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

Basic Financial Statements

June 30, 2026

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

Board of Education and Administration 1

Independent Auditor's Report 3

Management's Discussion and Analysis 7

Basic Financial Statements
- Government-Wide Financial Statements
  - Statement of Net Position 20
  - Statement of Activities 23
- Fund Financial Statements
  - Balance Sheet – Governmental Funds 24
  - Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds 27
  - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 28
  - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds 30
  - Statement of Net Position – Proprietary Funds 31
  - Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds 32
  - Statement of Cash Flows – Proprietary Funds 33
- Notes to Basic Financial Statements 35

Required Supplementary Information
- Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund 74
- Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Food Service Special Revenue Fund 75
- Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Community Service Special Revenue Fund 76
- Notes to the Required Supplementary Information - Budget 77
- Schedule of Changes in Total OPEB Liability and Related Ratios 80
- Notes to the Required Supplementary Information - OPEB 82
- Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability General Employees Retirement Fund 84
- Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability TRA Retirement Fund 84
- Schedule of District Contributions General Employees Retirement Fund 85
- Schedule of District Contributions TRA Retirement Fund 85
- Notes to the Required Supplementary Information - Pension 86

Supplementary Information
- Combining Statement of Net Position – Internal Service Funds 94
- Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds 95
- Combining Statement of Cash Flows – Internal Service Funds 96
- Uniform Financial Accounting and Reporting Standards Compliance Table 97

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

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*	99
Schedule of Findings on Internal Control	101
Minnesota Legal Compliance	103

ISD No. 742 - St. Cloud Area School District
Board of Education and Administration
As of June 30, 2026

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

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

CP ASSURANCE

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions
We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ISD No. 742 - St. Cloud Area School District, St. Cloud, Minnesota, as of and for the year ended June 30, 2026, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of ISD No. 742 - St. Cloud Area School District, as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ISD No. 742 - St. Cloud Area School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter
The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Report Model Improvements,* as discussed in Note 10. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
The management of ISD No. 742 - St. Cloud Area School District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CP Assurance, Ltd.

St. Cloud, Minnesota
November 10, 2026

(THIS PAGE LEFT BLANK INTENTIONALLY)

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

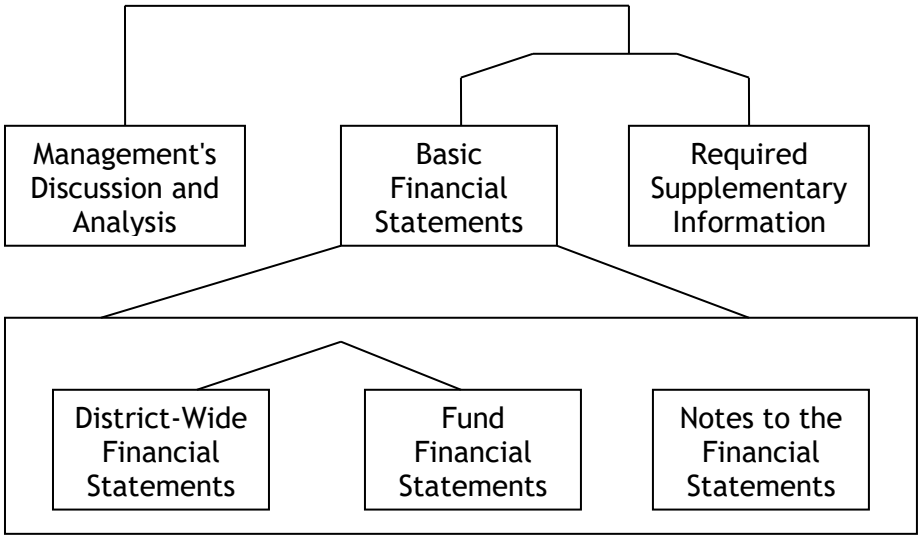
This section of Independent School District No. 742, St. Cloud Area Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2026. Please read it in conjunction with the District's financial statements, which immediately follow this section. During fiscal year 2026, the District implemented Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*. The implementation changed certain financial statement presentation and disclosure requirements but did not affect beginning net position, fund balance or the District's change in net position for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The government-wide financial statements provide both short-term and long-term information about the District's overall financial status.
- The fund-financial statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. There are two types of fund financial statements: governmental and proprietary.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Required supplementary information includes budgetary comparison schedules and information related to pensions and other postemployment benefits. The diagram below shows how the various parts of this annual report is arranged and related to one another.



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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

		Fund Financial Statements	
	Government-Wide	**Governmental Funds**	**Proprietary Funds**
Scope	Entire District	The activities of the District that are not proprietary, such as special education and building maintenance, food service and community education	The activities the District operates like a private business, such as self-insurance funds
Required Financial Statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses, and Changes in Fund Net Position • Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Assets/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Statement of Activities presents the cost of the District's programs and the extent to which those costs were financed by program revenues, such as charges for services and operating or capital grants, with the remainder supported primarily by state aid and property taxes.

The Government-Wide Statements are prepared using the economic resources measurement focus and accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash is received or paid. The District's governmental activities include instruction, pupil and instructional support, administration, sites and buildings, food service, community education and debt-related costs.

Fund Financial Statements

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

Governmental funds focus on near-term inflows, outflows and available financial resources and are prepared using the modified accrual basis of accounting. The District's major governmental funds for fiscal year 2026 are the General Fund, Food Service Fund, Community Service Fund, Capital Projects Fund, and Debt Service Fund.

Because the government-wide statements and governmental fund statements use different measurement focuses and bases of accounting, reconciliations are provided to explain the differences between governmental fund balances and government-wide net position and between changes in governmental fund balances and the change in government-wide net position.

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

FINANCIAL SUMMARY - GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following condensed financial information summarizes the District's governmental activities for fiscal years 2026 and 2025.

Table A-1
Condensed Statement of Net Position

	2026	2025
Assets		
Current and other assets	$ 171,319,858	$ 176,765,175
Capital assets	300,619,492	300,740,970
Total assets	$ 471,939,350	$ 477,506,145
Deferred Outflows of Resources	$ 24,180,132	$ 26,168,045
Liabilities		
Long-term liabilities	$ 291,517,929	$ 249,848,618
Other liabilities	51,372,931	119,733,849
Total liabilities	$ 342,890,860	$ 369,582,467
Deferred Inflows of Resources	$ 68,683,144	$ 63,542,576
Net Position		
Net investment in capital assets	$ 140,986,819	$ 137,113,216
Restricted	12,860,069	10,744,002
Unrestricted	(69,301,410)	(77,308,071)
Total net position	$ 84,545,478	$ 70,549,147

The District's total net position increased by $13,996,331, or 19.8% during fiscal year 2026. The increase is primarily driven by scheduled debt repayment together with decreases in pension and other postemployment benefit liabilities. Unrestricted net position improved by approximately $8 million but remained negative at June 30, 2026. The negative unrestricted amount is substantially affected by recognition of long-term pension, OPEB, compensated absence and other liabilities under the government-wide accounting model and should not be interpreted as the amount of resources currently available for District operations.

FINANCIAL SUMMARY - GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Table A-2
Condensed Changes in Net Position

	2026	2025	Change
Revenues			
Program revenues			
Charges for services	$ 2,589,995	$ 2,493,223	3.88%
Operating grants and contributions	98,637,878	97,578,165	1.09%
Capital grants and contributions	1,313,565	1,239,979	5.93%
General revenues			
Property taxes	35,842,770	34,560,240	3.71%
Aids and payments from the state	73,735,554	71,846,998	2.63%
Other sources	6,971,353	7,285,645	-4.31%
Total revenues	$ 219,091,115	$ 215,004,250	1.90%
Expenses			
Administration	$ 4,144,571	$ 4,387,459	-5.54%
District support services	5,895,291	5,924,952	-0.50%
Elementary and secondary regular instruction	65,516,001	68,877,040	-4.88%
Vocational instruction	1,902,874	2,024,981	-6.03%
Special education instruction	44,344,521	43,103,029	2.88%
Instructional support services	13,424,011	13,923,239	-3.59%
Pupil support services	21,515,750	21,491,703	0.11%
Sites, buildings and equipment	10,812,326	10,359,930	4.37%
Fiscal and other fixed cost programs	952,772	952,758	0.00%
Food service	7,593,192	7,494,688	1.31%
Community education and services	6,236,450	6,845,992	-8.90%
Unallocated depreciation	12,285,354	10,909,005	12.62%
Interest and fiscal charges - long-term debt	10,471,671	8,415,560	24.43%
Total expenses	205,094,784	204,710,336	0.19%
Extraordinary item:	-	-	N/A
Change in net position	13,996,331	10,293,914	35.97%
Net Position			
Beginning, as previously stated	70,549,147	64,920,375	8.67%
Prior period adjustment	-	500,095	N/A
Change in accounting principle	-	(5,165,237)	N/A
Beginning, as restated	70,549,147	60,255,233	17.08%
Ending	$ 84,545,478	$ 70,549,147	19.84%

The District's governmental activities generated approximately $219 million of revenues during fiscal year 2026 compared with $215 million in fiscal year 2025, which is an increase of approximately $4.1 million, or 1.9%. Expenses increased approximately $384,000, or 0.2%.

DETAILED ANALYSES

Government-Wide Financial Statements

The District's financial position improved during fiscal year 2026. Total net position increased from $70,549,147 to $84,545,478. Several factors contributed to this result with the most significant factor being an increase in revenues. Revenues increased $4,086,865 from the prior year with revenue increasing in all categories except for other revenues.

The largest increase in revenues was in aids and payments from the state which increased $1,888,556, or 2.6%, from 2025 to 2026 due to higher general education revenue which was driven by increased enrollment and a 2.7% increase in the general education per-pupil formula.

Revenue from property taxes increased 3.7% from 2025 to 2026. The majority of the $1,282,530 increase was due to an increase in the debt-service levy as a result of large excess fund balance adjustments in 2025 which were not included in the 2026 levy. The other levy components increased slightly from the previous year but did not change significantly.

Program revenues increased $1,230,071, or 1.2%, from 2025 to 2026, most notably in operating grants and contributions which increased for a number of reasons. The District received additional funding from the state for English learner (EL) programs due to a change in that funding formula, increased state revenue for alternative programs due to enrollment increases, and an increase in special education funding driven by increases in costs and the number of students served.

Revenue from other sources decreased slightly mostly due to less interest revenue received compared to the previous year reflecting an overall decrease in market interest rates.

The District's total expenses of $205,094,784 consisted mainly of costs for instructional services (regular, vocational, and special education) which account for $111,763,396, or 54.5% of total spending and support services (district, instructional, and pupil) which account for $40,835,052, or 19.9% of total spending. The least amount of spending occurs in fiscal and other fixed costs and administration, which account for $952,772, or 0.5%, and $4,144,571, or 2.0%, of total spending, respectively.

Total governmental expenses increased by $384,448, or 0.2%, from the previous year. This change is primarily driven by a decrease in pension and OPEB-related liabilities as well as improvement in the operations of the District’s self-insurance funds which realized a positive change in net position of $1,217,750 in 2026 as compared to a loss of $1,798,691 in 2025. In addition, there was a decrease in community education expenses of $609,542 due to a change in the staffing structure, unspent nonpublic textbook funds, and decreases in insurance costs.

