Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

Basic Financial Statements

June 30, 2025

Independent School District No. 877
Table of Contents

Independent School District No. 877
Table of Contents

Independent School District No. 877
Board of Education and Administration
June 30, 2025

Board of Education	Position	Term Expires
Bob Sansevere	Chairperson	December 31, 2026
Sheila Smude	Vice Chairperson	December 31, 2026
Amanda Lawrence	Clerk	December 31, 2028
Adam Bjorklund	Treasurer	December 31, 2028
Matt Hoffman	Director	December 31, 2026
Angie Greig	Director	December 31, 2028
Mike Honsey	Director	December 31, 2028

Administration	
Scott Thielman	Superintendent
Ryan Tangen	Director of Finance and Operations
Miranda Kramer	Controller

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter
The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
The management of Independent School District No. 877 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 statement.

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 Information
Management is responsible for the other district information identified in the Table of Contents. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 3, 2025

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 877
Management's Discussion and Analysis

This section of Independent School District No. 877's (the "District") annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain comparative information between the current year (2024-2025) and the prior year (2023-2024) is required in the MD&A.

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

- The District-wide total combined net position increased 26.18% over the course of the year and was $31.86 million on June 30, 2025.

- During the year, the District-wide revenues were $103.31 million and expenses were $94.53 million. Revenues increased by $4.24 million and expenses increased by $8.56 million from the prior year.

- The General Fund reported an unassigned fund balance this year of $12.33 million (excluding an adjustment for a negative fund balance assignment), an increase of $0.53 million from the prior year.

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

- The first two statements are the district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide financial statements.

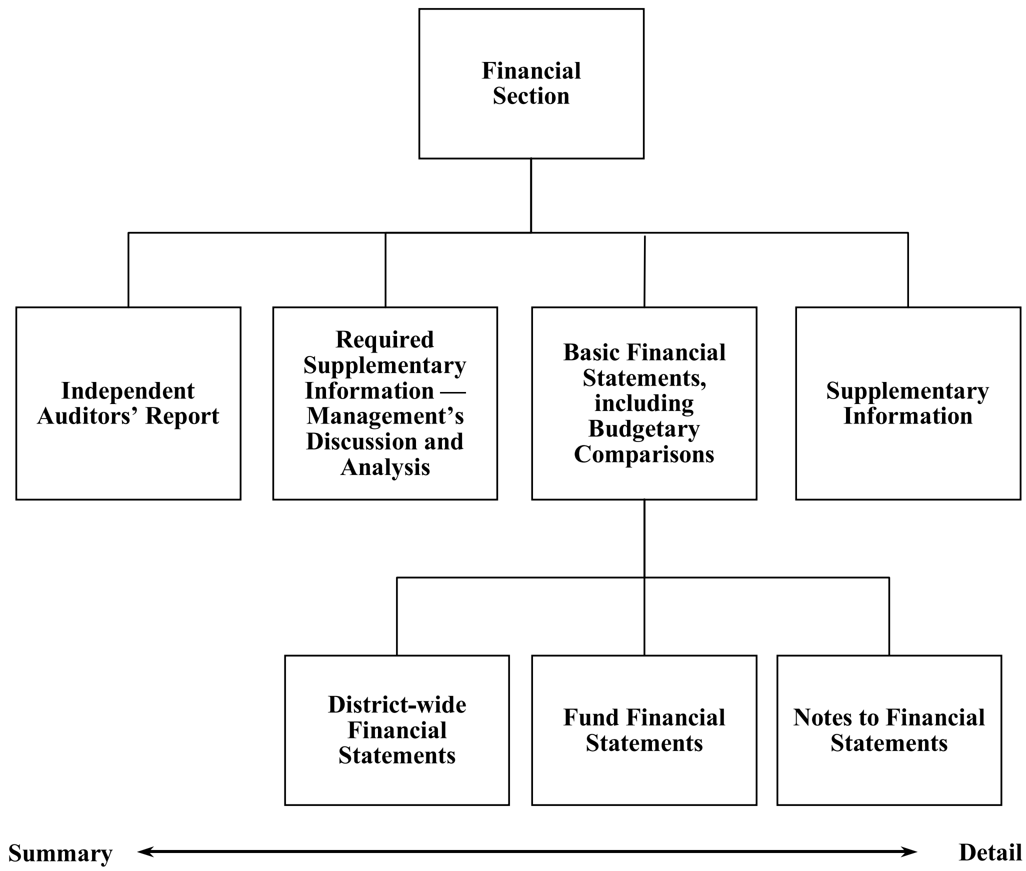
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

Overview of the Financial Statements (Continued)

The financial statements also include notes that explain in more detail the information in the basic financial statements. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Annual Financial Report



Overview of the Financial Statements (Continued)
Figure A-2 summarizes 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. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements - Governmental	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary, such as special education, building maintenance, food service and community education	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resource focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets expected to be consumed and liabilities paid during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the 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)

District-Wide Statements

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

The two district-wide statements report the District's net position and how they have changed. The term "net position" is defined as the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources and is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- ***Governmental Activities***: Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state appropriations finance most of these activities.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

Overview of the Financial Statements (Continued)

Fund Financial Statements (Continued)

The District has one type of fund:

- ***Governmental Funds*:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view to determine whether the District's working capital will be sufficient to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide reconciliations between the governmental funds statements and the district-wide statements, which do present a long-term focus.

Financial Analysis of the District as a Whole

Net Position

The District's consolidated net position increased 26.18% and was $31,856,881 on June 30, 2025 (See Table A-1). The District's total assets and deferred outflows increased 3.00% due primarily to capitalization of projects completed with the General Obligation Building Bonds issued in fiscal year 2024. Total liabilities and deferred inflows decreased 0.61% due primarily to a decrease in net pension liability and an increase in deferred inflows of resources related to pensions. More information about the change in pension liability can be found in Note 6 of the financial statements.

The net investment in capital assets increased due to the district paying off long-term debt faster than the rate of depreciation of assets and capital assets and through completion of projects funded with the 2024 General Obligation Building Bonds. The restricted net position increased due to positive changes in Long-Term Facility Maintenance Revenue, medical assistance, literacy aid, debt service, and the HRA Trust Fund. The unrestricted net position increased because of changes in the net pension liability and related deferred inflows and outflows, revenues exceeding expenditures in non-restrictive programming areas, a decrease in salaries payable, and an increase in property taxes levied for the subsequent year.

Financial Analysis of the District as a Whole (Continued)

Net Position (Continued)

Table A-1
The District's Net Position

	Governmental Activities 2025	Governmental Activities 2024	Percentage Change
Assets			
Current and other assets	$ 93,863,535	$ 97,195,814	-3.43%
Capital and non-current assets	85,772,177	77,704,896	10.38%
Total assets	179,635,712	174,900,710	2.71%
Deferred outflows	13,238,369	12,352,920	7.17%
Total assets and deferred outflows of resources	$ 192,874,081	$ 187,253,630	3.00%
Liabilities			
Current liabilities	$ 16,681,241	$ 10,838,530	53.91%
Long-term liabilities	107,717,223	123,700,081	-12.92%
Total liabilities	124,398,464	134,538,611	-7.54%
Deferred inflows of resources	36,618,736	27,467,544	33.32%
Total liabilities and deferred inflows of resources	$ 161,017,200	$ 162,006,155	-0.61%
Net Position			
Net investment in capital assets	44,637,246	39,886,008	11.91%
Restricted	9,799,137	8,993,726	8.96%
Unrestricted	(22,579,502)	(23,632,259)	-4.45%
Total net position	$ 31,856,881	$ 25,247,475	26.18%

Financial Analysis of the District as a Whole (Continued)

Change in Net Position

The change in net position for 2024-2025 was a positive $6,609,406 based on total revenues of $103.31 million and total expenses of $94.53 million. Table A-2 shows the breakdown of the various revenue and expense categories.

Table A-2
Change in Net Position

	Governmental Activities		Percentage
	2025	2024	Change
Revenues			
Program revenues			
Charges for services	$ 5,116,874	$ 5,699,267	-10.22%
Operating grants and contributions	25,610,036	24,076,529	6.37%
Capital grants and contributions	1,570,598	1,703,759	-7.82%
General revenues			
Property taxes	21,853,836	20,702,243	5.56%
Unrestricted state aid	44,715,038	43,935,365	1.77%
Investment earnings	3,666,169	1,854,967	97.64%
Other	735,536	972,796	-24.39%
Income (loss) from joint venture	43,337	127,189	-65.93%
Total revenues	103,311,424	99,072,115	4.28%
Expenses			
Administration	2,514,539	2,187,922	14.93%
District support services	1,847,561	1,791,324	3.14%
Regular instruction	37,540,278	34,682,597	8.24%
Vocational education instruction	1,718,696	1,848,234	-7.01%
Special education instruction	17,158,515	15,185,573	12.99%
Instructional support services	4,254,243	5,239,923	-18.81%
Pupil support services	7,621,830	6,949,630	9.67%
Sites and buildings	10,198,497	8,639,379	18.05%
Fiscal and other fixed cost programs	363,935	319,147	14.03%
Food service	4,637,982	4,107,601	12.91%
Community service	4,124,192	4,021,539	2.55%
Interest and fiscal charges on long-term liabilities	2,550,760	999,065	155.31%
Total expenses	94,531,028	85,971,934	9.96%
Change in net position	8,780,396	13,100,181	-32.98%
Change in accounting principle	(2,170,990)	1,128,139	100.00%
Beginning net position	25,247,475	11,019,155	-129.12%
Ending net position	$ 31,856,881	$ 25,247,475	26.18%

Financial Analysis of the District as a Whole (Continued)

Revenues

The District's total revenues were approximately $103.31 million for the year ended June 30, 2025. Property taxes and state formula aid accounted for 64.4% of total revenue for the year (See Figure A-3). Program users provided 5.0% of revenues. Another 4.3% came from other general revenues combined with investment earnings, and the remaining 26.3% came from operating and capital grants.

Figure A-3
Sources of District's Revenues for Fiscal 2025

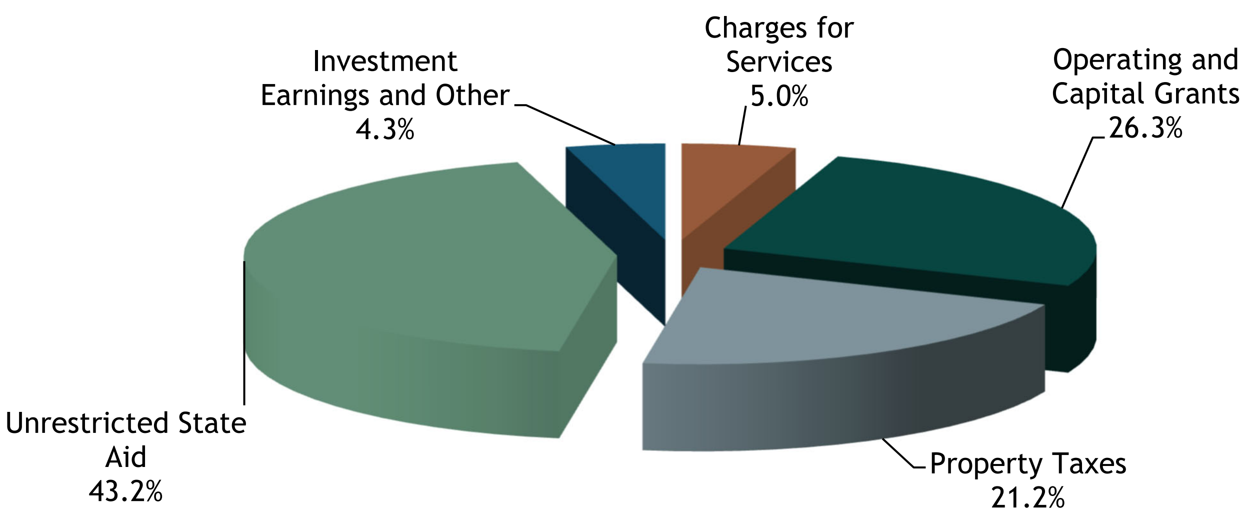
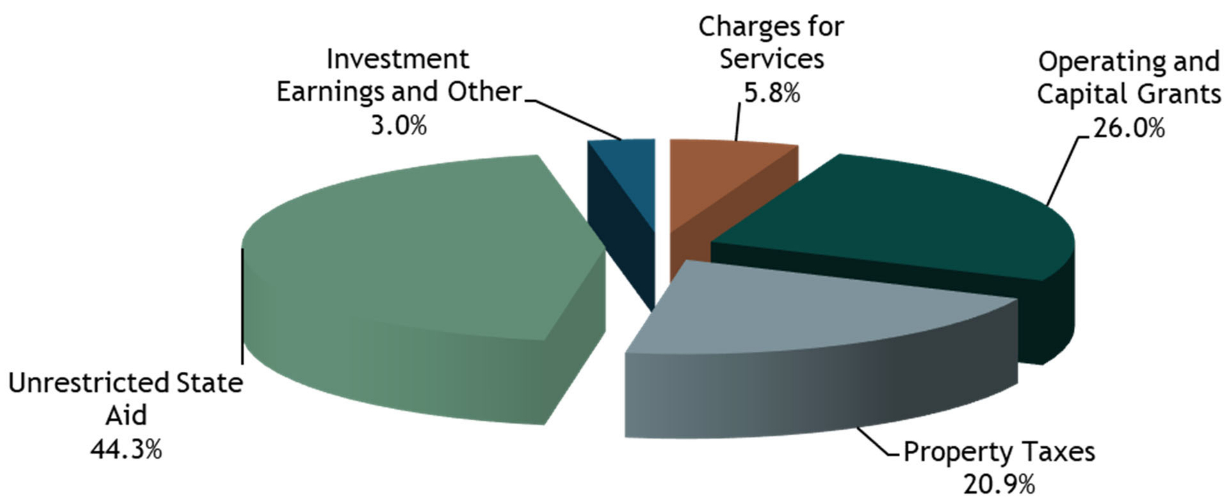


Figure A-3
Sources of District's Revenues for Fiscal 2024



Financial Analysis of the District as a Whole (Continued)

Expenses

The District's total expenditures were approximately $94.53 million for the year ended June 30, 2025. The District's expenses are predominantly related to educating, caring for, and transporting students. The administrative expenses of the District accounted for 2.7% of total costs for 2024-25 and for 2.5% of total costs for 2023-24 (see Figure A-4).

