part D Program for Neglected and Delinquent	84.010	None reported		114,940
Total Title I (84.010)				2,792,188

Independent School District No. 709

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Education (Continued)				
Passed-through Minnesota Department of Education (Continued):				
Adult Basic Education - Basic Grants to States	84.002	None reported		\$ 25,128
Education for Homeless Children and Youth	84.196	None reported		43,000
Special Education - State Personnel Development	84.323	None reported		50,000
Special Education - Grants for Infants and Families	84.181	None reported		77,000
English Language Acquisition Grants	84.365	None reported		7,714
Arts in Education	84.351	None reported		1,886
Supporting Effective Instruction State Grants	84.367	None reported		242,210
Covid-19 - Education Stabilization Fund	84.425U	None reported		201,223
Passed-through Independent School District No. 704				
Career and Technical Education - Basic Grants to States	84.048A	None reported		119,289
Total U.S. Department of Education				6,274,911
U.S. Department of Health and Human Services				
Direct Program				
Head Start Cluster				
Head Start	93.600	None reported		2,495,371
Passed-through Minnesota Department of Education				
Substance Abused and Mental Health Service Projects of Regional and National Significance	93.243	None reported		360,021
Total U.S. Department of Health and Human Services				2,855,392
Total expenditures of federal awards			\$	\$ 13,442,315

Independent School District No. 709

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

Note 1 **Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Independent School District No. 709 under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) Because the schedule presents only a selected portion of the operations of Independent School District No. 709, it is not intended to and does not present the financial position, changes in net position, or cash flows of Independent School District No. 709.

Note 2 **Significant Accounting Policies**

Expenditures reported on the schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Independent School District No. 709 has not elected to use the 10 percent de minimus indirect costs rate as allowed under Uniform Guidance.

Note 3 **Pass-Through Grant Numbers**

All pass-through listed on the previous page use the same AL numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

Note 4 **Subrecipients**

The District has not passed funding to subrecipients during 2024-25.

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
Independent School District No. 709
Duluth, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 709, Duluth, Minnesota (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 May 6, 2026.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs, as items 2025-001 and 2025-002 that we consider to be material weaknesses.

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Report on Compliance and Other Matters

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

District's Response to the Findings

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

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP
May 6, 2026
Eau Claire, Wisconsin

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance

To the School Board
Independent School District No. 709
Duluth, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 709 (District)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Independent School District No. 709 (District) complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, federal statutes, regulations, rules, and provisions of contracts or agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

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The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP
Eau Claire, Wisconsin
May 6, 2026

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Independent Auditor's Report on Legal Compliance for the State of Minnesota

To the School Board
Independent School District No. 709
Duluth, 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. 709 (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which comprise the District's basic financial statements, and have issued our report thereon dated May 6, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting-bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and uniform financial accounting and reporting standards for Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to *Minnesota Statute §6.65*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they related to accounting matters.

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 communication is not suitable for any other purpose.



Wipfli LLP
Eau Claire, Wisconsin
May 6, 2026

Independent School District No. 709

Schedule of Findings and Responses

For the Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

 X Yes No

Significant deficiency(s)?

 Yes X None reported

Noncompliance material to the financial statements

 Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness identified?

 Yes X No

Significant deficiency(s)?

 X Yes None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?

 Yes X No

Identification of major federal program

AL Number

Name of Federal Program or Cluster

10.553, 10.555, 10.559, 10.582

Child Nutrition Cluster

93.600

Headstart Cluster

Dollar threshold used to distinguish between Type A and Type B Programs

\$750,000

Auditee qualified as a low-risk auditee?

 Yes X No

Independent School District No. 709

Schedule of Findings and Responses (continued)

For the Year Ended June 30, 2025

Section II - Financial Statement Findings:

Item 2025-001 - Audit adjustments/Reconciliation of Significant Accounts (Material Weakness)

Criteria - Controls should be in place to ensure accurate financial reporting. In order to make the financial reports generated by the accounting system as meaningful as possible, the District should reconcile the general ledger accounts to supporting documentation on a monthly basis.