Although expenses remained similar to the prior year overall, there were large increases in expenses in a few areas. The largest increase was in unallocated depreciation as a result of the District adding significant construction related assets at the end of 2025 which are now realizing a full year of depreciation in 2026. Special education expenses increased $1,241,492 as the District added a number of additional special education positions in 2026 and sites, buildings, and equipment increased $452,396 due to clean up costs for a fire that occurred at Westwood elementary school. Interest and fiscal charges on long-term debt increased $2,056,111 due primarily to issuance costs related to the 2025A Building Bonds.

DETAILED ANALYSES (CONTINUED)

Government-Wide Financial Statements (Continued)

Changes in pension and OPEB-related assets, liabilities, deferred outflows and deferred inflows also affect government-wide financial results even though those changes do not necessarily represent current-year cash transactions. At June 30, 2026, the District reported a net pension liability of approximately $75.2 million and a total OPEB liability of approximately $9.7 million. Changes in these liabilities reflect actuarial measurements, plan experience, assumptions, investment performance, contributions and changes in the District's proportionate share, as applicable.

Governmental Funds

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $101,277,553. This is down $11,010,221 from the June 30, 2025, combined fund balance total which was $112,287,774.

Revenues of the District's governmental funds totaled $219,103,687 while total expenditures were $224,605,791. A summary of the revenues and expenditures reported on the governmental fund financial statements appear in Table A-3 below.

Table A-3

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General	$ 182,598,935	$ 183,692,139	$ 1,885,893	$ 792,689
Food Service	8,631,144	8,011,653	-	619,491
Community Service	6,977,177	6,662,191	-	314,986
Capital Projects	2,468,536	8,767,428	66,670,990	60,372,098
Debt Service	18,427,895	17,472,380	(74,065,000)	(73,109,485)
Total	$ 219,103,687	$ 224,605,791	$ (5,508,117)	$ (11,010,221)

General Fund

The General Fund is the District's primary operating fund. General Fund revenue totaled $182,598,935 in fiscal year 2026 compared with $177,587,907 in fiscal year 2025, an increase of $5,011,028, or 2.8%.

Revenue from state sources accounted for approximately 81% of General Fund revenue and increased $5,895,177, or 4.1%, from the previous year due to higher general education revenue which was primarily driven by increased enrollment and a 2.7% increase in the general education per-pupil formula. The District also received additional funding from the state for English learner (EL) programs due to a change in that funding formula, increased state revenue for alternative programs due to enrollment increases, and an increase in special education funding driven by increases in costs and the number of students served.

DETAILED ANALYSES (CONTINUED)

General Fund (Continued)

Property tax revenue increased $128,218, or 0.6%, as a result of an increase in the General Fund levy due to increasing enrollment.

These increases were offset by decreases in revenue in every other category. Revenue from federal sources decreased $571,709, or 5.4%. Of this decrease, $255,112 is attributed to COVID funding in 2025 which was the final year of that funding. The remainder of the decrease in federal revenue is due to reduced spending in federal Title and special education programs.

Revenue from other local and county revenues decreased $406,585, or 9.4%, primarily due to less interest revenue as compared to 2025.

General Fund expenditures totaled $183,692,139 in fiscal year 2026 compared with $182,518,754 in fiscal year 2025, an increase of $1,173,385, or 0.6%. This increase was driven by increased special education spending due to additional positions that were added in 2026. Special education expenditures increased $3,280,254; however, this increase was offset by decreased spending in several areas including instructional support services, sites and buildings and regular instruction. These decreases were due to one-time spending that occurred in 2025 out of assigned fund balance for a number of projects and equipment purchases.

The General Fund reported an excess of expenditures over revenues of $1,093,204; however, after other financing sources including proceeds from financed purchase agreements and insurance proceeds, the fund balance in the General Fund increased $792,689, or 3.1%, from $25,184,855 at June 30, 2025 to $25,977,544 at June 30, 2026. This increase is primarily attributed to higher enrollment than projected as well as more interest revenue compared to what was budgeted.

At June 30, 2026, the General Fund included $19,512,609 of unassigned fund balance which was an increase from the prior year balance which was $18,864,586. This represents approximately 10.6% of fiscal year 2026 General Fund expenditures, which aligns with the District's policy goal of maintaining a minimum unassigned fund balance of 10% of annual budgeted General Fund expenditures.

The General Fund also had $5,056,961 of restricted fund balance and $954,440 of assigned fund balance at year-end, both of which reflect increases from the previous year. Restricted fund balances are designated for specific uses based on state requirements and the assigned fund balance are funds which are designated for future projects. Restrictions and assignments reduce the portion of total fund balance available for general future spending.

Food Service Fund

The Food Service Fund began fiscal year 2026 with a fund balance of $3,257,958 and ended the year with $3,877,449. Revenues were $8,631,144 and expenditures were $8,011,653, resulting in an increase in fund balance of $619,491, or 19.0%, from 2025 to 2026.

The majority of the increase was due to increased revenue from meals served driven by higher reimbursement rates and increased enrollment and well as interest revenue which was not budgeted. Also, expenditures were less than budgeted in a number of areas which also contributed to the increase in fund balance.

DETAILED ANALYSES (CONTINUED)

Community Service Fund

The fund balance in the Community Service Fund increased by $314,986, or 12.1%, from $2,604,920 at June 30, 2025 to $2,919,906 at June 30, 2026. Revenues were $6,977,177 and expenditures were $6,662,191, which reflects higher revenue and lower expenditures as compared to the previous year.

The increase in the ending fund balance is primarily attributed to lower spending than the previous year and as compared to what was budgeted in a number of areas including salaries, benefits including health and work comp insurance, and supplies and materials. In addition, revenues for facility rentals and interest were significantly higher than expected.

Building Construction Fund

The fund balance in the Building Construction Fund increased by $60,372,098 from $4,225,365 at June 30, 2025, to $64,597,463 at June 30, 2026. This large increase is due to the District issuing the 2025A Building Bonds which will fund voter approved renovations and additions at Apollo High school and construction of a new multi-purpose athletic facility. This work will continue over the next few years and the fund balance in this fund will go down each year as these funds are spent on those projects.

Debt Service Fund

The Debt Service Fund accounts for resources accumulated for principal and interest payments on the District's outstanding bonded debt. The Debt Service Fund began fiscal year 2026 with a fund balance of $77,014,676 and ended the year with $3,905,191, which is a decrease of $73,109,485. The significant decrease is due to the final debt service payment on the 2017A bond in the amount of $74,065,000. These bonds were refunded in 2022, and the proceeds have been in an escrow account since then awaiting the call date on the original issuance that was refunded. This final repayment is reflected on the financial statements as an other financing use.

Revenue totaled $18,427,895 while expenditures for scheduled principal and interest totaled $17,472,380, resulting in an excess of revenues over expenditures of $955,515. This change represents the timing of debt service levy and aid collections in relation to scheduled bond principal and interest requirements. Debt Service Fund resources are restricted for payment of the District's debt obligations and are not available for General Fund operations.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Assets

At June 30, 2026, the District had $300,619,492 invested in capital assets, net of accumulated depreciation and amortization, compared with $300,740,970 at June 30, 2025.

During fiscal year 2026, the District added $23,442,607 in capital assets consisting primarily of building construction and remodeling projects, LTFM improvement projects, site improvements, and equipment. Capital asset disposals and adjustments totaling $9,878,182 consisted primarily of the disposal of vehicles and equipment and the reclassification of prior year construction in progress.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY (CONTINUED)

Capital Assets (Continued)

Depreciation and amortization expense totaled $15,169,641 which was offset by accumulated depreciation on disposed capital assets of $1,483,738. The net effect of the additions, disposals, and depreciation resulted in there being no significant change between the total amount invested in capital assets from 2025 to 2026. Detailed information related to the District's capital assets can be found in Note 3.

Long-Term Financing

At year-end, the District had $227,664,022 of long-term liabilities. This consisted of bonded indebtedness of $194,584,895, accretion on capital accretion bonds of $1,728,714, certificates of participation of $18,560,000, unamortized bond premiums of $4,864,182, lease liability of $520,109, financed purchase agreement of $808,960 and compensated absences of $6,597,162. This is a decrease in total long-term liabilities of $21,063,394 from June 30, 2025.

At June 30, 2026, the District's outstanding general obligation bonds consisted of the 2015A Alternative Facility Bonds, 2015B Capital Facilities Bonds, 2015C and 2022A Crossover Refunding Bonds, 2022B and 2023A Facilities Maintenance Bonds, and 2025A Building Capital Appreciation Bonds. Scheduled principal payments on outstanding general obligation bonds extend through fiscal year 2046. More detailed information regarding long-term liabilities can be found in Note 4.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The District's financial outlook is affected by enrollment, state education funding, staffing costs, capital needs and legislative changes. The following matters were known to management as of the issuance date of these financial statements and are expected to affect future financial position or operating results.

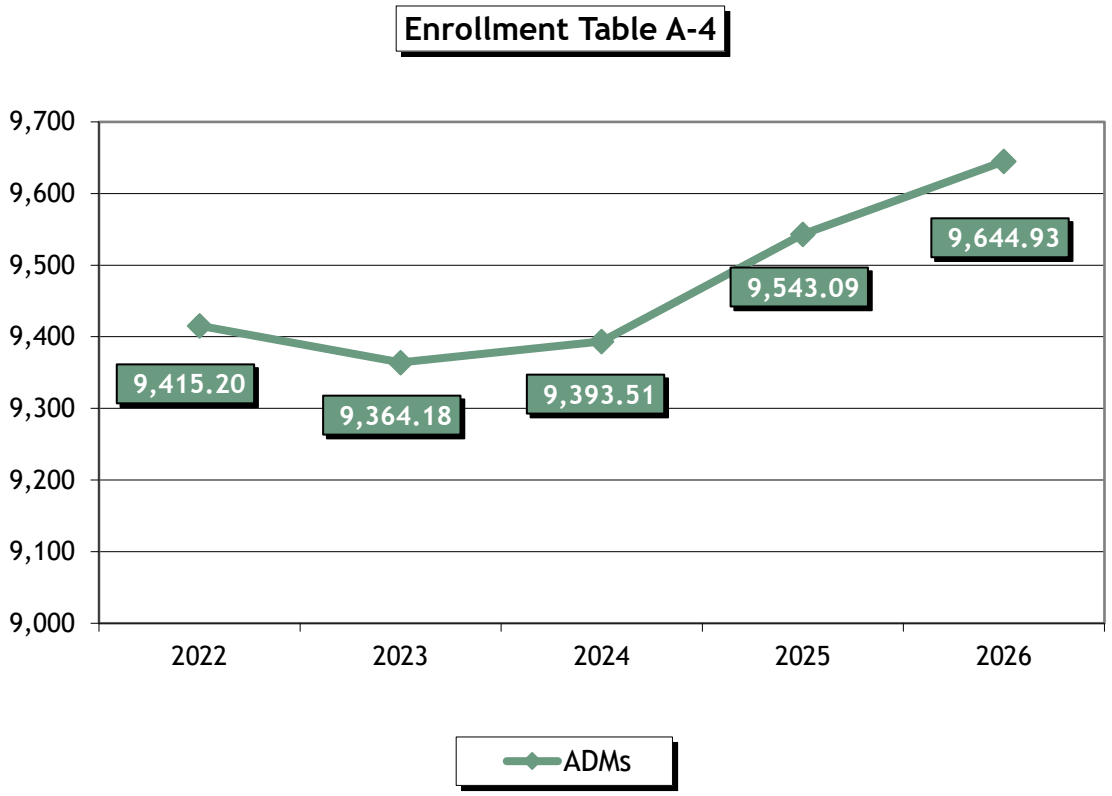
Enrollment

Enrollment continues to be an important factor in the District's financial outlook because a substantial portion of Minnesota school funding is determined by student enrollment and pupil units, therefore a decline in enrollment results in less revenue being received for operations.