Figure A-4
District Expenditures for Fiscal 2025

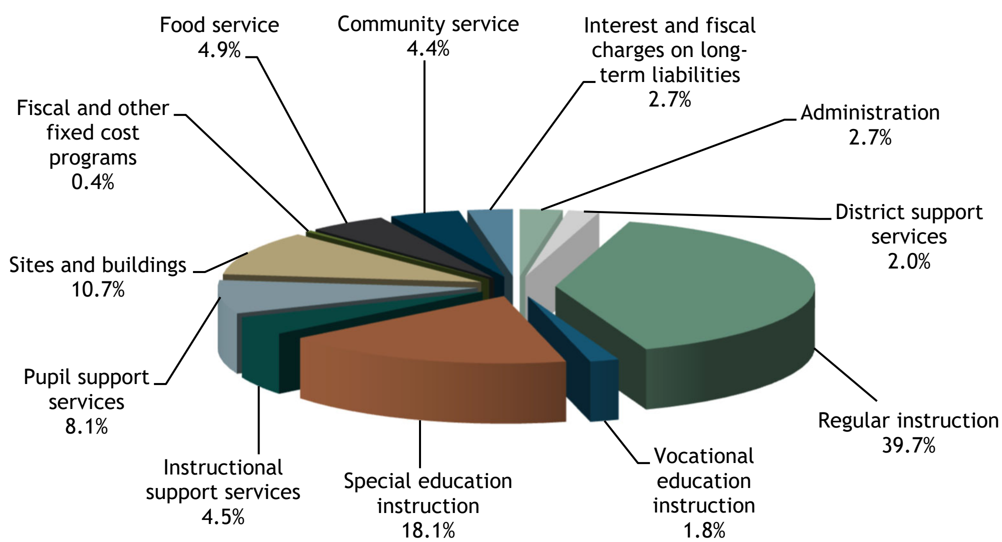
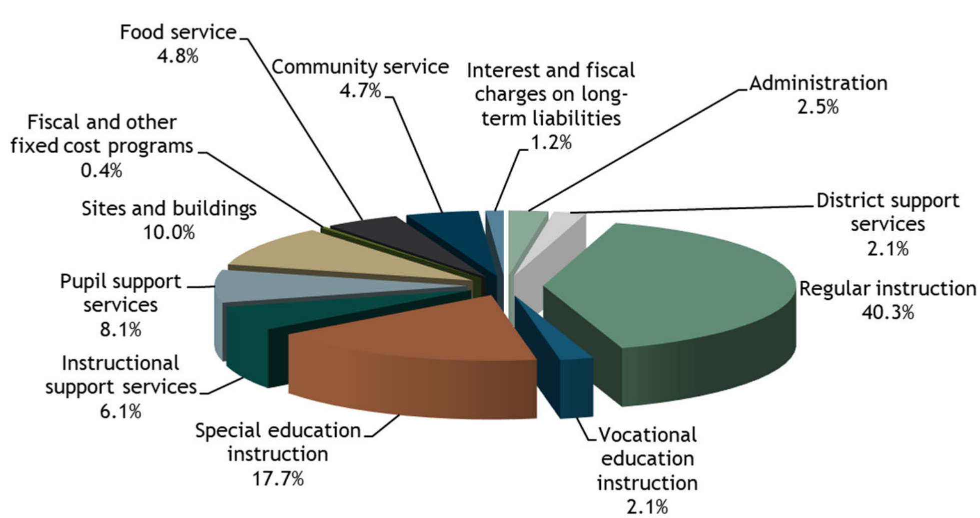


Figure A-4
District Expenditures for Fiscal 2024



Financial Analysis of the District as a Whole (Continued)

Governmental Activities

Typically, the District does not incorporate funds allocated to direct instruction as part of an analysis of expenditures in all governmental funds. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received from entrepreneurial-type funds for food service and community education. Therefore, a more accurate analysis would be limited to the allocation of resources received for the general operation of the District and would show that 72.2% of those resources are spent on instruction and support services associated with the instruction.

Table A-3 presents the cost of 12 major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Users of District programs paid $5,116,874 to the district as shown in the Statement of Activities in the financial statements. The federal and state governments subsidized certain programs with grants and contributions; $25,610,036 for operating purposes and $1,570,598 for capital purposes. District taxpayers and the taxpayers of the State of Minnesota, however, paid for most of the district's costs with general revenue of $71,013,916. Of that amount, a major portion of governmental activities came from $21,853,836 in property taxes and $44,715,038 of state aid based on the statewide education aid formula. Investment earnings, other general revenues, and net change from the joint venture accounted for the remaining revenue of $4,445,042.

Financial Analysis of the District as a Whole (Continued)

Governmental Activities (Continued)

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2025	2024	Change	2025	2024	Change
Administration	$ 2,514,539	$ 2,187,922	14.93%	$ 2,514,539	$ 2,187,922	14.93%
District support services	1,847,561	1,791,324	3.14%	1,827,178	1,769,585	3.25%
Regular instruction	37,540,278	34,682,597	8.24%	31,989,071	28,511,114	12.20%
Vocational education instruction	1,718,696	1,848,234	-7.01%	1,196,377	1,174,656	1.85%
Special education instruction	17,158,515	15,185,573	12.99%	1,795,556	1,730,204	3.78%
Instructional support services	4,254,243	5,239,923	-18.81%	3,336,683	4,726,719	-29.41%
Pupil support services	7,621,830	6,949,630	9.67%	7,232,260	6,571,924	10.05%
Sites and buildings	10,198,497	8,639,379	18.05%	8,776,186	7,142,480	22.87%
Fiscal and other fixed cost programs	363,935	319,147	14.03%	363,935	319,147	14.03%
Food service	4,637,982	4,107,601	12.91%	(76,945)	(723,001)	-89.36%
Community service	4,124,192	4,021,539	2.55%	727,920	82,564	781.64%
Interest and fiscal charges on long-term liabilities	2,550,760	999,065	155.31%	2,550,760	999,065	155.31%
Total	$ 94,531,028	$ 85,971,934	9.96%	$ 62,233,520	$ 54,492,379	14.21%

Financial Analysis of the District's Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $63,769,591. Of this amount, $45,438,506 is restricted to cover building project costs, future debt obligations, and other purposes.

Revenues for the District's governmental funds were $102,171,945 while total expenditures were $110,721,798. After factoring in other financing sources of $4,546, the District completed the year with a negative net change in fund balance of $8,545,307. The most significant factors leading to the change in fund balance were student enrollment changes, capital projects including utilization of school building bonds issued in a prior year, and decreases in the Food Service and Community Service Funds.

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund revenues.

General Fund (Continued)

Table A-4
General Fund Revenues

	Year Ended June 30,		Change	
	2025	2024	Increase (Decrease)	Percent
Property taxes	$ 12,649,261	$ 13,673,769	$ (1,024,508)	-7.49%
Other local and county revenues	3,529,618	3,906,823	(377,205)	-9.66%
State sources	63,539,418	60,077,881	3,461,537	5.76%
Federal sources	2,008,888	3,280,688	(1,271,800)	-38.77%
Sales and other conversion of assets	25,491	28,673	(3,182)	-11.10%
Total revenue	$ 81,752,676	$ 80,967,834	$ 784,842	0.97%

Total General Fund revenue increased from the previous year by $784,842, or 0.97%. Property tax revenue decreased by $1,024,508 due to changes in long-term facilities maintenance revenue and equalization aids. Revenue from state sources increased by $3,461,537 due to increases in special education funding, Long-term Facilities Maintenance aid, and new program specific revenue. Federal sources decreased by $1,271,800 due to exhaustion of the federal pandemic relief funds and decreased allocations for special education. The revenue from other local and county sources and sales and other conversions of assets decreased by $377,205 and $3,182, respectively, due to decreases in revenue from interest income, revenue from other districts, and student activities.

The following schedule presents a summary of General Fund expenditures.

General Fund (Continued)

Table A-5
General Fund Expenditures

	Year Ended June 30, 2025	Year Ended June 30, 2024	Change Increase (Decrease)	Change Percent
Salaries	$ 44,957,264	$ 43,976,168	$ 981,096	2.23%
Employee benefits	16,788,126	16,618,548	169,578	1.02%
Purchased services	13,334,553	13,264,549	70,004	0.53%
Supplies and materials	2,918,519	3,246,306	(327,787)	-10.10%
Capital expenditures	1,261,408	1,261,634	(226)	-0.02%
Other expenditures	615,745	622,190	(6,445)	-1.04%
Total expenditures	$ 79,875,615	$ 78,989,395	$ 886,220	1.12%

Total General Fund expenditures increased $886,220, or 1.12% from the previous year due to salary and benefit negotiated increases.

In the 2024-2025 school year, General Fund revenues of $81,752,676 and other financing sources of $4,546 were higher than expenditures by $1,881,607. As a result, the total fund balance on June 30, 2025, increased to $22,083,574 of which $8,624,151 was restricted, committed, or assigned (negative balances are reported as unassigned but still considered restricted, committed, or assigned for fund balance analysis). The combined unassigned and non-spendable fund balance increased from the prior year, ending at a balance of $13,459,423 on June 30, 2025, or 16.8% of expenditures. The non-spendable fund balance was $1,128,099 at year end.

General Fund Budgetary Highlights
The District revises its annual budget once each year. The budget amendment caused the changes between the original budget amount and the final budget amounts shown in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. The changes focused on the following categories:

- Change in number of positions, salaries, and benefits. Changes occur due to staffing for enrollment, special education needs, and contract settlements.

- Changes in revenue entitlements from state aid proration based on enrollment projections.

General Fund Budgetary Highlights (Continued)

- Changes in revenue from the special education program.

- Changes in revenue and expenditures for COVID-19 federal pandemic relief funds.

The District's final budget for the General Fund anticipated that expenditures would exceed revenues by $1,165,585. The actual results for the year show revenues exceeding expenditures by $1,881,607. Revenues and other financing sources exceeded the District's final budget by 1.63% and expenditures were under budget by 2.1%.

- Actual revenues and other financing sources were higher than expected by $1,308,742 due primarily to higher-than-anticipated state aid generated from average daily membership, current year and prior year special education aid due to tuition billing, interest income, donations, and activities.

- Actual expenditures were under budget by $1,738,450. The District had lower than anticipated staffing expenditures and related costs, utility costs, capital and Long-Term Facilities projects, materials purchases, technology purchases, and activities.

Capital Projects and Debt Service Funds

The Building Construction Fund recorded the revenues and expenditures from the 2024 General Obligation School Building Bonds issued in fiscal year 2023-2024. The building project is a four-year project anticipated to be completed in the fall of 2027. The Building Construction Fund balance was $34,738,332 on June 30, 2025, a decrease of $10,550,958 due to construction costs offset by investment earnings.

The Debt Service Fund balance increased by $541,244 resulting in an ending balance of $2,624,081 as of June 30, 2025. All of this balance is restricted to meet future debt obligations of the District.

Other Nonmajor Funds

The Food Service Fund expenditures exceeded revenues causing the fund balance to decrease by $239,189 to $3,388,952. Food Service revenues were over budget by $83,603 or 1.75% and the expenditures were over budget by $340,033 or 7.16%. Revenue was higher than anticipated due primarily to interest income and al la carte sales. Expenditures were over budget primarily because of additional capital improvements and supply purchases higher than expected.

The Community Service Fund expenditures exceeded revenues by $178,011 and decreased its fund balance to $934,652 as of June 30, 2025. Revenues were lower primarily due to tuition from patrons coming in below expectations. Participation levels were consistent with the prior year, suggesting the variance may be due in part to the timing of revenue recognition. Expenditures were below budget mainly as a result of position vacancies during the year.