Condition - The District is responsible for controls over the period-end financial reporting process, including controls over procedures to process journal entries into the general ledger and record recurring and nonrecurring adjustments to the financial statements and reconciling general ledger accounts to supporting documentation. As a result of audit procedures, we identified significant accounts that were not reconciled at year end, including federal and state receivables, investment income, and accrued expenses; and proposed material adjustments to the District's general ledger accounts to correct these misstatements.

Cause - The District's controls over period-end financial reporting did not prevent or detect material misstatements of the financial statements.

Effect - Without controls over procedures that will detect or prevent misstatements when entering transactions or making adjustments to the financial statements and reconciling significant accounts to supporting documentation, the financial statements may be misstated.

Recommendation - We recommend that management implement controls necessary to achieve accurate financial reporting, including reconciling significant accounts monthly.

Management's Response - The District feels that we have reached milestones regarding audit compliance and Skyward reporting procedures. We feel this will improve each year and as we complete another audit we have already started conversations about the next audit on areas for the district to improve on.

2025-002 - Financial Statement Presentation and Disclosures (Material Weakness)

Criteria - Controls should be in place to prepare financial statements in accordance with generally accepted accounting principles (GAAP).

Condition - The District internal control over financial reporting does not end at the general ledger, but extends to the financial statements and related notes. As part of our professional services for the year ended June 30, 2025, Wipfli assisted in drafting the financial statements and related notes. While the District does have an internal control process to review the financial statements prepared by the auditors, the District does not have sufficient expertise to completely prepare its own financial statements and related notes and relies on the auditors to provide necessary understanding of current accounting and disclosure principles in the preparation of the financial statements and related notes.

Cause - The District does not expect, nor does it require, its financial staff to have the ability to prepare GAAP financial statements.

Effect - The completeness of the related note disclosures and the accuracy of the overall financial presentation is negatively impacted as outside auditors do not have the same comprehensive understanding of the District and its staff. The potential exists that a misstatement of the financial statements and related notes could occur and not be prevented or detected by the District.

Recommendation - We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Independent School District No. 709

Schedule of Findings and Responses (continued)

For the Year Ended June 30, 2025

Management's Response - The District will continue to rely upon the auditors to prepare the financial statements and related notes. Management will review and approve the annual financial statements and related notes.

Section III - Federal Findings:

2025-003: Late Submission

Program Information:

- Funding Agency: All federal agencies listed on the schedule of expenditures of federal awards
- Title: All federal programs listed on the schedule of expenditures of federal awards
- AL Number: All federal programs listed on the schedule of expenditures of federal awards
- Award year and number: All federal programs listed on the schedule of expenditures of federal awards

Criteria – 2 CFR section 200.512(a) require the reporting package and data collection form be submitted to the Federal Audit Clearinghouse the earlier of 30 calendar days after the reports are received from the auditors or nine months after the end of the audit period.

Condition – The fiscal year audit and reporting package is being submitted after the required due date.

Context – We reviewed the audit submission date in comparison to the required due date.

Questioned Costs – None

Effect – There is potential for suspension or cessation of federal and state funding.

Cause – There was a delay in finalizing the audit due to the implementation of a new financial reporting standard.

Recommendation – We recommend that the District develop policies and procedures to ensure that District records are ready for audit and supported by adequate documentation which will allow the audit firm to complete the audit in a timely and efficient manner.

Views of Responsible Official – Management acknowledges the finding and will review and update necessary policies and procedures to ensure that District records are ready for audit, supported by adequate documentation, and audited within nine months after year-end.

Section IV - Minnesota Legal Compliance Findings:

None.

Independent School District No. 709

Schedule of Prior Year Findings and Responses

For the Year Ended June 30, 2025

Prior Year Findings:

Section II – Financial Statement Findings:

Finding 2024-001 - Audit adjustments/Reconciliation of Significant Accounts – Repeated as finding 2025-001

Finding 2024-002 - Financial Statement Presentation and Disclosures – Repeated as finding 2025-002.

Section III - Federal Findings:

None.

Section IV - Minnesota Legal Compliance Findings:

None.