The District did see a slight increase in enrollment in 2026 and is expecting stable enrollment in 2027. The District's average daily membership (ADM) served for the past five years is shown in Table A-4 on the following page. Since 2022 the district has had an increase in ADM of 229.73, or 2.4%.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS (CONTINUED)

Enrollment (Continued)



Fiscal Year 2027 Budget
For fiscal year 2027, the School Board adopted a balanced General Fund budget with revenues and expenses (including other financing uses) of approximately $194.4 million. This reflects an increase in revenues and expenses of approximately $11.8 million as compared to 2026. This increase is primarily due to increased revenues driven by a 2.7% increase in the per-pupil formula allowance as well as increased compensatory and special education funding.

State Funding and Legislative Changes
The political and economic environment of the State of Minnesota could have a significant effect on future finances. The State Legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive. The State regularly faces large budget deficits and since K-12 education accounts for about 40% of State spending, the future revenues of the District and other Minnesota school districts is unknown and unstable.

The basic General Education formula allowance increases from $7,481 in fiscal year 2026 to $7,683 in fiscal year 2027, an increase of 2.7%. However, individual District revenues are affected by changes in enrollment and categorical funding in addition to the formula allowance.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS (CONTINUED)

State Funding and Legislative Changes (Continued)

Compensatory education revenue continues to be affected by changes in the state funding formula. The District's fiscal year 2027 budget reflects a $5.6 million increase in compensatory revenue compared with fiscal year 2026. However, the compensatory revenue formula is currently under review and changes could have a significant impact on future years.

State Special Education Cross Subsidy Reduction Aid is scheduled to increase from 44% to 50% beginning in fiscal year 2027, partially offsetting unreimbursed special education costs. The 2025 Legislature directed the state budget forecast to assume $250 million in biennial special education savings beginning with the biennium starting July 1, 2027. The law established a Blue Ribbon Commission on Special Education to recommend program and funding changes and provides a mechanism for adjusting special education cross-subsidy aid if enacted savings are less than the assumed amount. Because the specific future changes and their district-level impacts have not yet been determined, the financial effect on the District cannot presently be quantified.

Districts also continue to be faced with additional unfunded mandates including summer unemployment and paid family leave. If these programs continue to be unfunded in the future, the District will have to utilize new or existing funding to cover these costs which could reduce amounts available for future contract increases or other operational costs.

Staffing Costs

Contracts with major bargaining groups will expire on June 30, 2026. Negotiations on these contracts will impact future budget periods.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

ISD No. 742 - St. Cloud Area School District
Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Current assets	
Cash and investments	
(including cash equivalents)	$ 126,568,329
Cash with fiscal agent	544,263
Current property taxes receivable	17,465,776
Delinquent property taxes receivable	328,985
Accounts receivable	2,034,340
Interest receivable	462,395
Due from Department of Education	14,420,380
Due from Federal Government through Department of Education	8,165,024
Due from federal - direct	250,890
Due from other Minnesota school districts	267,872
Due from other governmental units	294,819
Inventory	131,160
Prepaid items	385,625
Total current assets	171,319,858
Noncurrent Assets	
Capital assets not being depreciated	
Land	6,730,006
Construction in progress	8,435,263
Capital assets, net of accumulated depreciation and amortization	
Land improvements	21,760,018
Buildings and building improvements	388,619,042
Furniture and equipment	24,770,869
Vehicles	4,001,086
Food service equipment	2,812,705
Subscription asset	526,496
Leased building	895,328
Less accumulated depreciation and amortization	(157,931,321)
	300,619,492
Total assets	471,939,350
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	20,632,143
Deferred outflows of resources related to OPEB	3,547,989
Total deferred outflows of resources	24,180,132
Total assets and deferred outflows of resources	$ 496,119,482

See notes to basic financial statements.

ISD No. 742 - St. Cloud Area School District
Statement of Net Position
June 30, 2026

	Governmental Activities
Liabilities	
Current liabilities	
Accounts and contracts payable	$ 10,149,777
Salaries, benefits, severance, and compensated absences payable	15,894,603
Accrued interest payable	3,398,322
Due to other Minnesota school districts	905,722
Unearned revenue	41,000
Long term liabilities due within one year	20,983,507
Total current liabilities	51,372,931
Noncurrent Liabilities	
Bond principal payable, net of premiums	200,192,516
Certificates of participation, net of premiums	19,545,275
Lease liability	520,109
Finance purchase	808,960
Compensated absences payable	6,597,162
Net pension liability	75,166,548
Total OPEB liability	9,670,866
Less: amounts due within one year	(20,983,507)
Total noncurrent liabilities	291,517,929
Total liabilities	342,890,860
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	35,136,259
Deferred amount from bond refunding	3,163,276
Deferred inflows of resources related to pensions	28,919,239
Deferred inflows of resources related to OPEB	1,464,370
Total deferred inflows of resources	68,683,144
Net Position	
Net investment in capital assets	140,986,819
Restricted for	
Debt service	996,775
Capital asset acquisition	2,299,153
Food service	3,877,449
Community service	2,928,884
Other purposes	2,757,808
Unrestricted	(69,301,410)
Total net position	84,545,478
Total liabilities, deferred inflows of resources, and net position	$ 496,119,482

See notes to basic financial statements.

(THIS PAGE LEFT BLANK INTENTIONALLY)

ISD No. 742 - St. Cloud Area School District
Statement of Activities
Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 4,144,571	$ -	$ -	$ -	$ (4,144,571)
District support services	5,895,291	-	152,987	-	(5,742,304)
Elementary and secondary regular instruction	65,516,001	253,025	38,214,564	2,000	(27,046,412)
Vocational education instruction	1,902,874	-	-	-	(1,902,874)
Special education instruction	44,344,521	998,407	37,394,861	-	(5,951,253)
Instructional support services	13,424,011	60,265	3,627,710	-	(9,736,036)
Pupil support services	21,515,750	-	5,857,911	-	(15,657,839)
Sites and buildings	10,812,326	108,532	-	1,311,565	(9,392,229)
Fiscal and other fixed cost programs	952,772	-	61,939	-	(890,833)
Food service	7,593,192	240,088	8,295,878	-	942,774
Community education and services	6,236,450	929,678	5,032,028	-	(274,744)
Unallocated depreciation	12,285,354	-	-	-	(12,285,354)
Interest and fiscal charges on long-term debt	10,471,671	-	-	-	(10,471,671)
Total governmental activities	$ 205,094,784	$ 2,589,995	$ 98,637,878	$ 1,313,565	(102,553,346)
General revenues					
Taxes					
Property taxes, levied for general purposes					20,396,490
Property taxes, levied for community service					879,467
Property taxes, levied for debt service					14,566,813
State aid-formula grants					73,735,554
Other general revenues					353,390
Investment income					6,617,963
Total general revenues					116,549,677
Change in net position					13,996,331
Net position - beginning					70,549,147
Net position - ending					$ 84,545,478

See notes to basic financial statements.

ISD No. 742 - St. Cloud Area School District
Balance Sheet - Governmental Funds
June 30, 2026

	General	Food Service	Community Service	Building Construction
Assets				
Cash and investments	$ 31,508,756	$ 3,938,218	$ 3,922,152	$ 65,309,468
Cash with fiscal agent	-	-	-	544,263
Current property taxes receivable	9,371,194	-	392,043	-
Delinquent property taxes receivable	185,412	-	8,978	-
Accounts receivable	2,007,228	3,702	23,410	-
Interest receivable	192,502	-	-	269,893
Due from Department of Education	13,918,659	52,291	349,841	-
Due from Federal Government through Department of Education	8,003,515	57,171	104,338	-
Due from Federal - direct	250,890	-	-	-
Due from other Minnesota school districts	267,872	-	-	-
Due from other governmental units	294,819	-	-	-
Inventory	70,751	60,409	-	-
Prepaid items	382,783	2,842	-	-
Total assets	$ 66,454,381	$ 4,114,633	$ 4,800,762	$ 66,123,624
Liabilities				
Accounts and contracts payable	$ 6,088,071	$ 187,469	$ 237,287	$ 1,526,161
Salaries, benefits, severance, and compensated absences payable	15,435,963	22,550	436,090	-
Due to other Minnesota school districts	543,029	-	362,693	-
Unearned revenue	13,835	27,165	-	-
Total liabilities	22,080,898	237,184	1,036,070	1,526,161
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	185,412	-	8,978	-
Property taxes levied for subsequent year's expenditures	18,210,527	-	835,808	-
Total deferred inflows of resources	18,395,939	-	844,786	-
Fund Balances				
Nonspendable	453,534	63,251	-	-
Restricted	5,056,961	3,814,198	2,919,906	64,597,463
Assigned	954,440	-	-	-
Unassigned	19,512,609	-	-	-
Total fund balances	25,977,544	3,877,449	2,919,906	64,597,463
Total liabilities, deferred inflows of resources, and fund balance	$ 66,454,381	$ 4,114,633	$ 4,800,762	$ 66,123,624

See notes to basic financial statements.