Fiduciary Funds

The District created a sunset clause in certain contracts for retiree insurance contributions. Individuals hired after the sunset date are no longer eligible for the grandfathered post-retirement insurance benefits. The new provisions require the District to make ongoing contributions to the new employee's HRA account held in an outside irrevocable trust. Each contract has a contribution limit for the individual employee. The value of the irrevocable trust was $4,472,125 as of June 30, 2025.

During the 2009-2010 school year, the District issued $10.845 million in OPEB Bonds and at the same time, created an irrevocable trust to fund the District's post-employment benefits. The District started to use the Trust in the 2012-2013 year to cover post-employment obligations. The amount held in trust for OPEB as of June 30, 2025, increased by $825,195 to $14,412,822.

Capital Asset and Debt Administration

Capital Assets

At the end of 2025, the District had invested approximately $181.54 million in a broad range of capital assets, including school buildings, athletic facilities, computers, and audio-visual equipment, (see Table A-6). This amount represents a net increase of $14.42 million or 8.63%, from last year. Total depreciation and amortization expense for the year was approximately $5.72 million. More detailed information about capital assets can be found in Note 3 to the financial statements.

Table A-6
The District's Capital Assets

	2025	2024	Percentage Change
Land	$ 4,222,035	$ 4,222,035	0.00%
Construction in progress	11,642,344	1,811,413	542.72%
Land improvements	14,559,460	14,099,664	3.26%
Buildings	136,574,708	134,870,305	1.26%
Equipment and transportation vehicles	14,339,083	11,914,244	20.35%
Leased equipment	199,757	199,757	0.00%
Total historical cost	181,537,387	167,117,418	8.63%
Less accumulated depreciation/amortization	(98,526,675)	(93,037,251)	-5.90%
Total	$ 83,010,712	$ 74,080,167	12.06%

Construction – Next Three Years

The District will continue to improve buildings and building sites utilizing Long Term Facilities Maintenance funding and bonded debt. During fiscal year 2024, $41.5 General Obligation School Building Bonds were voter approved and issued for projects to be completed over a four year period.

Capital Asset and Debt Administration (Continued)

Long-Term Debt

At year-end, the District had $73,111,798 in general obligation (G.O.) bonds, unamortized bond premium, financed purchases from direct borrowing, and lease liabilities, a decrease of 8.02% from last year as shown in Table A-7. The decrease is due to payments made toward the outstanding long-term debt. The District also had $3,577,350 in future compensated absences payable on June 30, 2025. Implementation of GASB Statement No. 101, *Compensated Absences*, increased the beginning compensated absences liability by $2,170,990. The School Board has committed $3,209,069 for payment of future post-employment severance and health benefits. More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

Table A-7
The District's Long-Term Liabilities

	2025	2024	Percentage Change
G.O. bonds	$ 68,115,000	$ 74,120,000	-8.10%
Net bond premium and discount	4,458,968	4,717,964	-5.49%
Net G.O. bonds	72,573,968	78,837,964	-7.95%
Obligations under leases	86,152	123,261	-30.11%
Financed purchases from direct borrowing	451,678	522,224	-13.51%
Net G.O. bonds, capital leases and direct borrowing	73,111,798	79,483,449	-8.02%
Severance payable	-	915,985	-100.00%
Compensated absences payable	3,577,350	337,728	959.24%
Total	$ 76,689,148	$ 80,737,162	-5.01%

Bond Ratings

The District's G.O. bonds carry an MSDE enhanced rating of Aa1 according to the most recent Moody's Investor Service Rating. The District’s standalone rating was upgraded from Aa2 to Aa1 on July 29, 2022.

Limitations on Debt

The state limits the amount of General Obligation debt the District can issue to 15% of the market value of all taxable property within the District's corporate limits. The District's outstanding debt is significantly below this limit.

Factors Bearing on the District's Future

The District’s financial outlook continues to be closely tied to state funding allocations and legislative actions, as state aid remains our primary operating revenue. Over the past year, no new funding increases were approved, and early indications suggest that the upcoming legislative session may include reductions due to the projected state budget deficit. While progress has been made in recent years toward addressing the special education cross-subsidy, current funding levels still cover only a portion of actual costs, requiring continued support from the General Fund. Like many districts across the state, we continue to experience the effects of declining enrollment driven by lower birth rates and increased competition from non-public options. However, updated demographic data indicates a gradual improvement in birth rates, and our long-range projections anticipate stabilization and renewed enrollment growth beginning in 2027–28. Although these pressures create uncertainty, the District enters this period with a strong fund balance, sustained community support, and a stable local economy, all of which position us to navigate financial challenges while continuing to provide high-quality educational opportunities.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 877, 214 1st Avenue NE, Buffalo, Minnesota 55313.

(THIS PAGE LEFT BLANK INTENTIONALLY)

BASIC FINANCIAL STATEMENTS

Independent School District No. 877
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and investments	$ 71,792,962
Current property taxes receivable	10,876,923
Delinquent property taxes receivable	331,892
Accounts receivable	554,580
Interest receivable	363,920
Due from Department of Education	7,479,623
Due from Federal Government through Department of Education	755,788
Due from other Minnesota school districts	358,795
Due from other governmental units	134,568
Inventory	176,767
Prepaid items	1,037,717
Equity interest in joint venture	678,759
Net OPEB asset	2,082,706
Capital assets not being depreciated	
Land	4,222,035
Construction in progress	11,642,344
Capital assets, net of accumulated depreciation/ amortization	
Land improvements	7,539,918
Buildings	53,577,939
Machinery and equipment	5,963,878
Lease equipment	64,598
Total assets	179,635,712
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	10,672,748
Deferred outflows of resources related to OPEB	2,565,621
Total deferred inflows of resources	13,238,369
Total assets and deferred outflows of resources	$ 192,874,081
Liabilities	
Accounts payable	$ 5,615,660
Salaries and benefits payable	1,242,775
Interest payable	1,122,119
Due to other Minnesota school districts	570,223
Due to other governmental units	292,391
Unearned revenue	426,535
Bond payable, net	
Payable within one year	6,330,000
Payable after one year	66,243,968
Financed purchase from direct borrowing	
Payable within one year	71,857
Payable after one year	379,821
Lease payable	
Payable within one year	38,858
Payable after one year	47,294
Compensated absences payable	
Payable within one year	970,823
Payable after one year	2,606,527
Net pension liability	38,439,613
Total liabilities	124,398,464
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	21,574,067
Deferred inflows of resources related to pensions	13,004,322
Deferred inflows of resources related to OPEB	2,040,347
Total deferred inflows of resources	36,618,736
Net Position	
Net investment in capital assets	44,637,246
Restricted for	
Debt service	1,627,409
Other purposes	8,171,728
Unrestricted	(22,579,502)
Total net position	31,856,881
Total liabilities, deferred inflows of resources, and net position	$ 192,874,081

See notes to basic financial statements.

Independent School District No. 877
Statement of Activities
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 2,514,539	$ -	$ -	$ -	$ (2,514,539)
District support services	1,847,561	20,383	-	-	(1,827,178)
Elementary and secondary regular instruction	37,540,278	910,194	4,400,522	240,491	(31,989,071)
Vocational education instruction	1,718,696	522,319	-	-	(1,196,377)
Special education instruction	17,158,515	238,302	15,124,657	-	(1,795,556)
Instructional support services	4,254,243	1,550	916,010	-	(3,336,683)
Pupil support services	7,621,830	98,400	291,170	-	(7,232,260)
Sites and buildings	10,198,497	73,132	19,072	1,330,107	(8,776,186)
Fiscal and other fixed cost programs	363,935	-	-	-	(363,935)
Food service	4,637,982	570,381	4,144,546	-	76,945
Community education and services	4,124,192	2,682,213	714,059	-	(727,920)
Interest and fiscal charges on long-term debt	2,550,760	-	-	-	(2,550,760)
Total governmental activities	$ 94,531,028	$ 5,116,874	$ 25,610,036	$ 1,570,598	(62,233,520)
General revenues					
Taxes					
Property taxes, levied for general purposes					12,670,022
Property taxes, levied for community service					538,888
Property taxes, levied for debt service					8,644,926
State aid-formula grants					44,715,038
Other general revenues					735,536
Investment income					3,666,169
Net change from joint venture					43,337
Total general revenues					71,013,916
Change in net position					8,780,396
Net position - beginning					25,247,475
Change in accounting principle (See Note 12)					(2,170,990)
Net position - beginning, as restated					23,076,485
Net position - ending					$ 31,856,881

See notes to basic financial statements.

Independent School District No. 877
Balance Sheet - Governmental Funds
June 30, 2025

	General	Debt Service	Building Construction	Other Nonmajor Funds	Governmental
Assets					
Cash and investments	$ 20,128,326	$ 7,186,422	$ 39,640,042	$ 4,838,172	$ 71,792,962
Current property taxes receivable	6,032,584	4,565,133	-	279,206	10,876,923
Delinquent property taxes receivable	197,195	125,447	-	9,250	331,892
Accounts receivable	395,034	-	78,017	81,529	554,580
Interest receivable	115,007	-	248,913	-	363,920
Due from Department of Education	7,300,806	32,651	-	146,166	7,479,623
Due from Federal Government through Department of Education	711,748	-	-	44,040	755,788
Due from other Minnesota school districts	312,144	-	-	46,651	358,795
Due from other governmental units	134,568	-	-	-	134,568
Inventory	113,488	-	-	63,279	176,767
Prepaid items	1,014,611	-	-	23,106	1,037,717
Total assets	$ 36,455,511	$ 11,909,653	$ 39,966,972	$ 5,531,399	$ 93,863,535
Liabilities					
Accounts payable	$ 326,079	$ -	$ 5,228,640	$ 60,941	$ 5,615,660
Salaries and benefits payable	1,019,026	-	-	223,749	1,242,775
Due to other Minnesota school districts	570,223	-	-	-	570,223
Due to other governmental units	292,391	-	-	-	292,391
Unearned revenue	93,102	-	-	333,433	426,535
Severance payable	40,401	-	-	-	40,401
Total liabilities	2,341,222	-	5,228,640	618,123	8,187,985
Deferred Inflows of Resources					
Unavailable revenue - property taxes levied for subsequent year's expenditures	11,833,520	9,160,125	-	580,422	21,574,067
Unavailable revenue - delinquent property taxes	197,195	125,447	-	9,250	331,892
Total deferred inflows of resources	12,030,715	9,285,572	-	589,672	21,905,959
Fund Balances					
Nonspendable	1,128,099	-	-	86,385	1,214,484
Restricted	3,706,739	2,624,081	34,738,332	4,369,354	45,438,506
Committed	3,209,069	-	-	-	3,209,069
Assigned	1,736,825	-	-	-	1,736,825
Unassigned	12,302,842	-	-	(132,135)	12,170,707
Total fund balances	22,083,574	2,624,081	34,738,332	4,323,604	63,769,591
Total liabilities, deferred inflows of resources, and fund balances	$ 36,455,511	$ 11,909,653	$ 39,966,972	$ 5,531,399	$ 93,863,535

Independent School District No. 877
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2025

Total fund balances - governmental funds	$ 63,769,591
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	181,537,387
Less accumulated depreciation and amortization	(98,526,675)
Equity interests in underlying capital assets of joint ventures are not reported in the funds because they do not represent current financial assets.	
Equity interest in joint venture - Wright Technical Center	678,759
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:	
Bond principal payable	(68,115,000)
Net premium on bonds payable	(4,458,968)
Financed purchase from direct borrowing	(451,678)
Lease Payable	(86,152)
Compensated absences payable	(3,536,949)
Net pension liability	(38,439,613)
Net OPEB asset created through treatment of general obligation (G.O.) taxable OPEB bonds as employer contribution to defined benefit OPEB plan is not recognized in the governmental funds.	2,082,706
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions, OPEB and a bond refunding that are not recognized in the governmental funds:	
Deferred outflows of resources related to pensions	10,672,748
Deferred inflows of resources related to pensions	(13,004,322)
Deferred outflows of resources related to OPEB	2,565,621
Deferred inflows of resources related to OPEB	(2,040,347)
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.	331,892
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(1,122,119)
Total net position - governmental activities	$ 31,856,881

Independent School District No. 877
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2025