Debt Service	Total Governmental Funds
$ 12,192,987	$ 116,871,581
-	544,263
7,702,539	17,465,776
134,595	328,985
-	2,034,340
-	462,395
99,589	14,420,380
-	8,165,024
-	250,890
-	267,872
-	294,819
-	131,160
-	385,625
$ 20,129,710	$ 161,623,110
$ -	$ 8,038,988
-	15,894,603
-	905,722
-	41,000
-	24,880,313
134,595	328,985
16,089,924	35,136,259
16,224,519	35,465,244
-	516,785
3,905,191	80,293,719
-	954,440
-	19,512,609
3,905,191	101,277,553
$ 20,129,710	$ 161,623,110

(THIS PAGE LEFT BLANK INTENTIONALLY)

ISD No. 742 - St. Cloud Area School District
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2026

Total fund balance - governmental funds	$ 101,277,553
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:	
Cost of capital assets including leased and subscription assets	458,550,813
Less accumulated depreciation and amortization	(157,931,321)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bonds payable, net of premiums	(200,192,516)
Deferred amount on refunding	(3,163,276)
Certificates of participation payable, net of premiums	(19,545,275)
Lease liability	(520,109)
Finance purchase payable	(808,960)
Compensated absences payable	(6,597,162)
Net pension liability	(75,166,548)
Total OPEB liability	(9,670,866)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds:	
Deferred outflows of resources related to pensions	20,632,143
Deferred inflows of resources related to pensions	(28,919,239)
Deferred outflows of resources related to OPEB	3,547,989
Deferred inflows of resources related to OPEB	(1,464,370)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	328,985
Governmental funds do not report a liability for accrued interest on bonds payable until due and payable.	(3,398,322)
The health and dental insurance internal service funds are used by the District to charge the cost of health and dental insurance employee premiums and claims to the individual funds. The assets and liabilities of these internal service funds are included with governmental activities.	7,585,959
Total net position - governmental activities	$ 84,545,478

ISD No. 742 - St. Cloud Area School District
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2026

	General	Food Service	Community Service	Building Construction
Revenues				
Local property taxes	$ 20,377,366	$ -	$ 879,186	$ -
Other local and county revenues	3,919,852	105,752	1,087,987	2,468,536
Revenue from state sources	148,203,849	218,274	4,847,688	-
Revenue from federal sources	10,080,495	8,067,030	162,316	-
Sales and other conversion of assets	17,373	240,088	-	-
Total revenues	182,598,935	8,631,144	6,977,177	2,468,536
Expenditures				
Current				
Administration	4,374,782	-	-	-
District support services	6,091,836	-	-	-
Elementary and secondary regular instruction	66,729,813	-	-	-
Vocational education instruction	1,999,934	-	-	-
Special education instruction	46,278,566	-	-	-
Instructional support services	12,632,538	-	-	-
Pupil support services	21,650,784	-	151,775	-
Sites and buildings	19,726,390	-	-	-
Fiscal and other fixed cost programs	952,772	-	-	-
Food service	-	7,423,331	-	-
Community education and services	-	-	6,468,038	-
Capital outlay				
District support services	139,836	-	-	-
Elementary and secondary regular instruction	451,541	-	-	-
Vocational education instruction	8,060	-	-	-
Special education instruction	28,971	-	-	-
Instructional support services	307,542	-	-	-
Pupil support services	50,010	-	-	-
Sites and buildings	443,939	-	-	6,396,724
Food service	-	571,185	-	-
Community education and services	-	-	42,378	-
Debt service				
Principal	1,004,179	17,137	-	650,000
Interest and fiscal charges	820,646	-	-	1,720,704
Total expenditures	183,692,139	8,011,653	6,662,191	8,767,428
Excess of revenues over (under) expenditures	(1,093,204)	619,491	314,986	(6,298,892)
Other Financing Sources (Uses)				
Bond issuance	-	-	-	64,999,895
Bond premium	-	-	-	1,671,095
Debt refunding payment	-	-	-	-
Insurance recoveries	1,646,448	-	-	-
Proceeds from issuance of financed purchase agreement	239,445	-	-	-
Total other financing sources (uses)	1,885,893	-	-	66,670,990
Net change in fund balances	792,689	619,491	314,986	60,372,098
Fund Balances				
Beginning of year	25,184,855	3,257,958	2,604,920	4,225,365
End of year	$ 25,977,544	$ 3,877,449	$ 2,919,906	$ 64,597,463

See notes to basic financial statements.

Debt Service	Total Governmental Funds
$ 14,547,109	$ 35,803,661
2,871,150	10,453,277
1,009,636	154,279,447
-	18,309,841
-	257,461
18,427,895	219,103,687
-	4,374,782
-	6,091,836
-	66,729,813
-	1,999,934
-	46,278,566
-	12,632,538
-	21,802,559
-	19,726,390
-	952,772
-	7,423,331
-	6,468,038
-	139,836
-	451,541
-	8,060
-	28,971
-	307,542
-	50,010
-	6,840,663
-	571,185
-	42,378
9,465,000	11,136,316
8,007,380	10,548,730
17,472,380	224,605,791
955,515	(5,502,104)
-	64,999,895
-	1,671,095
(74,065,000)	(74,065,000)
-	1,646,448
-	239,445
(74,065,000)	(5,508,117)
(73,109,485)	(11,010,221)
77,014,676	112,287,774
$ 3,905,191	$ 101,277,553

ISD No. 742 - St. Cloud Area School District
Reconciliation of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities - Governmental Funds
Year Ended June 30, 2026

Total net change in fund balances - governmental funds	$ (11,010,221)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation and amortization expense:	
Capital outlays	15,064,313
Depreciation and amortization expense	(15,169,641)
Net disposals	(16,150)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(148,526)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	5,901,179
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	11,180,591
` Refunding payments on long-term debt are recognized as other financing uses in the governmental funds but as an increase in the net position in the Statement of Activities.	74,065,000
Proceeds from long-term debt are recognized as other financing sources, increasing fund balance in the governmental fund statements, but have no effect on net position in the Statements of Activities:	
Bond issuance	(64,999,895)
Financed purchase agreement	(239,445)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	319,296
The accreted value of capital appreciation bonds is reported in the statement of net position but does not require the use of current financial resources.	(1,728,714)
Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as an unamortized asset or liability in the government-wide financial statements:	
Amortization of bond premium	4,605,478
Issuance of bond premium	(1,671,095)
Refunding gains/losses are recognized when paid in the governmental funds but amortized over the life of the debt in the Statement of Activities:	
Current year refunding amount	(3,479,604)
Amortization of deferred amount on bond refunding	316,328
Total OPEB obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. The District's obligation exceeded its contribution, therefore, net position is decreased.	(249,422)
The change in net position of the internal service funds is reported with governmental activities.	1,217,750
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	39,109
Change in net position - governmental activities	$ 13,996,331

See notes to basic financial statements.

ISD No. 742 - St. Cloud Area School District
Statement of Net Position - Proprietary Funds
June 30, 2026

	Total Internal Service Funds
Assets	
Current assets	
Cash and cash equivalents	$ 9,696,748
Liabilities	
Insurance claims payable	$ 2,110,789
Net Position	
Unrestricted	7,585,959
Total liabilities and net position	$ 9,696,748

See notes to basic financial statements.

ISD No. 742 - St. Cloud Area School District
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2026

	Total Internal Service Funds
Operating Revenue	
Charges for services	$ 18,483,253
Operating Expenses	
Insurance claims	17,479,121
Operating income	1,004,132
Nonoperating Revenue	
Investment income	213,618
Change in net position	1,217,750
Net Position	
Beginning of year	6,368,209
End of year	$ 7,585,959

See notes to basic financial statements.

ISD No. 742 - St. Cloud Area School District
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2026

	Total Internal Service Funds
Cash Flows - Operating Activities	
Employee insurance deductions received from other funds	$ 18,483,253
Insurance claims paid	(17,158,224)
Net cash flows - operating activities	1,325,029
Cash Flows - Investing Activities	
Interest received	213,618
Net change in cash and cash equivalents	1,538,647
Cash and Cash Equivalents	
Beginning of year	8,158,101
End of year	$ 9,696,748
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	$ 1,004,132
Adjustments to reconcile operating loss to net cash flows - operating activities	
Change in insurance claims payable	320,897
Net cash flows - operating activities	$ 1,325,029

See notes to basic financial statements.

(THIS PAGE LEFT BLANK INTENTIONALLY)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven-member board elected by the voters of the District to serve three and four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The basic financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under board control and are reported in the General Fund.

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

Depreciation and amortization expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. **Revenue Recognition**
   Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collectible within 60 days.

2. **Recording of Expenditures**
   Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

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

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds:

Major Funds: (Continued)

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

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services.

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

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

Proprietary Funds:

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

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

D. Deposits and Investments

All governmental and proprietary funds of the District participate in a government-wide investment pool. Cash and investment balances from these funds are combined and invested to the extent available in various securities as authorized by state law. In addition, deposits and investments related to the 2017A Certificates of Participation, 2023A Facilities Maintenance Bonds and 2025A Capital Appreciation School Building Bonds are held and invested separately from these pooled funds.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, futures contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days. Earnings from the pooled investments are allocated to the respective funds based on the average of month-end cash and investment balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

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

Cash and investments as of June 30, 2026, were comprised of deposits, and investments as outlined in Note 2.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust funds are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid, MNTrust Investment Shares Portfolio, MNTrust Flex Fund or money market funds. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses and other costs attributable to the early redemption. Investments in the MNTrust Limited Term Duration Series may only be withdrawn on the third Wednesday of each month upon advance written notice on the immediately preceding first Wednesday of that month.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property tax receivables represent uncollected taxes for the past six years and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2025, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2026. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on an average cost basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Benton, Sherburne, Stearns and Wright Counties are the collecting agencies for the levy and remit the collections to the District three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the basic financial statements.

J. Capital Assets

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

Capital assets are defined by the District as assets with an initial individual cost of more than $10,000 and a useful life of more than one year. Capital assets having a useful life of more than one year which are less than $10,000 individually but more than $50,000 in the aggregate are also capitalized. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 years for land improvements, 20 to 50 years for buildings and building improvements, 5 to 20 years for furniture and equipment including food service equipment, 5 years for computer hardware, 5 to 20 years for computer software, 7 years for carpet and 8 years for vehicles.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Right-to-Use Lease and Subscription Assets/Lease and Subscription Liabilities (Continued)
The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District determines its estimated borrowing rate. The term includes the noncancellable period of the agreement. Payments included in the measurement of the liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

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

L. Deferred Outflows/Inflows of Resources
In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources relating to pensions and OPEB activity are reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has five types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item, property taxes levied for subsequent year's expenditures, which represent property taxes received or reported as a receivable before the period for which the taxes are levied and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent year's expenditures are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item, deferred inflows of resources related to pensions is recorded on the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. The fourth item, deferred inflows of resources related to OPEB, is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Finally, the fifth item, deferred inflows of resources related to bond refunding is recorded on the government-wide statements for the difference between the reacquisition price of the old bond and its net carrying amount and amortized over the term of the bond.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

N. Pensions

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

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

O. Compensated Absences

The liability for compensated absences reported in the Statement of Net Position consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Post Employment Severance and Health Benefits

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

Q. Fund Equity

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

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

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

R. Net Position

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Use of Estimates

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

T. Budgetary Information

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

1. Prior to July 1, the Superintendent submits to the School Board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects and Debt Service Funds.
4. Budgets for all Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Deposits: This is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. *Minnesota Statute* § 118A requires all deposits be protected by federal deposit insurance, corporate security bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The District has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of June 30, 2026, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institutions' trust department or agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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

Checking	$ 1,626,646
MN Trust certificates of deposit	1,418,800
Total	$ 3,045,446

B. Investments

As of June 30, 2026, the District had the following investments:

Investment Type	Rating	Total	Investment Maturities: Less Than 1 Year	Investment Maturities: 1 to 3 Years
Pooled				
MSDLAF+ Liquid Class	AAAm	$ 5,779,734	$ 5,779,734	$ -
MSDLAF+ Max Class	AAAm	404,488	404,488	-
MN Trust Term Series	AAAm	12,250,000	-	12,250,000
MN Trust Limited Term Duration Series	AAAm	4,729,402	4,729,402	-
Negotiable Certificates of Deposit	NR	479,507	479,507	-
MN Trust Investment Shares Portfolio	AAAm	27,199,207	27,199,207	-
MN Trust Flex Fund	AAAm	3,842,353	3,842,353	-
Total pooled investments		54,684,691	42,434,691	12,250,000
Non pooled				
2017A Certificates of Participation				
Money Market Account	NR	544,263	544,263	-
2023A Facility Maintenance Bonds				
MN Trust Investment Shares Portfolio	AAAm	3,014,620	3,014,620	-
2025A School Building Bonds				
Negotiable Certificates of Deposit	NR	489,794	489,794	-
Money Market Account	NR	6,167,289	6,167,289	-
Municipal Bonds	AA-	7,693,336	4,210,787	3,482,549
U.S. Treasury Securities	AA+	32,084,399	16,676,037	15,408,362
Other government backed securities	AA+	19,384,999	13,691,225	5,693,774
Total nonpooled investments		69,378,700	44,794,015	24,584,685
Total investments		$ 124,063,391	$ 87,228,706	$ 36,834,685

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy on custodial credit risk states securities will be held in third party safekeeping by an institution designated as custodial agent. The custodial agent shall issue a safekeeping receipt to the District listing pertinent information related to the securities held.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* §§ 118A.04 and 118A.05 limit investments to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to those specified in the above statutes. As of June 30, 2026, the District's investments were rated as disclosed in the previous table.

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

The District has the following recurring fair value measurements as of June 30, 2026:

- Investments of $6,711,552 were valued using a matrix pricing model (Level 1 inputs)
- Investments of $60,132,035 were valued using quoted market prices (Level 2 inputs)

The following is a summary of total deposits and investments:

Cash on hand	$	3,755
Deposits - pooled (Note 2.A.)		3,045,446
Investments - pooled (Note 2.B.)		54,684,691
Investments - nonpooled (Note 2.B.)		69,378,700
Total	$	127,112,592

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Deposits and investments are presented in the June 30, 2026, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 126,568,329
Cash with fiscal agent	544,263
Total deposits and investments	$ 127,112,592

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2026, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 6,730,006	$ -	$ -	$ 6,730,006
Construction in progress	4,457,355	12,356,202	8,378,294	8,435,263
Total capital assets not being depreciated	11,187,361	12,356,202	8,378,294	15,165,269
Other capital assets at historical cost				
Land improvements	20,560,630	1,267,930	68,542	21,760,018
Buildings and building improvements	379,826,577	8,792,465	-	388,619,042
Furniture and equipment	24,925,347	715,304	869,782	24,770,869
Vehicles	4,251,720	-	250,634	4,001,086
Food service equipment	2,501,999	310,706	-	2,812,705
Subscription asset	837,426	-	310,930	526,496
Leased building	895,328	-	-	895,328
Total other capital assets	433,799,027	11,086,405	1,499,888	443,385,544
Less accumulated depreciation				
Land improvements	(8,133,594)	(949,177)	(68,542)	(9,014,229)
Buildings	(116,399,845)	(11,532,440)	-	(127,932,285)
Furniture and equipment	(13,889,952)	(2,101,450)	(853,632)	(15,137,770)
Vehicles	(3,744,753)	(109,867)	(250,634)	(3,603,986)
Food service equipment	(1,348,113)	(119,789)	-	(1,467,902)
Less accumulated amortization				
Subscription asset	(371,029)	(267,386)	(310,930)	(327,485)
Leased building	(358,132)	(89,532)	-	(447,664)
Total accumulated depreciation/amortization	(144,245,418)	(15,169,641)	(1,483,738)	(157,931,321)
Total capital assets being depreciated/amortized, net	289,553,609	(4,083,236)	16,150	285,454,223
Governmental activities, capital assets, net	$ 300,740,970	$ 8,272,966	$ 8,394,444	$ 300,619,492

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation and amortization expense for the year ended June 30, 2026, was charged to the following governmental functions:

District Support Services	$ 16,566
Elementary and Secondary Regular Instruction	752,066
Vocational Instruction	19,181
Special Education Instruction	1,187
Community Service	2,640
Instructional Support Services	1,519,201
Pupil Support Services	103,050
Sites and Buildings	350,607
Food Service	119,789
Unallocated	12,285,354
Total depreciation/amortization expense	$ 15,169,641

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due within One Year
Long-term liabilities						
G.O. Bonds						
2015A Alternative Facility Bonds	03/05/15	2.0%-4.0%	$ 37,715,000	02/01/35	$ 21,145,000	$ 1,895,000
2015B Capital Facilities Bonds	10/01/15	2.0%-4.0%	13,130,000	02/01/30	4,350,000	1,025,000
2015C Crossover Refunding Bonds	11/19/15	2.0%-4.0%	20,460,000	02/01/27	2,390,000	2,390,000
2022A Crossover Refunding Bonds	05/19/22	3.375%-3.45%	74,800,000	02/01/37	74,800,000	3,840,000
2022B Facilities Maintenance Bonds	06/28/22	4.0%-5.0%	14,630,000	02/01/43	13,185,000	530,000
2023A Facilities Maintenance Bonds	09/21/23	4.125%-5.0%	14,385,000	02/01/44	13,715,000	490,000
2025A Building Capital Appreciation Bonds	07/01/25	4.77-5.18%	64,999,895	02/01/46	64,999,895	2,334,071
Accretion on 2025A Bonds					1,728,714	-
Unamortized bond premiums					3,878,907	-
Net bonds payable					200,192,516	12,504,071
Certificates of participation						
2017A Certificates of Participation	02/21/17	2.0%-5.0%	16,910,000	02/01/38	13,415,000	680,000
2021A Certificates of Participation	11/17/21	3.0%	7,075,000	02/01/35	5,145,000	530,000
Unamortized premiums					985,275	-
Net certificates of participation					19,545,275	1,210,000
Lease liability					520,109	96,085
Financed purchase agreement					808,960	364,828
Compensated absences payable					6,597,162	5,937,446
Total all long-term liabilities					$227,664,022	$ 20,112,430

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

NOTE 4 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

On February 1, 2026, the District refunded the G.O. School Building Bonds, Series 2017B with proceeds from the issuance of the G.O. School Building Refunding Bonds, Series 2022A. The refunding resulted in total cash savings of $4,467,687 with a present value savings of $3,359,597.

The District entered into a gymnastics facility lease agreement. Monthly payments range from $8,760 to $10,940, due for 120 months, using an annual interest rate of 5%. The facility has been recorded as a leased building and is being amortized over the term of the lease.

The District entered into an agreement for the subscription of accounting software. Annual payments are $108,739, due for 3 years, using an annual interest rate of 5%. The subscription has been recorded as a subscription asset and is being amortized over the term of the agreement. The final payment was made during the year ended June 30, 2026.

B. Minimum Debt Payments

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

Year Ended June 30,	G.O. Bonds Principal	G.O. Bonds Interest
2027	$ 12,504,071	$ 4,496,527
2028	12,739,286	4,263,132
2029	12,986,712	4,013,206
2030	13,244,291	3,755,060
2031	12,339,432	3,481,959
2032-2036	63,592,871	14,105,959
2037-2041	43,231,824	26,762,910
2042-2046	23,946,408	28,871,272
Total	194,584,895	$ 89,750,025
Accretion on capital accretion bonds	1,728,714	
Total	$ 196,313,609	

NOTE 4 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments (Continued)

Year Ended June 30,	Certificates of Participation	
	Principal	Interest
2027	$ 1,210,000	$ 756,900
2028	1,265,000	707,000
2029	1,315,000	654,750
2030	1,370,000	600,200
2031	1,425,000	543,000
2032-2036	8,130,000	1,775,050
2037-2038	3,845,000	232,200
Total	$ 18,560,000	$ 5,269,100

Year Ended June 30,	Lease Liability	
	Principal	Interest
2027	$ 96,085	$ 23,840
2028	104,068	18,854
2029	112,537	13,459
2030	121,517	7,629
2031	85,902	1,618
Total	$ 520,109	$ 65,400

Year Ended June 30,	Financed Purchase Agreement	
	Principal	Interest
2027	$ 364,828	$ 40,045
2028	382,942	21,931
2029	61,190	2,919
Total	$ 808,960	$ 64,895

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 213,115,000	$ 64,999,895	$ 83,530,000	$ 194,584,895
Accretion on capital accretion bonds	-	1,728,714	-	1,728,714
Certificates of participation	19,725,000	-	1,165,000	18,560,000
Unamortized premiums	7,798,565	1,671,095	4,605,478	4,864,182
Subscription liability	103,561	-	103,561	-
Lease liability	608,666	-	88,557	520,109
Financed purchase agreement	927,988	239,445	358,473	808,960
Compensated absences	6,448,636	148,526	-	6,597,162
Total long-term liabilities	$ 248,727,416	$ 68,787,675	$ 89,851,069	$ 227,664,022

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

NOTE 5 – FUND BALANCES/NET POSITION

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

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

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Equity

A. Fund Balance

	General Fund	Food Service	Community Service	Building Construction	Debt Service	Total
Nonspendable for						
Inventory	$ 70,751	$ 60,409	$ -	$ -	$ -	$ 131,160
Prepaid Items	382,783	2,842	-	-	-	385,625
Total nonspendable fund balance	453,534	63,251	-	-	-	516,785
Restricted for						
Operating Capital	2,299,153	-	-	-	-	2,299,153
Gifted and Talented	83,515	-	-	-	-	83,515
Area Learning Center	282,280	-	-	-	-	282,280
Scholarships	169,696	-	-	-	-	169,696
Student Activities	400,696	-	-	-	-	400,696
Long-Term Facilities Maintenance	217,748	-	-	3,543,661	-	3,761,409
Basic Skills	1,445,149	-	-	-	-	1,445,149
Student Support Personnel Aid	27,569	-	-	-	-	27,569
Teacher Comp Read Act	131,155	-	-	-	-	131,155
Food Service	-	3,814,198	-	-	-	3,814,198
Community Education	-	-	1,336,445	-	-	1,336,445
Early Childhood and Family Education	-	-	327,698	-	-	327,698
School Readiness	-	-	659,065	-	-	659,065
Adult Basic Education	-	-	506,450	-	-	506,450
Community Service	-	-	90,248	-	-	90,248
Projects Funded by COP/FPA	-	-	-	525,917	-	525,917
Capital Projects	-	-	-	60,527,885	-	60,527,885
Debt Service	-	-	-	-	3,905,191	3,905,191
Total restricted fund balance	5,056,961	3,814,198	2,919,906	64,597,463	3,905,191	80,293,719
Assigned for						
Future Projects	954,440	-	-	-	-	954,440
Unassigned						
General Purposes	19,512,609	-	-	-	-	19,512,609
Total unassigned fund balance	19,512,609	-	-	-	-	19,512,609
Total fund balance	$ 25,977,544	$ 3,877,449	$ 2,919,906	$ 64,597,463	$ 3,905,191	$ 101,277,553

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

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

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Equity (Continued)

A. Fund Balance (Continued)

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Gifted and Talented – The part of General Education Aid revenue for the gifted and talented program that is unspent at year end must be restricted in this Balance Sheet account.

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

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

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statute* § 123B.595, subd. 12).

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

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

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

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

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, youth development and youth service programming, early childhood and family education and extended day programs.

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

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

Fund Equity (Continued)

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

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

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

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

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

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

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2026, was $4,404,582. The components of pension expense are noted in the following plan summaries.

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

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

Teachers' Retirement Association

A. Plan Description

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

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

B. Benefits Provided

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

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

Tier I Benefits

Tier I	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006, or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006, or after	1.9% per year

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)

Or

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. An early retirement reduction is applied to members retiring prior to age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

Tier II Benefits
Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 65, effective July 1, 2024. An early retirement reduction is applied to members retiring before age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

C. Contributions
Per *Minnesota Statute* Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2026 for coordinated were 8.00% for the employee and 9.81% for the employer The District's contributions to TRA for the plan's fiscal year ended June 30, 2026 were $8,168,830. The District's contributions were equal to the required contributions for each year as set by state statute.