	General	Debt Service	Building Construction	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 12,649,261	$ 8,631,852	$ -	$ 538,765	$ 21,819,878
Other local and county revenues	3,529,618	229,953	2,356,362	2,912,447	9,028,380
Revenue from state sources	63,539,418	336,937	-	3,107,180	66,983,535
Revenue from federal sources	2,008,888	-	-	1,739,329	3,748,217
Sales and other conversion of assets	25,491	-	-	566,444	591,935
Total revenues	81,752,676	9,198,742	2,356,362	8,864,165	102,171,945
Expenditures					
Current					
Administration	2,542,879	-	-	-	2,542,879
District support services	1,890,464	-	-	-	1,890,464
Elementary and secondary regular instruction	35,519,882	-	-	-	35,519,882
Vocational education instruction	1,730,299	-	-	-	1,730,299
Special education instruction	17,393,064	-	-	-	17,393,064
Instructional support services	4,400,675	-	-	-	4,400,675
Pupil support services	7,655,729	-	-	-	7,655,729
Sites and buildings	7,221,583	-	-	-	7,221,583
Fiscal and other fixed cost programs	363,935	-	-	-	363,935
Food service	-	-	-	4,169,166	4,169,166
Community education and services	-	-	-	4,180,332	4,180,332
Capital outlay					
District support services	2,343	-	-	-	2,343
Elementary and secondary regular instruction	106,478	-	-	-	106,478
Vocational education instruction	114	-	-	-	114
Special education instruction	419	-	-	-	419
Instructional support services	63,484	-	-	-	63,484
Sites and buildings	861,425	-	12,907,320	-	13,768,745
Food service	-	-	-	921,597	921,597
Community education and services	-	-	-	10,270	10,270
Debt service					
Principal	107,655	6,005,000	-	-	6,112,655
Interest and fiscal charges	15,187	2,652,498	-	-	2,667,685
Total expenditures	79,875,615	8,657,498	12,907,320	9,281,365	110,721,798
Excess of revenues over (under) expenditures	1,877,061	541,244	(10,550,958)	(417,200)	(8,549,853)
Other Financing Sources					
Proceeds from sale of capital assets	4,546	-	-	-	4,546
Net change in fund balances	1,881,607	541,244	(10,550,958)	(417,200)	(8,545,307)
Fund Balances					
Beginning of year	20,201,967	2,082,837	45,289,290	4,740,804	72,314,898
End of year	$ 22,083,574	$ 2,624,081	$ 34,738,332	$ 4,323,604	$ 63,769,591

Independent School District No. 877
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended June 30, 2025

Net change in fund balances - total governmental funds	$ (8,545,307)
Amounts reported for governmental activities in the Statement of Activities are different because: 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\ amortization expense.	
Capital outlays	14,667,682
Depreciation and amortization expense	(5,721,616)
Loss on disposal	(15,521)
Net income from the equity interest in joint venture does not provide current financial resources and is not reported as revenue in the funds.	43,337
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(148,147)
Proceeds of G.O. Taxable OPEB bonds issued during 2010 were contributed to the OPEB plan to retire the unfunded obligation. Governmental funds report such outlay as expenditures. The impact on the Statement of Activities is the creation of a new net OPEB asset which is a combination of the contribution to the irrevocable trust from the proceeds of the OPEB bond issue and the amortization of the net OPEB obligation for the current year.	239,907
Principal payments on long-term debt and leases are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	6,112,655
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. of when it is due.	(142,071)
Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	
Amortization of premiums	258,996
Governmental funds recognize 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.	1,996,523
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.	33,958
Change in net position - governmental activities	$ 8,780,396

See notes to basic financial statements.

Independent School District No. 877
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 12,773,541	$ 12,674,582	$ 12,649,261	$ (25,321)
Other local and county revenues	3,088,802	3,358,881	3,529,618	170,737
Revenue from state sources	60,867,398	62,450,884	63,539,418	1,088,534
Revenue from federal sources	2,463,840	1,939,298	2,008,888	69,590
Sales and other conversion of assets	22,000	23,335	25,491	2,156
Total revenues	79,215,581	80,446,980	81,752,676	1,305,696
Expenditures				
Current				
Administration	2,502,460	2,541,844	2,542,879	1,035
District support services	2,027,664	2,008,642	1,890,464	(118,178)
Elementary and secondary regular instruction	36,014,759	35,271,807	35,519,882	248,075
Vocational education instruction	1,845,903	1,684,319	1,730,299	45,980
Special education instruction	17,483,639	17,487,424	17,393,064	(94,360)
Instructional support services	5,271,989	5,069,983	4,400,675	(669,308)
Pupil support services	7,268,562	7,749,429	7,655,729	(93,700)
Sites and buildings	6,968,110	6,699,057	7,221,583	522,526
Fiscal and other fixed cost programs	363,638	360,869	363,935	3,066
Capital outlay				
Administration	450	450	-	(450)
District support services	9,000	9,000	2,343	(6,657)
Elementary and secondary regular instruction	124,622	139,830	106,478	(33,352)
Vocational education instruction	2,200	2,200	114	(2,086)
Special education instruction	1,000	1,000	419	(581)
Instructional support services	428,683	593,668	63,484	(530,184)
Pupil support services	360	360	-	(360)
Sites and buildings	2,221,209	1,886,340	861,425	(1,024,915)
Debt service				
Principal	108,220	96,675	107,655	10,980
Interest and fiscal charges	15,623	11,168	15,187	4,019
Total expenditures	82,658,091	81,614,065	79,875,615	(1,738,450)
Excess of revenues over (under) expenditures	(3,442,510)	(1,167,085)	1,877,061	3,044,146
Other Financing Sources				
Proceeds from sale of capital assets	1,500	1,500	4,546	3,046
Net change in fund balance	$ (3,441,010)	$ (1,165,585)	1,881,607	$ 3,047,192
Fund Balance				
Beginning of year			20,201,967	
End of year			$ 22,083,574	

Independent School District No. 877
Statement of Fiduciary Net Position
June 30, 2025

	Total Trust Funds
Assets	
Current	
Investments	
Brokered money market	$ 4,967,756
Fixed income	6,775,346
Equities	7,414,302
Total investments	19,157,404
Accounts and interest receivable	19,937
Total assets	$ 19,177,341
Liabilities	
Accounts payable	$ 292,394
Net Position	
Held in trust for OPEB	$ 14,412,822
Held in trust for HRA	4,472,125
Total net position	$ 18,884,947

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

	Total Trust Funds
Additions	
Contributions	$ 602,846
Investment income	
Interest, dividends, change in fair value	1,323,246
Total additions	1,926,092
Deductions	
Employee benefit deductions	678,608
Change in net position	1,247,484
Net Position	
Beginning of year	17,637,463
End of year	$ 18,884,947

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

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

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

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

B. Basic Financial Statement Information

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

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

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation 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 fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 incurred. Other revenue is considered available if collected 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 resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Major Funds: (Continued)

Building Construction Fund – Capital Project – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

Nonmajor Funds:

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.

Post Employment Debt Service Fund – This fund is used to account for the financial resources relating to the bond issued for post-employment benefits.

Fiduciary Funds:

OPEB Irrevocable Trust Fund – This fund is used to account for the financial resources relating to post-employment benefits.

HRA Trust Fund – This fund is used for reporting resources set aside and held in a trust arrangement for HRA contributions.

D. Deposits and Investments

The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described below and on the following page.

1. District Funds Other than OPEB and HRA Trust Funds

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

1. District Funds Other than OPEB and HRA Trust Funds (Continued)

Cash and investments as of June 30, 2025, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF) Liquid, MSDLAF – Term securities, and MSDLAF - Max securities, Minnesota Trust (MNTrust) investment shares, U.S. Treasury notes, a money market account, municipal bonds, and a brokered certificate of deposit through MNTrust. MSDLAF securities and MNTrust investment shares are valued at amortized cost, which approximates fair value.

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety 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.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase, and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid or MNTrust. 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. MSDLAF - Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties.

2. OPEB and HRA Trust Funds

These funds represent investments administered by the District's OPEB and HRA Trust investment managers. As of June 30, 2025, they were comprised of brokered money markets, fixed income government agencies and corporate securities, and mutual funds.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

Minnesota Statutes authorize the OPEB and HRA Trust to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota, or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 taxes receivable represent uncollected taxes for the past six years and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2024, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2025. 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 a first-in, first-out (FIFO) 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 an expenditure at the time of consumption.

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Wright County and Hennepin County 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 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 that equals or exceeds $10,000. Group purchases for technology, furniture, or other equipment that is purchased as a group that otherwise may be below the individual item threshold, the total threshold is $50,000. The threshold for leased assets and subscription based information technology arrangements is $25,000. 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 its acquisition value at the date of donation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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 to 50 years for land improvements and buildings and 5 to 20 years for equipment.

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 Assets/Lease Liabilities

The District recorded right-to-use lease assets as a result of implementing GASB Statement No. 87, Leases. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, (3) lease payments, and (4) amortization.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District determines its estimated borrowing rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease 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 of the leases and will remeasure the right-to-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease 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/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions and OPEB are recorded for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, 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 years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. Deferred inflows of resources related to pensions and OPEB are recorded for various estimate differences that will be amortized and recognized over future years.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities 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 or not withheld or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. 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.

Vacation pay is earned at various rates by employees and accrued as compensated absences in the Statement of Net Position. Substantially all employees are entitled to sick leave at various rates.

O. Post Employment Severance and Health Benefits

Severance and health benefits consist of lump sum retirement payments and post employment health care benefits.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Post Employment Severance and Health Benefits (Continued)

The District maintains various early retirement incentive payment plans for its employee groups. Teacher and administrator employee group plans contain benefit formulas based on years of service and/or minimum age requirements. No employee can receive early retirement incentive payments exceeding one year's salary.

Under the terms of certain collectively bargained employment contracts, the District is required to pay the medical and dental insurance premiums for retired teachers and administrators until they reach specific age requirements such as Medicare eligibility. The amount to be paid is equal to the full monthly premium cost for insurance coverage available under the appropriate current employment contract.

P. 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.

Q. Postemployment Benefits Other Than Pensions (OPEB)

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

R. 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 years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2025.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Equity

In the fund financial statements, governmental funds report fund classifications that compromise a hierarchy based primarily on the extent to which the District is bound to honor the constraints on the specific purpose for which amounts in these 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 items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, nonfinancial assets held for resale, or the permanent principal of endowment funds.

- Restricted Fund Balances – These are amounts that are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed Fund Balances – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board by formal action. Constraints are only removed by formal board action.

- Assigned Fund Balances – These are amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the Director of Finance and Operations or the School Board.

- Unassigned Fund Balances – These are amounts that are the residual amounts in the General Fund not reported in any other classification. Unassigned amounts in the General Fund are technically available for expenditure for any purpose. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

- Minimum Fund Balance Policy – The School Board shall strive to maintain a fund balance of between 8% and 12% of fund balance to total operating expenditures in the General Fund. The fund balance shall be defined as the sum of the unassigned fund balance, the restricted next year's approved budget deficit fund balance, and the nonspendable fund balances.

- The Business Office shall monitor the fund balance. If the fund balance falls below 8%, the School Board shall implement a procedure to stabilize the District's financial position. This shall involve:

    1. No new programs will be added at the District level unless matched by a like revenue source.
    2. Allocations such as textbooks, supplies, etc., shall be frozen.
    3. The District will review other measures which will not immediately affect delivery of programs but could have a cost savings. An example might be areas where expenses have historically been lower than budgeted levels.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Equity (Continued)

- If the fund balance is projected to fall below 6%, the District shall take measures to either generate additional revenues or to reduce expenditures through budget cuts or a combination of both.

T. Net Position

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

U. Use of Estimates

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

V. Budgetary Information

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

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the 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 and Special Revenue Funds. Formal budgetary integration is not required for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
4. Budgets for the General and Special Revenue 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. District Funds Other than OPEB and HRA Trust Funds

1. Deposits

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. District Funds Other than OPEB and HRA Trust Funds (Continued)

1. Deposits (Continued)

Custodial Credit Risk – Deposits: This is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. *Minnesota Statutes* § 118A requires all deposits be protected by federal deposit insurance, corporate security bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The District has a deposit policy that requires the District's deposits to be collateralized as required by *Minnesota Statutes* § 118.03 for an amount exceeding FDIC or FSLIC coverage. *Minnesota Statutes* require all deposits be protected by federal depository insurance. As of June 30, 2025, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

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

Pooled Deposits	
Checking	$ 727,250
Certificates of deposit	1,341,000
Savings	2,950
Total pooled deposits	$ 2,071,200

2. Investments

As of June 30, 2025, the District had the following pooled investments and non-pooled investments related to bond proceeds in the Building Construction Fund:

Pooled Investments

Investment Type	Fair Value	Investment Maturities: Less than 1 Year	Investment Maturities: 1-5 Years	Credit Rating
MNTrust Investment Shares	$ 885,129	$ 885,129	$ -	N/A
MNTrust Negotiable Certificate of Deposit	244,963	244,963	-	N/A
MSDLAF - Liquid Asset Fund	6,102,464	6,102,464	-	AAAm
MSDLAF - Max	18,913,868	18,913,868	-	AAAm
Money Market	8,067	8,067	-	AAA
Municipal Bonds	1,018,846	-	1,018,846	AA+
Total investments	$ 27,173,337	$ 26,154,491	$ 1,018,846	

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. District Funds Other than OPEB and HRA Trust Funds (Continued)

2. Investments (Continued)

Non-Pooled Investments

Investment Type	Fair Value	Investment Maturities: Less than 1 Year	Investment Maturities: 1-5 Years	Credit Rating
MSDLAF - Liquid Asset Fund	$ 4,408,458	$ 4,408,458	$ -	AAAm
MSDLAF - MAX Class	281,323	281,323	-	AAAm
U.S. Treasury Notes	36,552,644	23,600,264	12,952,380	AAA
MSDLAF - Term	1,300,000	1,300,000	-	AAAm
Total investments	$ 42,542,425	$ 29,590,045	$ 12,952,380	

Interest Rate Risk: This is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy states the portfolio shall be managed in a manner to attain a market rate of return through budgetary and economic cycles while preserving and protecting capital in the overall portfolio. Investment maturities shall be scheduled to coincide with projected cash flow needs.

Credit Risk: This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District's investment policy refers to *Minnesota Statutes* §§ 118A.01 through 118A.06. Statutes limit investments in the top two ratings issued by nationally recognized statistical rating organizations. The District will minimize credit risk by limiting investments to those allowed by statutory constraints. The District's investments are rated in the previous table. Also as indicated in the previous table, there are certain investments that are not subject to credit risk and therefore, not rated.

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 places no limit on the amount the District may invest in any one issuer, though it does state the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities and that no more than 50% of the total portfolio will be with any one instrument.

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 states investments shall be held by institutions designated by the School Board.

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

- $36,560,711 of investments are valued using a quoted market prices (Level 1 inputs)
- $1,263,809 of investments are valued using a matrix pricing model (Level 2 inputs)

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Trust Fund Investments

As of June 30, 2025, the District's OPEB and HRA Trust Fund had the following investments:

		Investment Maturities				
Investment Type	Fair Value	Less than 1 Year	1-2 Years	2-5 Years	5-10 Years	Greater than 10 years
Brokered Money Markets	$ 4,967,756	$ 4,967,756	$ -	$ -	$ -	$ -
Fixed Income						
Government Agencies	4,096,810	424,583	153,837	1,162,715	2,250,210	105,465
Corporate Securities	2,678,536	149,200	257,502	1,005,190	682,491	584,153
Mutual Funds	7,414,302	7,414,302	-	-	-	-
Total investments	$ 19,157,404	$ 12,955,841	$ 411,339	$ 2,167,905	$ 2,932,701	$ 689,618

Interest Rate Risk: The District's OPEB Trust Investment Policy states the investment emphasis is on the current income requirements and capital preservation, with a secondary emphasis on capital appreciation. The District has a moderate risk tolerance. The asset allocation strategy for the trust is as follows:

Asset Class	Percent	Range
Cash equivalents	2 %	0-100 %
Bonds	48 %	+/- 15
Equities	50 %	+/- 15

Credit Risk: The District will minimize credit risk by limiting investments to those allowed in the Trust portfolio. The Trust's investments in government agencies and corporate securities were rated Baa3 or greater by Moody's. The remaining investments are not subject to credit risk and, therefore, not rated. The District's OPEB Investment Policy states investments must have a rating of Baa3 or greater.

Concentration of Credit Risk: The District's OPEB Trust Investment Policy states no single security, with the exception of a security issued by the U.S. Government, its agencies and/or instrumentalities, shall at the time of purchase, constitute more than 5% of the value of the portfolio. The Policy also indicates the District has an investment horizon which is considered to be long-term, in excess of ten years. The District's OPEB investments in Vanguard 500 Index Fund (12.94%), Federal Home Loan Bank (10.53%), and Federal Farm Credit Banks Funding Corp (6.71%) exceeded 5% of total OPEB investments.

Custodial Credit Risk: The District's OPEB Trust Investment Policy does not address custodial credit risk.

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

- $12,382,058 of investments are valued using a quoted market prices (Level 1 inputs)
- $6,775,346 of investments are valued using a matrix pricing model (Level 2 inputs)

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

D. Deposits and Investments

The following is a summary of total deposits and investments:

Pooled Deposits	
Checking	$ 727,250
Certificates of deposit	1,341,000
Savings	2,950
Total pooled deposits	$ 2,071,200
District governmental funds	
Deposits - pooled (Note 2.A.)	$ 2,071,200
Investments pooled (Note 2.B.)	27,173,337
Investments non-pooled (Note 2.B.)	42,542,425
Petty cash	6,000
OPEB and HRA irrevocable trust funds	
Investments (Note 2.C.)	19,157,404
Total deposits and investments	$ 90,950,366

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

Statement of Net Position	
Cash and investments	$ 71,792,962
Statement of Fiduciary Net Position	
Trust funds	19,157,404
Total deposits and investments	$ 90,950,366

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 4,222,035	$ -	$ -	$ 4,222,035
Construction in progress	1,811,413	12,047,358	2,216,427	11,642,344
Total capital assets not being depreciated	6,033,448	12,047,358	2,216,427	15,864,379
Capital assets being depreciated				
Land improvements	14,099,664	459,796	-	14,559,460
Buildings	134,870,305	1,704,403	-	136,574,708
Equipment and vehicles	11,914,244	2,672,552	247,713	14,339,083
Total capital assets being depreciated	160,884,213	4,836,751	247,713	165,473,251
Less accumulated depreciation for				
Land improvements	6,389,789	629,753	-	7,019,542
Buildings	79,127,715	3,869,054	-	82,996,769
Equipment and vehicles	7,420,662	1,186,735	232,192	8,375,205
Total accumulated depreciation	92,938,166	5,685,542	232,192	98,391,516
Total capital assets being depreciated, net	67,946,047	(848,791)	15,521	67,081,735
Governmental activities, capital assets, net	$ 73,979,495	$ 11,198,567	$ 2,231,948	$ 82,946,114

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Right-to-use assets being amortized				
Equipment	$ 199,757	$ -	$ -	$ 199,757
Less accumulated amortization for				
Equipment	99,085	36,074	-	135,159
Governmental activities, right-to-use assets, net	$ 100,672	$ (36,074)	$ -	$ 64,598

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

District Support Services	$ 10,632
Elementary and Secondary Regular Instruction	2,386,754
Vocational Education Instruction	333
Special Education Instruction	1,971
Instructional Support Services	440,319
Pupil Support	3,548
Sites and Buildings	2,763,196
Food Service	108,030
Community Service	6,833
Total depreciation/ amortization expense	$ 5,721,616

NOTE 4 – LONG-TERM LIABILITIES

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, including						
2015A School Building Bonds	02/04/15	2.75%-3.00%	$ 32,620,000	02/01/30	$ 27,585,000	$ 5,205,000
2024A School Building Bonds	03/21/24	4.00%-5.00%	41,500,000	02/01/44	40,530,000	1,125,000
Total G.O. bonds					68,115,000	6,330,000
Unamortized bond premium					4,458,968	-
Net bonds payable					72,573,968	6,330,000
Financed purchase from direct borrowing					451,678	71,857
Leases payable					86,152	38,858
Compensated absences payable					3,577,350	970,823
Total all long-term liabilities					$ 76,689,148	$ 7,411,538

Long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments for Bonds. Financed Purchases and Leases
Minimum annual principal and interest payments required to retire bond, financed purchase, and lease liabilities:

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest	G.O. Bonds Total
2026	$ 6,330,000	$ 2,721,173	$ 9,051,173
2027	6,420,000	2,508,772	8,928,772
2028	6,740,000	2,308,485	9,048,485
2029	6,955,000	2,089,950	9,044,950
2030	7,190,000	1,855,500	9,045,500
2031-2035	18,795,000	5,301,000	24,096,000
2036-2040	7,985,000	2,620,750	10,605,750
2041-2044	7,700,000	785,000	8,485,000
Total	$ 68,115,000	$ 20,190,630	$ 88,305,630

Year Ending June 30,	Financed Purchase Principal	Financed Purchase Interest	Financed Purchase Total
2026	$ 71,857	$ 8,025	$ 79,882
2027	73,193	6,690	79,883
2028	74,553	5,329	79,882
2029	75,938	3,944	79,882
2030	77,350	2,533	79,883
2031	78,787	1,095	79,882
Total	$ 451,678	$ 27,616	$ 479,294

Year Ending June 30,	Leases Principal	Leases Interest	Leases Total
2026	$ 38,858	$ 4,102	$ 42,960
2027	19,513	2,477	21,990
2028	13,474	1,526	15,000
2029	14,307	645	14,952
Total	$ 86,152	$ 8,750	$ 94,902

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Change in Accounting Principle	Beginning Balance, Restated	Additions	Reductions	Balance
Long-term liabilities						
G.O. Bonds	$ 74,120,000	$ -	$ 74,120,000	$ -	$ 6,005,000	$ 68,115,000
Net premium	4,717,964	-	4,717,964	-	258,996	4,458,968
Financed purchase from direct borrowing	522,224	-	522,224	-	70,546	451,678
Leases payable	123,261	-	123,261	-	37,109	86,152
Severance payable	915,985	(915,985)	-	-	-	-
Compensated absences payable	337,728	3,086,975	3,424,703	152,647	-	3,577,350
Total long-term liabilities	$ 80,737,162	$ 2,170,990	$ 82,908,152	$ 152,647	$ 6,371,651	$ 76,689,148

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

See Note 11 for discussion on the Change in Accounting Principle.

1. **Financed Purchase from Direct Borrowing**
In April 2021, the District entered into a purchase agreement for the tennis court reconstruction. The total financed was $1,324,474 with an interest rate of 1.85% and is to be paid through the General Fund. The agreement requires the District to make annual payments through April 1, 2031.

2. **Leases payable**
In October 2021, the District entered into a lease agreement for copiers. The total financed was $127,170 with an interest rate of 3.79% and is to be paid through the General Fund. The agreement requires the District to make annual payments through September 2026.

In June 2023, the District entered into a lease agreement for a turf robot. The total financed was $72,857 with an interest rate of 8.5% and is to be paid through the General Fund. The agreement requires the District to make annual payments through August 2028.

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 as follows to reflect the limitations and restrictions of the respective funds.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance

	General Fund	Debt Service	Building Construction Capital Project	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	$ 113,488	$ -	$ -	$ 63,279	$ 176,767
Prepaid items	1,014,611	-	-	23,106	1,037,717
Total nonspendable	1,128,099	-	-	86,385	1,214,484
Restricted/reserved for					
Student Activities	41,773	-	-	-	41,773
Literacy Incentive Aid	233,382	-	-	-	233,382
American Indian Education Aid	7,041				7,041
Operating Capital	1,680,637	-	-	-	1,680,637
Q Comp	188,663	-	-	-	188,663
Literacy Aid	177,816	-	-	-	177,816
Long-Term Facilities Maintenance	870,417	-	-	-	870,417
Student Support Personnel Aid	10,014	-	-	-	10,014
Medical Assistance	496,996	-	-	-	496,996
Capital projects	-	-	34,738,332	-	34,738,332
Community Education	-	-	-	679,304	679,304
Early Childhood and Family Education	-	-	-	299,509	299,509
School Readiness	-	-	-	84,091	84,091
Food Service	-	-	-	3,306,450	3,306,450
Debt Service	-	2,624,081	-	-	2,624,081
Total restricted/reserved	3,706,739	2,624,081	34,738,332	4,369,354	45,438,506
Committed for					
Separation Benefits	3,209,069	-	-	-	3,209,069
Assigned for					
Carryover	320,186	-	-	-	320,186
Technology capital	809,390	-	-	-	809,390
Student Activities - Fund 9	607,249	-	-	-	607,249
Total assigned	1,736,825	-	-	-	1,736,825
Unassigned for					
Community service*	-	-	-	(132,135)	(132,135)
Dental insurance*	(28,482)	-	-	-	(28,482)
Unassigned	12,331,324	-	-	-	12,331,324
Total unassigned	12,302,842	-	-	(132,135)	12,170,707
Total fund balance	$ 22,083,574	$ 2,624,081	$ 34,738,332	$ 4,323,604	$ 63,769,591

* Negative restricted/reserved and assigned fund balances have been reclassified to unassigned for the basic financial statements in accordance with GASB Statement No. 54.

Nonspendable for Inventory – A portion of the fund balance has been spent on inventory and is not available for other uses.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)
Nonspendable for Prepaid Items – A portion of the fund balance has been spent on prepaid items and is not available for other uses.

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 Literacy Incentive Aid – This balance represents the resources available to support implementation of evidence-based reading instruction.

Restricted/Reserved for American Indian Education Aid – This balance represents resources remaining in the American Indian Education Funds.

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 Quality Compensation – Alternative Teacher Professional Pay System – This balance represents available resources to be used for Quality Compensation – Alternative Teacher Professional Pay System.

Restricted/Reserved for Literacy Aid – This balance represents resources available for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy.

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 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 Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* § 125A.21, subd. 3).

Restricted for Capital Projects – This balance represents available resources from the bond issuance to be used for building construction and other projects.

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.

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

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

Restricted for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Restricted for Debt Service – This balance represents the resources available for the payment of bond principal, interest, and related costs.

Committed for Separation Benefits – This balance represents the resources set aside for the payment of retirement benefits including compensated absences, pensions, OPEB, and termination benefits.

Assigned for Carryover – This balance represents unspent budget appropriations carried over for the subsequent year.

Assigned for Technology Capital – This balance represents the resources set aside for capital costs.

Assigned for Student Activities Fund 9 – This balance represents the accumulation of the student activity accounts that are under School Board control.

Unassigned for Community Service – This balance represents the remaining negative fund balance of the Community Service Fund.

Unassigned for Dental Insurance – This balance represents the resources set aside for payment of dental insurance costs. This balance was negative as of June 30, 2025.