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Experience study	August 2, 2023 (demographic and economic assumptions)*
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30,2028.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	Pub T-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Post-retirement	Pub T-2010(A) Retiree Mortality Table, male rates set forward 1 year and 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.

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

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

Teachers' Retirement Association (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

Changes in actuarial assumptions since the previous valuation:

- Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

E. Discount Rate
The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Net Pension Liability
As of June 30, 2026, the District reported a liability of $65,579,433 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. 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 1.1443% at the end of the measurement period and 1.1254% for the beginning of the year.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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	$ 65,579,433
State's proportionate share of the net pension liability associated with the District	4,072,949
Total	$ 69,652,382

For the year ended June 30, 2026, the District recognized pension expense of $4,849,028. Included in this amount, the District recognized ($101,999) as pension expense for the support provided by direct aid.

During the plan year ended June 30, 2025, the State of Minnesota contributed $28,462,000 to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the $28,462,000 in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $325,697 for the year ended June 30, 2026 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.

As of June 30, 2026, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,024,100	$ 644,059
Net difference between projected and actual earnings on plan investments	-	13,167,976
Changes of assumptions	3,704,365	6,937,063
Changes in proportion	2,534,278	1,452,532
Contributions to TRA subsequent to the measurement date	8,168,830	-
Total	$ 17,431,573	$ 22,201,630

The $8,168,830 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2027.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)
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
2027	$ 4,644,890
2028	(7,313,279)
2029	(7,008,231)
2030	(3,606,173)
2031	343,906
Total	$ (12,938,887)

G. Pension Liability Sensitivity
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) and 1 percentage point higher (8.0%) than the current rate.

1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 123,701,059	$ 65,579,433	$ 17,745,711

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

H. Pension Plan Fiduciary Net Position
Detailed information about the plan's fiduciary net position is available in a separately issued TRA financial report. That can be obtained at www.minnesotatra.org, or by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000, or by calling (651) 296-2409 or (800) 657-3669.

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

Public Employees' Retirement Association

A. Plan Description
The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes* Chapters 353, 353D, 353E, 353G and 356. Minnesota Statute Chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plan is tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in noncertified positions and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

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

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any 5 successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2026 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2026, were $1,948,707. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

As of June 30, 2026, the District reported a liability of $9,587,115 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 $231,271.

District's proportionate share of the net pension liability	$ 9,587,115
State of Minnesota's proportionate share of the net pension liability associated with the District	231,271
Total	$ 9,818,386

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.2893% at the end of the measurement period and 0.3002% for the beginning of the period.

For the year ended June 30, 2026, the District recognized pension expense of ($444,446) for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized ($35,474) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

As of June 30, 2026, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 913,442	$ -
Changes in actuarial assumptions	230,994	2,205,960
Net difference between projected and actual investments earnings	-	3,814,804
Changes in proportion	107,427	696,845
District's contributions to PERA subsequent to the measurement date	1,948,707	-
Total	$ 3,200,570	$ 6,717,609

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The $1,948,707 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2027. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2027	$ (1,237,644)
2028	(2,073,721)
2029	(1,472,917)
2030	(681,464)
Total	$ (5,465,746)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Fixed income	25.0	0.75
Private market	25.0	5.90
Total	100.0 %	

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.5% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3.0% after 27 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

Changes in Actuarial Assumptions

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity

The table below presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate.

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proprionate share of the PERA net pension liability	$ 23,285,596	$ 9,587,115	$ (1,525,437)

I. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Fund's fiduciary net position is available in a separately issued PERA financial report that includes the basic financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

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

B. Benefits Provided

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

C. Members

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

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

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Contributions

Retirees and their spouses contribute to the health care plan at the same rate as District employees. This results in retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with health insurance providers. The required contributions are based on projected pay-as-you-go financing requirements. For 2026, the District contributed $853,616 in District paid premiums and implicit rate costs for retirees to the plan.

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	5.20% used index rate for 20-Year, tax exempt municipal bonds (fidelity 20-Year municipal G.O. AA Index)
Inflation	2.50%
Salary Increase Rate	Service graded tables
Payroll Growth	3.00%
Healthcare cost trend increases	8.60% for fiscal year 2025, decreasing over several decades to an ultimate rate of 3.9% in FY 2076 and later years.
Mortality Assumption - Teachers	Mortality rates were based on the Pub-2010 teacher mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.
Mortality Assumption - Non-teachers	Mortality rates were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

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

- The discount rate was changed from 3.97% to 5.2% based on updated 20-year municipal bonds rates.

F. Total OPEB Liability

The District's total OPEB liability of $9,670,866 was measured as of June 30, 2025, and was determined by an actuarial valuation as of June 30, 2024. The current portion of the OPEB liability is $871,077.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at June 30, 2025	$ 10,350,165
Changes for the year	
Service cost	595,748
Interest	413,741
Changes of assumptions	(640,341)
Benefit payments	(1,048,447)
Net changes	(679,299)
Balances at June 30, 2026	$ 9,670,866

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 5.2% as well as the liability measured using 1 percentage point lower and 1 percentage point higher than the current discount rate.

	1% Decrease in Discount Rate (4.2%)	Current Discount Rate (5.2%)	1% Increase in Discount Rate (6.2%)
Total OPEB Liability	$ 10,189,907	$ 9,670,866	$ 9,169,076

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

	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate
Total OPEB Liability	$ 9,449,833	$ 9,670,866	$ 9,928,644

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2026, the District recognized OPEB expense of $1,219,430. As of June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Difference between expected and actual liability	$ 1,629,655	$ 213,868
Changes of assumptions	1,064,718	1,250,502
Contributions made subsequent to the measurement date	853,616	-
Total	$ 3,547,989	$ 1,464,370

The $853,616 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2027.

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

Year Ended June 30,	Total
2027	$ 209,941
2028	218,849
2029	231,411
2030	203,849
2031	185,358
Thereafter	180,595
Total	$ 1,230,003

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2026.

NOTE 8 – RISK MANAGEMENT (CONTINUED)

Since 2009, the District has provided a dental care self-insurance program. Under this program, the fund provides up to a maximum of $1,000 for each dental claim. The General Fund, Food Service Fund and Community Service Fund of the District participate in this program and make payments to the Dental Insurance Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates it is probable a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. The total claims liability reported in the fund as of June 30, 2026, was $76,169 which is comprised of the liability for known claims as well as an estimate for claims incurred but not yet reported. Changes in the fund's claims liability amounts for the past three years are as follows.

Year	Beginning Balance	Claims Expense and Estimates	Claims Payments	Ending Balance
2024	$ 99,843	$ 1,083,364	$ 1,090,995	$ 92,212
2025	92,212	1,062,921	1,087,927	67,206
2026	67,206	1,017,773	1,008,810	76,169

Since 2014, the District has provided a health care self-insurance program. Under this program, the fund provides up to a maximum of $200,000 for each health claim. The General Fund, Food Service Fund and Community Service Fund of the District participate in this program and make payments to the Health Insurance Internal Service Fund. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates it is probable a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. The total claims liability reported in the fund as of June 30, 2026, was $2,034,620, which is comprised of the liability for known claims as well as an estimate for claims incurred but not yet reported. Changes in the fund's claims liability amounts for the past three years are as follows:

Year	Beginning Balance	Claims Expense and Estimates	Claims Payments	Ending Balance
2024	$ 1,903,283	$ 18,750,715	$ 18,200,527	$ 2,453,471
2025	2,453,471	19,080,644	19,811,429	1,722,686
2026	1,722,686	16,461,348	16,149,414	2,034,620

NOTE 9 – CONTINGENCIES AND COMMITMENTS

A. Program Compliance

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

NOTE 9 – CONTINGENCIES AND COMMITMENTS (CONTINUED)

B. Construction Commitments

As of June 30, 2026, the District had construction commitments totaling $12,707,860 related to various projects in process.

NOTE 10 – ACCOUNTING CHANGES

During the current fiscal year, the District implemented GASB Statement No. 103, *Financial Reporting Model Improvements*. This Statement enhances the financial reporting model by standardizing presentation structures, expanding communication effectiveness and refining note disclosures. The implementation of GASB Statement No. 103 required the following presentation modifications:

- Enhancements and clarification of the presentation of the Management Discussion and Analysis.
- Reclassification of budgetary comparison schedules from basic financial statements to Required Supplementary Information (RSI) as well as including additional disclosures in the Notes to RSI - Budget section explaining significant variances between original and final budget estimates and the corresponding actual revenues and expenditures.

The adoption of GASB Statement No. 103 had no effect on beginning net position or fund balance.

NOTE 11 – SUBSEQUENT EVENT

In July of 2026, the District entered into a financed purchase agreement with Trafera, LLC for the acquisition of Chromebooks. Future payments total $315,064, due in equal annual installments over a 4 year term.

NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 105, *Subsequent Events*. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. This Statement will be effective for the year ending June 30, 2027.

(THIS PAGE LEFT BLANK INTENTIONALLY)

REQUIRED SUPPLEMENTARY INFORMATION

ISD No. 742 - St. Cloud Area School District
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget - Over (Under)	Actual	Variance with Final Budget - Over (Under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues					
Local property taxes	$ 20,148,904	$ 20,148,904	$ -	$ 20,377,366	$ 228,462
Other local and county revenues	4,762,344	3,783,479	(978,865)	3,919,852	136,373
Revenue from state sources	145,809,445	148,904,675	3,095,230	148,203,849	(700,826)
Revenue from federal sources	9,301,343	10,741,578	1,440,235	10,080,495	(661,083)
Sales and other conversion of assets	-	-	-	17,373	17,373
Total revenues	180,022,036	183,578,636	3,556,600	182,598,935	(979,701)
Expenditures					
Current					
Administration	4,276,907	4,367,046	90,139	4,374,782	7,736
District support services	6,118,535	6,180,178	61,643	6,091,836	(88,342)
Elementary and secondary regular instruction	69,298,735	69,520,751	222,016	66,729,813	(2,790,938)
Vocational education instruction	1,897,769	1,895,998	(1,771)	1,999,934	103,936
Special education instruction	45,136,529	46,592,487	1,455,958	46,278,566	(313,921)
Instructional support services	12,213,898	12,450,369	236,471	12,632,538	182,169
Pupil support services	20,693,861	21,288,536	594,675	21,650,784	362,248
Sites and buildings	17,457,122	17,517,846	60,724	19,726,390	2,208,544
Fiscal and other fixed cost programs	900,000	1,122,943	222,943	952,772	(170,171)
Capital outlay					
Administration	-	-	-	-	-
District support services	34,750	28,704	(6,046)	139,836	111,132
Elementary and secondary regular instruction	291,030	505,436	214,406	451,541	(53,895)
Vocational education instruction	9,257	8,898	(359)	8,060	(838)
Special education instruction	54,500	39,412	(15,088)	28,971	(10,441)
Instructional support services	22,097	81,447	59,350	307,542	226,095
Pupil support services	8,500	103,946	95,446	50,010	(53,936)
Sites and buildings	187,203	370,922	183,719	443,939	73,017
Debt service					
Principal	917,755	917,755	-	1,004,179	86,424
Interest and fiscal charges	815,468	815,468	-	820,646	5,178
Total expenditures	180,333,916	183,808,142	3,474,226	183,692,139	(116,003)
Excess of revenues over (under) expenditures	(311,880)	(229,506)	82,374	(1,093,204)	(863,698)
Other Financing Sources					
Insurance recoveries	-	21,708	21,708	1,646,448	1,624,740
Proceeds from issuance of financed purchase agreement	-	-	-	239,445	239,445
Total other financing sources	-	21,708	21,708	1,885,893	1,864,185
Net change in fund balance	$ (311,880)	$ (207,798)	$ 104,082	792,689	$ 1,000,487
Fund Balances					
Beginning of year				25,184,855	
Ending of year				$ 25,977,544	

See notes to required supplementary information - budget.