B. Net Position

Net position restricted for other purposes on the Statement of Net Position are comprised of the total positive restricted fund balances of the General and total fund balance of the Food Service and Community Service Funds.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2025, was $3,291,612. The components of pension expense are noted in the following plan summaries.

The General Fund, Food Service Fund, and Community Service Fund typically liquidate the liability related to pensions.

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.

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

Teachers' Retirement Association (Continued)

A. Plan Description (Continued)
Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers employed by St. Paul Schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect 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 10 years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First 10 years if service years are up to July 1, 2006	1.2% per year
	First 10 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).

Or

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

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

Tier II Benefits

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

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

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

C. Contributions

Per *Minnesota Statutes* Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were $3,106,813. The District's contributions were equal to the required contributions for each year as set by state statute.

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Experience study	Aug 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	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Post-retirement	PubT-2010(A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Pub-2010(A) Contingent Survivor Mortality Table male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled retirees	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

* The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with 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
Private markets	25.0	5.90
Fixed income	25.0	0.75
Total	100.0 %	

Changes in actuarial assumptions since the previous valuation:

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

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

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2025, the District reported a liability of $33,525,398 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.5276% at the end of the measurement period and 0.5098% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 33,525,398
State's proportionate share of the net pension liability associated with the district	2,192,811
Total	$ 35,718,209

For the year ended June 30, 2025, the District recognized pension expense of $2,952,986. Included in this amount, the District recognized $120,540 as pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed $176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the $176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $929,456 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,591,353	$ 420,878
Net difference between projected and actual earnings on plan investments	-	4,827,256
Changes of assumptions	3,928,366	3,997,995
Changes in proportion	1,232,061	267,631
Contributions to TRA subsequent to the measurement date	3,106,813	-
Total	$ 9,858,593	$ 9,513,760

The $3,106,813 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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

Year Ended June 30,	Pension Expense Amount
2026	$ (2,108,459)
2027	3,058,841
2028	(2,266,325)
2029	(1,791,878)
2030	(284,159)
Total	$ (3,391,980)

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

Teachers' Retirement Association (Continued)

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

Sensitivity of NPL to Changes in the Discount Rate

1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 59,040,186	$ 33,525,398	$ 12,526,121

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

Public Employees' Retirement Association

A. Plan Description
The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes* Chapters 353, 353D, 353E, 353G, and 356. *Minnesota Statutes* Chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plan is a 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 non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

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.

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were $901,811. The District's contributions were equal to the required contributions as set by state statute.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of $4,914,215 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 $127,072.

School's proportionate share of net pension liability	$ 4,914,215
State of Minnesota's proportionate share of the net pension liability associated with the School	127,072
Total	$ 5,041,287

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.1329% at the end of the measurement period and 0.1316% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of $338,626 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $3,407 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed $170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedule for the $170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $226,109 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

As of June 30, 2025, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 461,859	$ -
Changes in actuarial assumptions	24,835	1,846,391
Difference between projected and actual investments earnings	-	1,404,436
Change in proportion	55,650	239,735
Contributions paid to PERA subsequent to the measurement date	901,811	-
Total	$ 1,444,155	$ 3,490,562

The $901,811 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2026	$ (1,663,320)
2027	(326,313)
2028	(581,942)
2029	(376,643)
Total	$ (2,948,218)

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

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	33.5 %	5.10 %
International stocks	16.5	5.30
Bonds	25.0	0.75
Alternative assets	25.0	0.00
Total	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

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

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

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

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

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

Public Employees' Retirement Association (Continued)

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

H. Pension Liability Sensitivity
The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 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 proprinate share of the PERA net pension liability	$ 10,733,434	$ 4,914,215	$ 127,375

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 – RETIREMENT PLANS

A. Post Retirement Health Care Savings Plan

The District's Post Retirement Health Care Savings Plan (the "Plan") allows employees to use individual accounts to save for medical expenses. The accounts are funded entirely with employer contributions. Employee participation is a voluntary process negotiated through the collective bargaining process. Employees cannot voluntarily contribute to this Plan. Amounts and how it will be funded must be mandated through collective bargaining or through a personnel policy. Retirees covered under the Plan may draw down the balance of the account for reimbursement of eligible medical expenses including health care premiums. Contributions to the Plan by the District totaled $693,486 for the year.

B. Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's Defined Contribution Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a certain dollar amount of their pay contributed to the Plan. The District made matching contributions for certain administrative employees, teachers, educational support professionals, and custodians of $290,770. Contributions are invested to tax deferred annuities selected and owned by Plan participants. Employee contributions for the fiscal year totaled $1,239,966.

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their groups allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

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

Payments of insurance premiums (health and dental) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

Amounts withheld for medical reimbursement and dependent care are held for the benefit of the flexible benefit plan. All assets of the plan are administered by an employee of the District. Payments are made by the District to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. The medical reimbursement and dependent care activity is included in the basic financial statements in the General Fund.

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

NOTE 9 – 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. The plan offers medical, dental, and life insurance. In addition, the plan provides severance benefits based on years of service that are placed directly in a medical savings account upon retirement. It is the District's policy to periodically review its 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

Eligible participants and their dependents are allowed access to health, dental, and life plans. Participants meeting eligibility requirements receive a District explicit subsidy toward the medical, dental, and life premiums. The General Fund, Food Service Fund and Community Service Fund typically liquidate the liability related to OPEB.

C. Members

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

Retirees electing medical coverage	38
Retirees with only non-medical OPEB coverage	32
Active employees electing medical coverage	637
Total	707

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on contract terms. For the year-ended June 30, 2025, the District contributed $346,775 to the plan.

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions
The total OPEB liability was determined by an actuarial valuation dated June 30, 2024, with a measurement date of June 30, 2025, 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

Investment rate of return	6.25%	net of investment expense
Payroll Growth Rate	3.00%	
Inflation	2.50%	
Healthcare cost trend increases	8.60%	for FY2025, gradually decreasing over several decades to an ultimate rate of 3.9% in FY2076 and later years.
Mortality Assumption		
Teachers		From the 2023 Teachers Retirement Association of Minnesota (TRA) experience study, mortality rates were based on the Pub-2010 Teacher mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.
Non-Teachers		From the 2023 PERA of Minnesota General Employees Retirement Plan experience study, mortality rates were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2023, through June 30, 2024.

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The long-term expected rate of return on OPEB 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 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 arithmetic 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	Long-Term Expected Nominal Rate of Return
Domestic equity	35.5 %	4.60 %	7.10 %
International equity	13.5	4.95	7.45
Fixed income	48.0	2.70	5.20
Real estate and alternatives	1.0	3.98	6.48
Cash and equivalents	2.0	1.19	3.69
Total	100.0 %		6.64 %
Reduction for assumed investment expense			-0.45
Net long-term expected investment return (rounded to nearest 0.25%)			6.25 %

The long-term expected nominal rate of return is reduced to 6.25% to account for assumed investment expense. The details of the investments and the investment policy are described in Note 2 of the District's basic financial statements. For the year ended June 30, 2025, the annual money-weighed rate of return on investments, net of investment expense, was 9.28%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Changes in actuarial assumptions since the previous valuation:

- The discount rate was changed from 6.00% to 6.25% based on updated investment return assumptions, 20-year municipal bond rates, and updated asset sufficiency projections.
- The long-term investment return assumption was changed from 6.00% to 6.25% based on updated capital market assumptions.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement, mortality, and salary increase rates were updated 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.
- The percent of future retirees assumed to elect spouse medical and dental coverage at retirement changed from 45% to 40% to reflect recent plan experience.

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Changes in Net OPEB Asset

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2024	$ 10,598,320	$ 13,587,627	$ (2,989,307)
Changes for the year			
Service cost	360,961	-	360,961
Interest	634,271	-	634,271
Differences between expected and actual experience	(110,321)	-	(110,321)
Change in assumptions	1,466,748	-	1,466,748
Changes of benefit terms	156,330	-	156,330
Employer contributions	-	346,775	(346,775)
Net investment income	-	1,254,613	(1,254,613)
Benefit payments	(776,193)	(776,193)	-
Net changes	1,731,796	825,195	906,601
Balances at June 30, 2025	$ 12,330,116	$ 14,412,822	$ (2,082,706)

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Sensitivity

The following presents the District's net OPEB asset calculated using the discount rate of 6.25% as well as the net OPEB asset measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (5.25%)	Current Discount Rate (6.25%)	1% Increase in Discount Rate (7.25%)
Net OPEB liability (asset)	$ (1,353,693)	$ (2,082,706)	$ (2,780,112)

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

	1% Decrease in Trend Rate (7.6% Decreasing to 2.9%)	Current Trend Rate (8.6% Decreasing to 3.9%)	1% Increase in Trend Rate (9.6% Decreasing to 4.9%)
Net OPEB liability (asset)	$ (2,879,637)	$ (2,082,706)	$ (1,175,577)

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

For the year ended June 30, 2025, the District recognized OPEB expense of $106,868. As of June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ 184,268
Differences between expected and actual liability	1,269,077	1,029,692
Changes of assumptions	1,296,544	826,387
Total	$ 2,565,621	$ 2,040,347

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Year Ending June 30,	Total
2026	$ 218,514
2027	(192,620)
2028	(192,677)
2029	(35,896)
2030	299,343
Thereafter	428,610
Total	$ 525,274

NOTE 10 – COMMITMENTS

A. Joint Powers Agreement

The District entered into a joint powers agreement in February 1998 with Wright Technical Center No. 966 (WTC), a cooperative center for vocational education, between and among eight other independent school districts to finance the acquisition and betterment of the addition to the existing WTC facilities.

The addition was financed through a financed purchase agreement. Each participating district annually authorizes a leading levy to cover their allocated portion of the lease payment based on the formula set out in the joint powers agreement. Participating districts will also be apportioned operating costs and continuing costs for the addition based on the current cost.

Separately issued basic financial statements can be obtained from Wright Technical Center, 1400 Highway 25 North Buffalo, Minnesota 55313-1936.

B. Rental Agreement

The District entered into a rental agreement with the City of Buffalo, Minnesota (the "City") in 2001 for use of the Civic Center by the District.

The original agreement was for a period of 15 years commencing September 1, 2000. The District approved an amended agreement extending the agreement for an additional three years and approved a second amendment extending the agreement through April 30, 2031. The agreement calls for a minimum rental of 335 hours of ice time per year at the rate of $220 per hour, increased annually at a rate equal to the Consumer Price Index Urban Measure, and an annual payment of $41,000 for use of the weight room, team and locker rooms, and additional ice time during the day when school is in session. The annual payment increases by $1,000 annually on May 1st until it is capped at $45,000.

NOTE 10 – COMMITMENTS (CONTINUED)

C. Construction Commitments

As of June 30, 2025, the District had outstanding construction commitments as follows:

Project	Project Authorization	Expended through June 30, 2025	Commitment
Construction Management Fees	$ 2,921,692	$ 367,472	$ 2,554,220
BCMS Secure Entrance/Mechanical Upgrades	11,770,230	3,360,055	8,410,175
BHS/DES Secure Entrance/Mechanical Upgrades	12,449,877	4,447,494	8,002,383
Total	$ 27,141,799	$ 8,175,021	$ 18,966,778

NOTE 11 – ACCOUNTING CHANGE

As of July 1, 2024, the District implemented changes related to GASB Statement No. 101, *Compensated Absences*. The liability was previously calculated based on vacation balances accrued as of year-end as well as sick leave balances that were accrued as of year-end for vested employees. The liability now consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave. The resulted in a change in accounting principle on the Statement of Activities in the amount of 2,170,990.

	Governmental Activities
Net Position June 30, 2024, as previously stated	$ 25,247,475
Change in accounting principle	(2,170,990)
Net Position June 30, 2024, as restated	$ 23,076,485

NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 103, *Financial Reporting Model Improvements*. The changes required by this Statement provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities. This Statement will be effective for the year ending June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets. This Statement will be effective for the year ending June 30, 2026.