ISD No. 742 - St. Cloud Area School District
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Food Service Special Revenue Fund
Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget - Over (Under) Final Budget	Actual Amounts	Variance with Final Budget - Over (Under) Actual Amounts
	Original	Final			
Revenues					
Other local and county revenues	$ 5,000	$ 5,000	$ -	$ 105,752	$ 100,752
Revenue from state sources	142,000	172,000	30,000	218,274	46,274
Revenue from federal sources	7,627,000	7,886,160	259,160	8,067,030	180,870
Sales and other conversion of assets	160,000	160,000	-	240,088	80,088
Total revenues	7,934,000	8,223,160	289,160	8,631,144	407,984
Expenditures					
Current					
Food service	7,426,285	7,715,445	289,160	7,423,331	(292,114)
Debt service					
Principal	-	-	-	17,137	17,137
Capital outlay					
Food service	500,000	500,000	-	571,185	71,185
Total expenditures	7,926,285	8,215,445	289,160	8,011,653	(203,792)
Net change in fund balance	$ 7,715	$ 7,715	$ -	619,491	$ 611,776
Fund balances					
Beginning of year				3,257,958	
Ending of year				$ 3,877,449	

See notes to required supplementary information - budget.

ISD No. 742 - St. Cloud Area School District
Schedule of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - Community Service Special Revenue Fund
Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget - Over (Under) Final Budget	Actual Amounts	Variance with Final Budget - Over (Under) Actual Amounts
	Original	Final			
Revenues					
Local property taxes	$ 878,609	$ 878,609	$ -	$ 879,186	$ 577
Other local and county revenues	1,022,850	1,022,850	-	1,087,987	65,137
Revenue from state sources	4,992,455	5,043,924	51,469	4,847,688	(196,236)
Revenue from federal sources	150,000	165,408	15,408	162,316	(3,092)
Total revenues	7,043,914	7,110,791	66,877	6,977,177	(133,614)
Expenditures					
Current					
Pupil support services	160,794	160,794	-	151,775	(9,019)
Community education and services	6,927,532	6,995,657	68,125	6,468,038	(527,619)
Capital outlay			-		
Community education and services	16,500	15,252	(1,248)	42,378	27,126
Total expenditures	7,104,826	7,171,703	66,877	6,662,191	(509,512)
Net change in fund balance	$ (60,912)	$ (60,912)	$ -	314,986	$ 375,898
Fund Balances					
Beginning of year				2,604,920	
Ending of year				$ 2,919,906	

See notes to required supplementary information - budget.

ISD No. 742 - St. Cloud Area School District
Notes to the Required Supplementary Information - Budget

Budgetary Comparison Schedules

General Fund

Final Budget to Actual

Revenues
Revenues from state sources were under budget due to not receiving full amount of state special education receivable booked at June 30, 2025, as well as not spending full allocations on various competitive state grants.

Expenditures
Elementary and secondary regular instruction expenditures were under budget due to employee contracts not being settled at budget time, so the full amount allocated for bargaining was budgeted in regular instruction and not allocated across programs. Also, less severance was paid out than budgeted. In addition, buildings and departments did not spend full supplies and materials allocations.

Sites and buildings expenditures were over budget due to clean up costs related to the fire at Westwood Elementary School.

Other Financing Sources
Insurance recoveries exceeded the budget amount due to the amount received for the fire at Westwood Elementary School. Nothing was budgeted for this amount.

Original Budget to Final Budget

Revenues
The budget for other local and county revenues decreased due to better estimates available for these revenue streams, which can vary from year-to-year.

The budget for revenue from state sources increased due to student enrollment exceeding initial estimates.

The budget for revenue from federal sources increased due to better estimates for the spending of certain grants.

Expenditures
The budget for special education instruction expenditures increased for salaries and wages based on better estimates available for student needs.

Budgetary Comparison Schedules (Continued)

Food Service Fund

Final Budget to Actual

Revenues
Revenues from other local and county sources were over budget due to not budgeting for interest earnings in this Fund.

Revenues from federal sources were over budget due to higher federal reimbursement rates than expected as well as increased enrollment resulting in more meals served.

Revenues from sales and other conversion of assets were over budget due to conservative budgeting for a la carte sales because a la carte is not served when there are staffing shortages, so the revenue is variable.

Expenditures
Food service expenditures were under budget due to fewer people on district insurance, lower salaries and benefits than expected and lower food and supplies costs than anticipated.

Original Budget to Final Budget

Revenues
The budget for revenue from federal sources increased to add a budget for the Fresh Fruit and Vegetable grant.

Expenditures
The budget for food service expenditures increased to add a budget for the Fresh Fruit and Vegetable grant spending.

Budgetary Comparison Schedules (Continued)

Community Service Fund

Final Budget to Actual

Revenues
Revenues from other local and county sources were over budget due to higher than expected interest revenue and facility rental revenue.

Revenues from state sources were under budget primarily due to unspent nonpublic textbook funds as homeschools and private schools didn't spend their funding during the year.

Expenditures
Community service expenditures were under budget across salaries and benefits due to restructuring and eliminating a position after the budget was completed. Insurance costs were also under budget due to fewer staff staying on the district's plan and lower workers compensation costs than expected. Also, supplies and materials costs were under budget due to unspent nonpublic textbook funds as homeschools and private schools didn't spend their funding during the year.

Original Budget to Final Budget

Revenues
The budget for revenue from state sources increased based on better estimates available for the State Adult Basic Education grant.

Expenditures
The budget for community service expenditures increased as the estimate available for the State Adult Basic Education grant increased.

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

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

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

See notes to required supplementary information - OPEB.

June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025	June 30, 2026
$ 718,313	$ 797,231	$ 528,440	$ 530,580	$ 595,748
258,707	208,877	340,129	345,737	413,741
75,311	(332,684)	-	955,900	-
267,026	(882,683)	(81,125)	772,659	(640,341)
-	(27,242)	-	(240,679)	-
(1,064,935)	(1,092,490)	(1,219,791)	(880,730)	(1,048,447)
254,422	(1,328,991)	(432,347)	1,483,467	(679,299)
10,373,614	10,628,036	9,299,045	8,866,698	10,350,165
$ 10,628,036	$ 9,299,045	$ 8,866,698	$ 10,350,165	$ 9,670,866
$ 89,944,021	$ 96,649,476	$ 99,593,426	$ 104,039,330	$ 110,408,463
11.82%	9.62%	8.90%	9.95%	8.76%

ISD No. 742 - St. Cloud Area School District
Notes to the Required Supplementary Information - OPEB

OPEB Health Care Plan

2025 Changes

- The discount rate was changed from 3.97% to 5.2% based on updated 20-year municipal bonds rates.

2024 Changes

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

2023 Changes

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

OPEB Health Care Plan (Continued)

2020 Changes
Changes in Actuarial Assumptions

- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bonds rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender-based risk scores published by the Society of Actuaries.
- Mortality and salary increase rates were updated from the rates used in the July 1, 2018, PERA General Employees Retirement Plan and July 1, 2018, Teachers Retirement Association valuations to the rates used in the July 1, 2019, valuations.

2019 Changes
Changes in Actuarial Assumptions

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

2018 Changes
Changes in Actuarial Assumptions

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

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

For Plan Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Proportionate Share of the Net Pension of Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.3074%	$ 24,959,355	$ 325,963	$ 25,285,318	$ 19,074,613	130.9%	68.91%
2017	0.3392%	21,654,304	272,264	21,926,568	21,850,400	99.1%	75.90%
2018	0.3159%	17,524,837	574,913	18,099,750	21,232,667	82.5%	79.53%
2019	0.3061%	16,923,583	525,977	17,449,560	21,662,733	78.1%	80.23%
2020	0.3099%	18,579,921	572,838	19,152,759	22,098,213	84.1%	79.06%
2021	0.2955%	12,619,174	385,460	13,004,634	21,277,200	59.3%	87.00%
2022	0.3000%	23,760,099	696,586	24,456,685	22,473,080	105.7%	76.67%
2023	0.3072%	17,178,280	473,443	17,651,723	24,427,480	70.3%	83.10%
2024	0.3002%	11,098,382	286,981	11,385,363	25,408,000	43.7%	89.08%
2025	0.2893%	9,587,115	231,271	9,818,386	26,201,413	36.6%	90.78%

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

For Plan Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Proportionate Share of the Net Pension of Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	1.1151%	$ 265,977,956	$ 26,696,660	$ 292,674,616	$ 58,007,307	458.5%	44.88%
2017	1.1630%	232,155,897	22,441,352	254,597,249	62,603,053	370.8%	51.57%
2018	1.1091%	69,661,861	6,544,927	76,206,788	61,275,573	113.7%	78.07%
2019	1.1062%	70,509,420	6,239,895	76,749,315	62,802,555	112.3%	78.21%
2020	1.1147%	82,355,530	6,901,545	89,257,075	64,776,692	127.1%	75.48%
2021	1.1173%	48,896,389	4,123,754	53,020,143	66,861,845	73.1%	86.63%
2022	1.1566%	92,614,410	6,867,879	99,482,289	71,489,736	129.5%	76.17%
2023	1.1473%	94,723,658	6,635,438	101,359,096	72,944,596	129.9%	76.42%
2024	1.1254%	71,511,529	4,677,065	76,188,594	74,557,966	95.9%	82.07%
2025	1.1443%	65,579,433	4,072,949	69,652,382	79,590,926	82.4%	84.51%

See notes to required supplementary information - pension.

ISD No. 742 - St. Cloud Area School District
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017	$ 1,638,780	$ 1,638,780	$ -	$ 21,850,400	7.50%
2018	1,592,450	1,592,450	-	21,232,667	7.50%
2019	1,624,705	1,624,705	-	21,662,733	7.50%
2020	1,657,366	1,657,366	-	22,098,213	7.50%
2021	1,595,790	1,595,790	-	21,277,200	7.50%
2022	1,685,481	1,685,481	-	22,473,080	7.50%
2023	1,832,061	1,832,061	-	24,427,480	7.50%
2024	1,905,600	1,905,600	-	25,408,000	7.50%
2025	1,965,106	1,965,106	-	26,201,413	7.50%
2026	1,948,707	1,948,707	-	25,982,760	7.50%

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017	$ 4,695,229	$ 4,695,229	$ -	$ 62,603,053	7.50%
2018	4,595,668	4,595,668	-	61,275,573	7.50%
2019	4,842,077	4,842,077	-	62,802,555	7.71%
2020	5,130,314	5,130,314	-	64,776,692	7.92%
2021	5,435,868	5,435,868	-	66,861,845	8.13%
2022	5,962,244	5,962,244	-	71,489,736	8.34%
2023	6,236,763	6,236,763	-	72,944,596	8.55%
2024	6,523,822	6,523,822	-	74,557,966	8.75%
2025	6,964,206	6,964,206	-	79,590,926	8.75%
2026	8,168,830	8,168,830	-	83,270,438	9.81%

See notes to required supplementary information - pension.