(THIS PAGE LEFT BLANK INTENTIONALLY)

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 877
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service cost	$ 571,820	$ 580,052	$ 647,543	$ 539,822
Interest	708,616	741,570	705,963	668,010
Differenced between expected and actual experience	-	-	474,926	-
Changes of assumptions	(164,949)	154,281	(972,096)	(415,739)
Changes of benefit terms	-	-	(1,703)	-
Benefit payments	(883,563)	(1,223,984)	(1,177,820)	(1,014,013)
Net change in total OPEB liability	231,924	251,919	(323,187)	(221,920)
Beginning of year	11,799,528	12,031,452	12,283,371	11,960,184
End of year	$ 12,031,452	$ 12,283,371	$ 11,960,184	$ 11,738,264
Plan Fiduciary Net Pension (FNP)				
Employer contributions	$ 142,146	$ 324,890	$ 375,317	$ 286,132
Net investment income	1,013,962	714,809	851,971	380,306
Benefit payments	(883,563)	(1,223,984)	(1,177,820)	(1,014,013)
Other changes	(54,610)	-	-	-
Net change in plan fiduciary net position	217,935	(184,285)	49,468	(347,575)
Beginning of year	13,264,254	13,482,189	13,297,904	13,347,372
End of year	$ 13,482,189	$ 13,297,904	$ 13,347,372	$ 12,999,797
Net OPEB liability	$ (1,450,737)	$ (1,014,533)	$ (1,387,188)	$ (1,261,533)
Plan FNP as a percentage of the total OPEB liability	112.06%	108.26%	111.60%	110.75%
Covered-employee payroll	$ 36,004,117	$ 36,409,652	$ 36,946,495	$ 35,294,307
Net OPEB liability as a percentage of covered-employee payroll	-4.03%	-2.79%	-3.75%	-3.57%

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

June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025
$ 545,648	$ 379,229	$ 381,603	$ 350,447	$ 360,961
648,234	461,157	453,378	624,750	634,271
(2,060,899)	-	1,833,116	-	(110,321)
(446,131)	-	(397,495)	-	1,466,748
-	-	-	-	156,330
(1,038,455)	(1,085,498)	(911,178)	(877,850)	(776,193)
(2,351,603)	(245,112)	1,359,424	97,347	1,731,796
11,738,264	9,386,661	9,141,549	10,500,973	10,598,320
$ 9,386,661	$ 9,141,549	$ 10,500,973	$ 10,598,320	$ 12,330,116
$ 248,266	$ 300,921	$ 16,220	$ 372,832	$ 346,775
3,109,598	(1,299,680)	422,104	1,315,335	1,254,613
(1,038,455)	(1,085,498)	(911,178)	(877,850)	(776,193)
-	15,215	-	-	-
2,319,409	(2,069,042)	(472,854)	810,317	825,195
12,999,797	15,319,206	13,250,164	12,777,310	13,587,627
$ 15,319,206	$ 13,250,164	$ 12,777,310	$ 13,587,627	$ 14,412,822
$ (5,932,545)	$ (4,108,615)	$ (2,276,337)	$ (2,989,307)	$ (2,082,706)
163.20%	144.94%	121.68%	128.21%	116.89%
$ 41,538,636	$ 38,080,609	$ 42,019,520	$ 42,984,691	$ 42,569,598
-14.28%	-10.79%	-5.42%	-6.95%	-4.89%

Independent School District No. 877
Schedule of Investment Returns

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Annual money-weighted rate of return, net of investment expense	7.79%	5.42%	6.56%	2.90%

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

June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025
24.34%	-8.66%	7.49%	10.31%	9.28%

Independent School District No. 877
Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal 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 Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1537%	$ 7,965,532	$ -	$ 7,965,532	$ 8,884,053	89.7%	78.20%
2016	0.1484%	12,049,344	157,434	12,206,778	9,210,493	130.8%	68.90%
2017	0.1489%	9,505,678	119,554	9,625,232	9,594,720	99.1%	75.90%
2018	0.1448%	8,032,910	263,406	8,296,316	9,732,547	82.5%	79.50%
2019	0.1362%	7,530,193	233,990	7,764,183	9,636,173	78.1%	80.23%
2020	0.1405%	8,423,617	225,261	8,648,878	10,022,320	84.0%	79.10%
2021	0.1378%	5,884,677	179,696	6,064,373	9,920,613	59.3%	87.00%
2022	0.1376%	10,897,965	319,419	11,217,384	10,305,240	105.8%	76.67%
2023	0.1316%	7,358,925	202,818	7,561,743	10,465,560	70.3%	83.10%
2024	0.1329%	4,914,215	127,072	5,041,287	11,250,320	43.7%	89.08%

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

For Plan's Fiscal 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 Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.5152%	$ 31,870,215	$ 3,909,225	$ 35,779,440	$ 26,147,587	121.9%	76.77%
2016	0.5235%	124,867,241	12,532,418	137,399,659	27,230,707	458.6%	44.88%
2017	0.5329%	106,376,507	10,282,834	116,659,341	28,687,733	370.8%	51.57%
2018	0.5273%	33,121,308	3,111,973	36,233,281	29,134,480	113.7%	78.07%
2019	0.5295%	33,750,441	2,987,024	36,737,465	30,063,515	112.3%	78.21%
2020	0.5144%	38,004,561	3,184,845	41,189,406	29,894,217	127.1%	75.48%
2021	0.5147%	22,524,811	1,899,684	24,424,495	30,799,053	73.1%	86.63%
2022	0.5098%	40,822,087	3,027,292	43,849,379	31,511,954	129.5%	76.17%
2023	0.5098%	42,090,230	2,948,303	45,038,533	32,412,971	129.9%	76.42%
2024	0.5276%	33,525,398	2,192,811	35,718,209	34,956,023	95.9%	82.07%

Independent School District No. 877
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 Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 690,787	$ 690,787	$ -	$ 9,210,493	7.50%
2017	719,604	719,604	-	9,594,720	7.50%
2018	729,941	729,941	-	9,732,547	7.50%
2019	722,713	722,713	-	9,636,173	7.50%
2020	751,674	751,674	-	10,022,320	7.50%
2021	744,046	744,046	-	9,920,613	7.50%
2022	772,893	772,893	-	10,305,240	7.50%
2023	784,917	784,917	-	10,465,560	7.50%
2024	843,774	843,774	-	11,250,320	7.50%
2025	901,811	901,811	-	12,024,147	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 Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 2,042,303	$ 2,042,303	$ -	$ 27,230,707	7.50%
2017	2,151,580	2,151,580	-	28,687,733	7.50%
2018	2,185,086	2,185,086	-	29,134,480	7.50%
2019	2,317,897	2,317,897	-	30,063,515	7.71%
2020	2,367,622	2,367,622	-	29,894,217	7.92%
2021	2,503,963	2,503,963	-	30,799,053	8.13%
2022	2,628,097	2,628,097	-	31,511,954	8.34%
2023	2,771,309	2,771,309	-	32,412,971	8.55%
2024	3,058,652	3,058,652	-	34,956,023	8.75%
2025	3,106,813	3,106,813	-	35,506,434	8.75%

See notes to required supplementary information.

TRA Retirement Fund

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

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

2023 Changes
Changes in Actuarial Assumptions
- None

2022 Changes
Changes in Actuarial Assumptions
- None

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

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

2019 Changes
Changes in Actuarial Assumptions
- None

2018 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 7.5% from 5.12%.

TRA Retirement Fund (Continued)

2018 Changes (Continued)
Changes in Actuarial Assumptions (Continued)

- The cost-of-living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent 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 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes
Changes in Actuarial Assumptions

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

2016 Changes
Changes in Actuarial Assumptions

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

TRA Retirement Fund (Continued)

2016 Changes (Continued)
Changes in Actuarial Assumptions (Continued)

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

2015 Changes
Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

General Employees Fund

2024 Changes
Changes in Actuarial Assumptions
- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: Increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

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

2023 Changes
Changes in Actuarial Assumptions
- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

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

2022 Changes
Changes in Actuarial Assumptions
- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

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

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

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

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.

General Employees Fund (Continued)

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

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

Changes in Plan Provisions

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

2019 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.

General Employees Fund (Continued)

2018 Changes (Continued)
Changes in Plan Provisions (Continued)

- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes
Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

General Employees Fund (Continued)

2015 Changes (Continued)
Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

Post Employment Health Care Plan

2025 Changes
Changes in Actuarial Assumptions

- The discount rate was changed from 6.00% to 6.25% based on updated investment return assumptions, 20-year municipal bond rates, and updated asset sufficiency projections.
- The long-term investment return assumption was changed from 6.00% to 6.25% based on updated capital market assumptions.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement, mortality, and salary increase rates were updated 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.
- The percent of future retirees assumed to elect spouse medical and dental coverage at retirement changed from 45% to 40% to reflect recent plan experience.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.

2024 Changes

- There were no changes.

2023 Changes
Changes in Actuarial Assumptions

- The discount rate and long-term investment return assumption was changed from 5.00% to 6.00% based on updated capital market assumptions.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality rates were updated from the rates used in the 7/1/2020 PERA General Employees Plan to the rates used in the 7/1/2022 valuation.
- The percent of future retirees not eligible for an explicit subsidy (ESP or Food Service contract) assumed to elect coverage at retirement changed from 0% to 10% to reflect recent plan experience.
- The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

(THIS PAGE LEFT BLANK INTENTIONALLY)

SUPPLEMENTARY INFORMATION

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual Detail - General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	$ 12,773,541	$ 12,674,582	$ 12,649,261	$ (25,321)
Other local and county revenues	3,088,802	3,358,881	3,529,618	170,737
Revenue from state sources	60,867,398	62,450,884	63,539,418	1,088,534
Revenue from federal sources	2,463,840	1,939,298	2,008,888	69,590
Sales and other conversion of assets	22,000	23,335	25,491	2,156
Total revenues	79,215,581	80,446,980	81,752,676	1,305,696
Expenditures				
Administration				
Salaries	1,743,740	1,748,690	1,754,661	5,971
Employee benefits	717,839	710,179	701,930	(8,249)
Purchased services	21,958	21,958	47,070	25,112
Supplies and materials	15,102	15,102	15,097	(5)
Capital expenditures	450	450	-	(450)
Other expenditures	3,821	45,915	24,121	(21,794)
Total administration	2,502,910	2,542,294	2,542,879	585
District support services				
Salaries	1,061,992	1,077,003	1,055,401	(21,602)
Employee benefits	499,870	466,675	487,386	20,711
Purchased services	418,732	417,894	307,369	(110,525)
Supplies and materials	19,870	19,870	19,171	(699)
Capital expenditures	9,000	9,000	2,343	(6,657)
Other expenditures	27,200	27,200	21,137	(6,063)
Total district support services	2,036,664	2,017,642	1,892,807	(124,835)
Elementary and secondary regular instruction				
Salaries	23,086,821	23,028,572	22,896,662	(131,910)
Employee benefits	9,719,135	8,894,346	8,623,425	(270,921)
Purchased services	1,383,050	1,569,880	2,025,392	455,512
Supplies and materials	1,462,810	1,423,520	1,725,342	301,822
Capital expenditures	124,622	139,830	106,478	(33,352)
Other expenditures	362,943	355,489	249,061	(106,428)
Total elementary and secondary regular instruction	36,139,381	35,411,637	35,626,360	214,723

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual Detail - General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Expenditures				
Vocational education instruction				
Salaries	$ 860,255	$ 769,992	$ 808,929	$ 38,937
Employee benefits	362,771	296,291	318,290	21,999
Purchased services	587,724	582,883	571,986	(10,897)
Supplies and materials	34,353	34,353	31,019	(3,334)
Capital expenditures	2,200	2,200	114	(2,086)
Other expenditures	800	800	75	(725)
Total vocational education instruction	1,848,103	1,686,519	1,730,413	43,894
Special education instruction				
Salaries	11,774,413	11,800,820	11,570,266	(230,554)
Employee benefits	4,325,891	4,341,062	4,270,521	(70,541)
Purchased services	1,079,671	1,102,874	1,132,535	29,661
Supplies and materials	195,791	129,815	221,934	92,119
Capital expenditures	1,000	1,000	419	(581)
Other expenditures	107,873	112,853	197,808	84,955
Total special education instruction	17,484,639	17,488,424	17,393,483	(94,941)
Instructional support services				
Salaries	3,123,306	3,236,259	2,966,992	(269,267)
Employee benefits	920,123	897,631	877,975	(19,656)
Purchased services	525,184	253,436	302,200	48,764
Supplies and materials	586,418	607,793	196,591	(411,202)
Capital expenditures	428,683	593,668	63,484	(530,184)
Other expenditures	116,958	74,864	56,917	(17,947)
Total instructional support services	5,700,672	5,663,651	4,464,159	(1,199,492)
Pupil support services				
Salaries	1,395,409	1,508,893	1,493,914	(14,979)
Employee benefits	484,473	653,608	640,871	(12,737)
Purchased services	5,304,369	5,499,256	5,513,903	14,647
Supplies and materials	83,811	87,172	6,801	(80,371)
Capital expenditures	360	360	-	(360)
Other expenditures	500	500	240	(260)
Total pupil support services	7,268,922	7,749,789	7,655,729	(94,060)

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual Detail - General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Expenditures				
Sites and buildings				
Salaries	$ 2,533,347	$ 2,449,987	$ 2,410,438	$ (39,549)
Employee benefits	873,372	863,424	867,728	4,304
Purchased services	2,632,999	2,500,142	3,174,469	674,327
Supplies and materials	856,899	817,154	702,562	(114,592)
Capital expenditures	2,221,209	1,886,340	861,425	(1,024,915)
Other expenditures	71,493	68,350	66,386	(1,964)
Total sites and buildings	9,189,319	8,585,397	8,083,008	(502,389)
Fiscal and other fixed cost programs				
Purchased services	363,638	360,869	363,935	3,066
Debt service				
Principal	108,220	96,675	107,655	10,980
Interest and fiscal charges	15,623	11,168	15,187	4,019
Total debt service	123,843	107,843	122,842	14,999
Total expenditures	82,658,091	81,614,065	79,875,615	(1,738,450)
Excess of revenues over (under) expenditures	(3,442,510)	(1,167,085)	1,877,061	3,044,146
Other Financing Sources				
Proceeds from sale of capital assets	1,500	1,500	4,546	3,046
Net change in fund balance	$ (3,441,010)	$ (1,165,585)	1,881,607	$ 3,047,192
Fund Balance				
Beginning of year			20,201,967	
End of year			$ 22,083,574	

Independent School District No. 877
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue		Total
	Food Service	Service Service	Nonmajor Funds Funds
Assets			
Cash and investments	$ 3,309,007	$ 1,529,165	$ 4,838,172
Current property taxes receivable	-	279,206	279,206
Delinquent property taxes receivable	-	9,250	9,250
Accounts receivable	6,129	75,400	81,529
Due from Department of Education	55,182	90,984	146,166
Due from other Minnesota school districts	-	46,651	46,651
Due from Federal Government through Department of Education	44,040	-	44,040
Inventory	63,279	-	63,279
Prepaid items	19,223	3,883	23,106
Total assets	$ 3,496,860	$ 2,034,539	$ 5,531,399
Liabilities			
Accounts payable	$ 25,764	$ 35,177	$ 60,941
Salaries and benefits payable	16,513	207,236	223,749
Unearned revenue	65,631	267,802	333,433
Total liabilities	107,908	510,215	618,123
Deferred Inflows of Resources			
Unavailable revenue - property taxes levied for subsequent year's expenditures	-	580,422	580,422
Unavailable revenue - delinquent property taxes	-	9,250	9,250
Total deferred inflows of resources	-	589,672	589,672
Fund Balances			
Nonspendable	82,502	3,883	86,385
Restricted	3,306,450	1,062,904	4,369,354
Unassigned	-	(132,135)	(132,135)
Total fund balances	3,388,952	934,652	4,323,604
Total liabilities, deferred inflows of resources, and fund balances	$ 3,496,860	$ 2,034,539	$ 5,531,399

Independent School District No. 877
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2025

	Special Revenue		Total
	Food Service Service	Community Service	Nonmajor Funds
Revenues			
Local property taxes	$ -	$ 538,765	$ 538,765
Other local and county revenues	144,233	2,768,214	2,912,447
Revenue from state sources	2,401,568	705,612	3,107,180
Revenue from federal sources	1,739,329	-	1,739,329
Sales and other conversion of assets	566,444	-	566,444
Total revenues	4,851,574	4,012,591	8,864,165
Expenditures			
Current			
Food service	4,169,166	-	4,169,166
Community education and services	-	4,180,332	4,180,332
Capital outlay			
Food service	921,597	-	921,597
Community education and services	-	10,270	10,270
Total expenditures	5,090,763	4,190,602	9,281,365
Net change in fund balances	(239,189)	(178,011)	(417,200)
Fund Balances			
Beginning of year	3,628,141	1,112,663	4,740,804
End of year	$ 3,388,952	$ 934,652	$ 4,323,604

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Other local and county revenues	$ 128,573	$ 158,785	$ 144,233	$ (14,552)
Revenue from state sources	2,357,801	2,375,445	2,401,568	26,123
Revenue from federal sources	1,975,851	1,711,326	1,739,329	28,003
Sales and other conversion of assets	552,570	522,415	566,444	44,029
Total revenues	5,014,795	4,767,971	4,851,574	83,603
Expenditures				
Food service				
Salaries	1,087,768	1,152,119	1,280,900	128,781
Employee benefits	633,259	631,642	603,202	(28,440)
Purchased services	155,610	155,610	179,267	23,657
Supplies and materials	2,097,169	1,990,359	2,095,494	105,135
Capital expenditures	750,000	800,000	921,597	121,597
Other expenditures	21,000	21,000	10,303	(10,697)
Total expenditures	4,744,806	4,750,730	5,090,763	340,033
Net change in fund balance	$ 269,989	$ 17,241	(239,189)	$ (256,430)
Fund Balance				
Beginning of year			3,628,141	
End of year			$ 3,388,952	

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 533,738	$ 533,738	$ 538,765	$ 5,027
Other local and county revenues	3,127,080	3,059,190	2,768,214	(290,976)
Revenue from state sources	693,626	693,626	705,612	11,986
Total revenues	4,354,444	4,286,554	4,012,591	(273,963)
Expenditures				
Community education and services				
Salaries	2,719,676	2,792,236	2,697,635	(94,601)
Employee benefits	931,341	932,624	885,541	(47,083)
Purchased services	385,180	385,180	356,711	(28,469)
Supplies and materials	188,798	188,798	230,180	41,382
Capital expenditures	10,995	10,995	10,270	(725)
Other expenditures	3,483	3,483	10,265	6,782
Total expenditures	4,239,473	4,313,316	4,190,602	(122,714)
Net change in fund balance	$ 114,971	$ (26,762)	(178,011)	$ (151,249)
Fund Balance				
Beginning of year			1,112,663	
End of year			$ 934,652	

Independent School District No. 877
Combining Statement of Fiduciary Net Position
June 30, 2025

	OPEB Irrevocable Trust Fund	HRA Trust Fund	Total Trust Funds
Assets			
Investments			
Brokered money markets	$ 495,631	$ 4,472,125	$ 4,967,756
Fixed income	6,775,346	-	6,775,346
Mutual funds	7,414,302	-	7,414,302
Total investments	14,685,279	4,472,125	19,157,404
Accounts receivable	19,937	-	19,937
Total assets	$ 14,705,216	$ 4,472,125	$ 19,177,341
Liabilities			
Accounts payable	$ 292,394	$ -	$ 292,394
Net Position			
Held in trust for OPEB	14,412,822	-	14,412,822
Held in trust for HRA	-	4,472,125	4,472,125
Total net position	$ 14,412,822	$ 4,472,125	$ 18,884,947

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

	OPEB Irrevocable Trust Fund	HRA Trust Fund	Total Trust Funds
Additions			
Contributions	$ 249,190	$ 353,656	$ 602,846
Investment income			
Interest, dividends, change in fair value	1,254,613	68,633	1,323,246
Total additions	1,503,803	422,289	1,926,092
Deductions			
Employee benefit deductions	678,608	-	678,608
Change in net position	825,195	422,289	1,247,484
Net Position			
Beginning of year	13,587,627	4,049,836	17,637,463
End of year	$ 14,412,822	$ 4,472,125	$ 18,884,947

Independent School District No. 877
Uniform Financial Accounting and Reporting Standards
Compliance Table
For the Year Ended June 30, 2025

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total Revenue		$ 81,752,676	$ 81,752,677	$ (1)
Total Expenditures		79,875,615	79,875,611	4
Nonspendable:				
4.60	Nonspendable fund balance	1,128,099	1,128,099	-
Restricted/reserved:				
4.01	Student Activities	41,773	41,773	-
4.02	Scholarships	-	-	-
4.03	Staff Development	-	-	-
4.07	Capital Projects Levy	-	-	-
4.08	Cooperative Program	-	-	-
4.12	Literacy Incentive Aid	233,382	233,382	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.20	American Indian Education Aid	7,041	7,041	-
4.24	Operating Capital	1,680,637	1,680,636	1
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	-	-	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Learning Program	-	-	-
4.37	Quality Compensation - Alternative Teacher Professional Pay System	188,663	188,663	-
4.38	Gifted and Talented	-	-	-
4.39	English Learner	-	-	-
4.40	Teacher Development and Evaluations	-	-	-
4.41	Basic Skills Programs	-	-	-
4.43	School Library Aid	-	-	-
4.45	Career Technical Programs	-	-	-
4.48	Achievement and Integration Revenue	-	-	-
4.49	Safe Schools Revenue	-	-	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.56	Read Act	177,816	177,816	-
4.57	Teacher Compensation for Read Act Training	-		-
4.59	Basic Skills Extended Time	-	-	-
4.67	Long-Term Facilities Maintenance	870,417	870,417	-
4.71	Student Support Personnel Aid	10,014	10,014	-
Restricted:				
4.72	Medical Assistance	496,996	496,996	-
4.64	Restricted fund balance	-	-	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Committed:				
4.18	Committed for separation	3,209,069	3,209,069	-
4.61	Committed	-	-	-
Assigned:				
4.62	Assigned fund balance	1,708,343	1,708,342	1
Unassigned:				
4.22	Unassigned fund balance	12,331,324	12,331,326	(2)
02 FOOD SERVCICE FUND				
Total revenue		$ 4,851,574	$ 4,851,574	$ -
Total expenditures		5,090,763	5,090,763	-
Nonspendable:				
4.60	Nonspendable fund balance	82,502	82,502	-
Restricted/reserved:				
4.52	OPEB liabilities not held in trust	-	-	-
Restricted:				
4.64	Restricted fund balance	3,306,450	3,306,450	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND				
Total revenue		$ 4,012,591	$ 4,012,590	$ 1
Total expenditures		4,190,602	4,190,603	(1)
Nonspendable:				
4.60	Nonspendable fund balance	3,883	3,883	-
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	679,304	679,304	-
4.32	ECFE	299,509	299,509	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	84,091	84,091	-
4.47	Adult Basic Education	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	(132,135)	(132,138)	3

		Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ 2,356,362	$ 2,356,362	$ -
Total expenditures		12,907,320	12,907,319	1
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/Reserved:				
4.07	Capital Projects Levy	-	-	-
4.09	Alternative Facility Program	-	-	-
4.13	Building Projects Funded by COP	-	-	-
Restricted:				
4.64	Restricted fund balance	34,738,332	34,738,332	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND				
Total revenue		$ 9,198,742	$ 9,198,742	$ -
Total expenditures		8,657,498	8,657,498	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.25	Bond refunding	-	-	-
4.33	Maximum effort load aid	-	-	-
4.51	QZAB Payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted fund balance	2,624,081	2,624,081	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ 422,289	$ 422,288	$ 1
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.22	Net position	4,472,125	4,472,125	-
18 CUSTODIAL				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Restricted/Reserved:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.48	Achievement and Integration	-	-	-
4.64	Restricted	-	-	-
20 INTERNAL SERVICE FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
25 OPEB REVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ 1,503,803	$ 1,503,801	$ 2
Total expenditures		678,608	678,607	1
Unassigned:				
4.22	Net position	14,412,822	14,412,821	1
47 OPEB DEBT SERVICE				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

OTHER DISTRICT INFORMATION

Independent School District No. 877
Deferred Tax Levies
(Unaudited)

Calendar Year Levied	Collected	School Building Bonds of 2024	School Building Bonds of 2015	Total
2024	2025	$ 3,192,315	$ 6,311,416	$ 9,503,731
2025	2026	3,059,753	6,315,459	9,375,212
2026	2027	3,188,115	6,312,794	9,500,909
2027	2028	3,186,540	6,310,658	9,497,198
2028	2029	3,181,815	6,315,960	9,497,775
2029	2030	9,179,940	-	9,179,940
2030	2031	9,178,365	-	9,178,365
2031	2032	2,485,403	-	2,485,403
2032	2033	2,228,940	-	2,228,940
2033	2034	2,228,153	-	2,228,153
2034	2035	2,229,203	-	2,229,203
2035	2036	2,226,578	-	2,226,578
2036	2037	2,225,528	-	2,225,528
2037	2038	2,225,790	-	2,225,790
2038	2039	2,228,940	-	2,228,940
2039	2040	2,229,150	-	2,229,150
2040	2041	2,226,420	-	2,226,420
2041	2042	2,226,000	-	2,226,000
2042	2043	2,227,680	-	2,227,680
Total		$ 61,154,628	$ 31,566,287	$ 92,720,915

Independent School District No. 877
Property Tax Levies, Rates, and Valuations
Last Ten Fiscal Years
(Unaudited)

Year Collectible	Net Tax Capacity Valuations	Tax Capacity Rates	General Fund	Community Service Fund	Debt Service Fund	OPEB Debt Service Fund	Total All Funds
2016	$30,076,092	0.34489	$ 6,299,838	$ 464,451	$ 5,807,758	$ 1,290,641	$13,862,688
2017	31,467,344	0.32887	6,260,288	488,197	5,914,677	1,272,597	13,935,759
2018	33,452,365	0.32471	6,963,233	493,467	5,334,875	2,069,902	14,861,477
2019	35,575,211	0.30953	7,360,503	455,473	5,398,465	2,035,660	15,250,101
2020	38,274,130	0.29184	11,795,773	476,953	5,332,883	2,030,744	19,636,353
2021	41,772,170	0.27200	12,166,462	597,305	5,363,609	2,006,174	20,133,550
2022	43,729,570	0.26546	11,294,456	582,216	5,886,980	1,935,558	19,699,210
2023	52,506,316	0.21575	13,221,891	661,619	6,531,416	-	20,414,926
2024	62,210,554	0.20928	12,660,669	537,348	8,902,674	-	22,100,691
2025	61,253,163	0.21584	12,591,828	580,422	9,160,125	-	22,332,375

Source: School Tax Report

(THIS PAGE LEFT BLANK INTENTIONALLY)

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

Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, 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 financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, as of and for the year ending June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 3, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 3, 2025

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota as of and for the year ended June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 3,2025.

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 3, 2025