TRA Retirement Fund

2025 Changes
Changes in Actuarial Assumptions
- Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

2024 Changes
Changes in Actuarial Assumptions
- Mortality tables were updated for active employees, retirees, disabled retirees and contingent beneficiaries to recently published tables derived from public plan data known as the Pub-2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint and Survivor Annuity was refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

Changes of Benefit Terms
- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.

2023 Changes
Changes in Actuarial Assumptions
- None

2022 Changes
Changes in Actuarial Assumptions
- None

2021 Changes
Changes in Actuarial Assumptions
- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes
Changes in Actuarial Assumptions
- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes
Changes in Actuarial Assumptions
- None

TRA Retirement Fund (Continued)

2018 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost-of-living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost-of-living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes
Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

General Employees Fund

2025 Changes

Changes in Actuarial Assumptions

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

2022 Changes (Continued)
Changes in Plan Provisions
- There were no changes in plan provisions since the previous valuation.

2021 Changes
Changes in Actuarial Assumptions
- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

2019 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

General Employees Fund (Continued)

2019 Changes (Continued)
Changes in Plan Provisions
- The employer supplemental contribution was changed prospectively, decreasing from $31 million to $21 million per year. The State's special funding contribution was changed prospectively, requiring $16 million due per year through 2031.

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions
- The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The State's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.

General Employees Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

SUPPLEMENTARY INFORMATION

ISD No. 742 - St. Cloud Area School District
Combining Statement of Net Position - Internal Service Funds
June 30, 2026

	Dental Insurance	Health Insurance	Total Internal Service Funds
Assets			
Current assets			
Cash and investments	$ 1,005,646	$ 8,691,102	$ 9,696,748
Liabilities			
Insurance claims payable	$ 76,169	$ 2,034,620	$ 2,110,789
Net Position			
Unrestricted	929,477	6,656,482	7,585,959
Total liabilities and net position	$ 1,005,646	$ 8,691,102	$ 9,696,748

ISD No. 742 - St. Cloud Area School District
Combining Statement of Revenues, Expenses, and Changes
in Fund Net Position - Internal Service Funds
Year Ended June 30, 2026

	Dental Insurance	Health Insurance	Total Internal Service Funds
Operating Revenue			
Charges for services	$ 1,005,170	$ 17,478,083	$ 18,483,253
Operating Expenses			
Insurance claims	1,017,773	16,461,348	17,479,121
Operating income (loss)	(12,603)	1,016,735	1,004,132
Nonoperating Revenue			
Investment income	30,056	183,562	213,618
Change in net position	17,453	1,200,297	1,217,750
Net Position			
Beginning of year	912,024	5,456,185	6,368,209
End of year	$ 929,477	$ 6,656,482	$ 7,585,959

ISD No. 742 - St. Cloud Area School District
Combining Statement of Cash Flows - Internal Service Funds
Year Ended June 30, 2026

	Dental Insurance	Health Insurance	Total Internal Service Funds
Cash Flows - Operating Activities			
Employee insurance deductions received from other funds	$ 1,005,170	$ 17,478,083	$ 18,483,253
Insurance claims and fees paid	(1,008,810)	(16,149,414)	(17,158,224)
Net cash flows - operating activities	(3,640)	1,328,669	1,325,029
Cash Flows - Investing Activities			
Interest received	30,056	183,562	213,618
Net Change in Cash and Cash Equivalents	26,416	1,512,231	1,538,647
Cash and Cash Equivalents			
Beginning of year	979,230	7,178,871	8,158,101
End of year	$ 1,005,646	$ 8,691,102	$ 9,696,748
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities			
Operating income (loss)	$ (12,603)	$ 1,016,735	$ 1,004,132
Adjustments to reconcile operating income (loss) to net cash flows - operating activities			
Change in insurance claims payable	8,963	311,934	320,897
Net cash flows - operating activities	$ (3,640)	$ 1,328,669	$ 1,325,029

ISD No. 742 - St. Cloud Area School District
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2026

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total revenue	$ 182,598,935	$ 182,598,933	$ 2
Total expenditures	183,692,139	183,692,139	-
Nonspendable:			
4.60 Nonspendable Fund Balance	453,534	453,534	-
Restricted/reserved:			
4.01 Student Activities	400,696	400,696	-
4.02 Scholarships	169,696	169,696	-
4.03 Staff Development	-	-	-
4.07 Capital Projects Levy	-	-	-
4.08 Cooperative Programs	-	-	-
4.12 Literacy Incentive Aid	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Building Maintenance	-	-	-
4.20 American Indian Education Aid	-	-	-
4.24 Operating Capital	2,299,153	2,299,153	-
4.26 $25 Taconite	-	-	-
4.27 Disabled Accessibility	-	-	-
4.28 Learning and Development	-	-	-
4.34 Area Learning Center	282,280	282,280	-
4.35 Contracted Alt. Programs	-	-	-
4.36 State Approved Alt. Program	-	-	-
4.37 Q Comp	-	-	-
4.38 Gifted and Talented	83,515	83,515	-
4.39 English Learner	-	-	-
4.40 Teacher Development and Evaluation	-	-	-
4.41 Basic Skills Programs	1,445,149	1,445,149	-
4.43 School Library Aid	-	-	-
4.48 Achievement and Integration	-	-	-
4.49 Safe School Levy	-	-	-
4.51 QZAB Payments	-	-	-
4.52 OPEB Liab Not in Trust	-	-	-
4.53 Unfunded Sev & Retirement Levy	-	-	-
4.56 READ Act - Literacy Aid	-	-	-
4.57 READ Act - Tchr Training Compensation	131,155	131,155	-
4.67 LTFM	217,748	217,748	-
4.71 Student Support Personnel Aid	27,569	27,569	-
4.72 Medical Assistance	-	-	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
4.75 Title VII - Impact Aid	-	-	-
4.76 Payments in Lieu of Taxes	-	-	-
Committed:			
4.18 Committed for Separation	-	-	-
4.61 Committed Fund Balance	-	-	-
Assigned:			
4.62 Assigned Fund Balance	954,440	954,441	(1)
Unassigned:			
4.22 Unassigned Fund Balance	19,512,609	19,512,605	4
02 FOOD SERVICE FUND			
Total revenue	$ 8,631,144	$ 8,631,146	$ (2)
Total expenditures	8,011,653	8,011,653	-
Nonspendable:			
4.60 Nonspendable Fund Balance	63,251	63,251	-
Restricted/reserved:			
4.52 OPEB liab Not in Trust	-	-	-
Restricted:			
4.64 Restricted Fund Balance	3,814,199	3,814,198	1
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE FUND			
Total revenue	$ 6,977,177	$ 6,977,176	$ 1
Total expenditures	6,662,191	6,662,191	-
Nonspendable:			
4.60 Nonspendable Fund Balance	-	-	-
Restricted/reserved:			
4.26 $25 Taconite	-	-	-
4.31 Community Education	1,336,445	1,336,446	(1)
4.32 E.C.F.E.	327,698	327,698	-
4.37 Q Comp	-	-	-
4.40 Teacher Development and Evaluation	-	-	-
4.44 School Readiness	659,065	659,065	-
4.47 Adult Basic Education	506,450	506,450	-
4.52 OPEB Liab. Not in Trust	-	-	-
4.56 READ Act - Literacy Aid	-	-	-
4.57 READ Act - Tchr Training Compensation	-	-	-
Restricted:			
4.64 Restricted Fund Balance	90,248	90,247	1
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND			
Total revenue	$ 2,468,536	$ 2,468,537	$ (1)
Total expenditures	8,767,428	8,767,426	2
Nonspendable:			
4.60 Nonspendable Fund Balance	-	-	-
Restricted/reserved:			
4.07 Capital Projects Levy	-	-	-
4.13 Funded by COP/FP	525,917	525,917	-
4.67 LTFM	3,543,661	3,543,661	-
Restricted:			
4.64 Restricted Fund Balance	60,527,885	60,527,886	(1)
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE FUND			
Total revenue	$ 18,427,895	$ 18,427,895	$ -
Total expenditures	17,472,380	17,472,380	-
Nonspendable:			
4.60 Nonspendable Fund Balance	-	-	-
Restricted/reserved:			
4.25 Bond Refundings	-	-	-
4.33 Maximum Effort Loan Aid	-	-	-
4.51 QZAB Payments	-	-	-
4.67 LTFM	-	-	-
Restricted:			
4.64 Restricted Fund Balance	3,905,191	3,905,192	(1)
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-
08 TRUST FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.22 Unassigned Fund Balance (Net Assets)	-	-	-
18 CUSTODIAL FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.48 Achievement and Integration	-	-	-
4.64 Restricted Fund Balance	-	-	-
20 INTERNAL SERVICE FUND			
Total revenue	$ 18,696,871	$ 18,696,870	$ 1
Total expenditures	17,479,121	17,479,120	1
Unassigned:			
4.22 Unassigned Fund Balance (Net Assets)	7,585,959	7,585,959	-
25 OPEB REVOCABLE FUND			
Total revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Unassigned:			
4.22 Unassigned Fund Balance (Net Assets)	-	-	-
45 OPEB IRREVOCABLE FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Unassigned:			
4.22 Unassigned Fund Balance (Net Assets)	-	-	-
47 OPEB DEBT SERVICE			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Nonspendable:			
4.60 Nonspendable Fund Balance	-	-	-
Restricted:			
4.25 Bond Refunding	-	-	-
4.64 Restricted Fund Balance	-	-	-
Unassigned:			
4.63 Unassigned Fund Balance	-	-	-

(THIS PAGE LEFT BLANK INTENTIONALLY)

CP ASSURANCE

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*, the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ISD No. 742 - St. Cloud Area School District, St. Cloud, Minnesota, as of and for the year ending June 30, 2026, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2026.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings on Internal Control as item 2026-001 that we consider to be a significant deficiency.

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

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CP Assurance, Ltd.

St. Cloud, Minnesota
November 10, 2026

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

Audit Finding 2026-001

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

Condition:
During the year ended June 30, 2026, the District had a lack of segregation of accounting duties due to a limited number of office employees. Examples of the lack of segregation of accounting duties include, but are not limited to the following:

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

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

Cause:
There are a limited number of office employees.

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

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

Audit Finding 2026-001 (Continued)

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

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

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

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

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2027.

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

CP ASSURANCE

Minnesota Legal Compliance

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ISD No. 742 - St. Cloud Area School District, St. Cloud, Minnesota, as of and for the year ended June 30, 2026, and the related notes to basic financial statements, and have issued our report thereon dated November 10, 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 relate to accounting matters.

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

CP Assurance, Ltd.

St. Cloud, Minnesota
November 10, 2026