

INDEPENDENT SCHOOL DISTRICT NO. 622  
NORTH ST. PAUL – MAPLEWOOD – OAKDALE,  
MINNESOTA

Financial Statements  
and Supplementary Information

Year Ended  
June 30, 2025



Certified Public Accountants Business Consultants

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INDEPENDENT SCHOOL DISTRICT NO. 622

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 622

School Board and Administration  
as of June 30, 2025

**SCHOOL BOARD**

	<u>Position</u>
Kita Yang	Chairperson
Caleb Anderson	Vice Chairperson
Julia Martens	Treasurer
Nancy Livingston	Clerk
Charlotte Nitardy	Director
Katie Swor	Director
Michelle Yener	Director

**ADMINISTRATION**

Christine Tucci Osorio	Superintendent of Schools
May Her	Assistant to Superintendent
Andrew Beaton	Assistant Superintendent, Secondary Programs and Equity
Tricia St. Michaels	Assistant Superintendent, Early Learning, Elementary Programs, Student Services
Josh Anderson	Director of Finance/Director of Technology
Amylee Yang	Director of Human Resources
Tamra Lennox	Director of Community Education
Sara Guyette	Director of Operations
Heidi Leigh	Director of Teaching and Learning
Amy Luckner	Director of Research, Evaluation and Assessment
Lynn Pham	Director of Equity and Communications
Rebekah Doyle	Director of Grants and Special Projects

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FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of  
Independent School District No. 622  
North St. Paul – Maplewood – Oakdale, Minnesota

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

#### **OPINIONS**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 622 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

#### **BASIS FOR OPINIONS**

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

#### **EMPHASIS OF MATTER**

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

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

(continued)

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

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

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

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

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

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

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

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

(continued)

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

## **SUPPLEMENTARY INFORMATION**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 information included in the annual report. The other information comprises the introductory section and other district information, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

## **PRIOR YEAR COMPARATIVE INFORMATION**

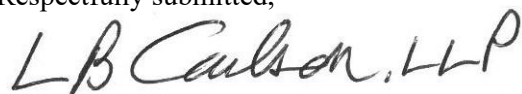
We have previously audited the District's 2024 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 10, 2025. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

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

LB CARLSON, LLP  
Minneapolis, Minnesota

May 18, 2026

## INDEPENDENT SCHOOL DISTRICT NO. 622

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

This section of Independent School District No. 622's (the District) annual financial statements presents management's discussion and analysis (MD&A) of the District's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the other components of the District's annual financial statements.

#### FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2025 by \$29,862,439. The District's total net position increased by \$32,151,730 during the fiscal year ended June 30, 2025, excluding the change in accounting principle noted below.
- Government-wide revenues totaled \$255,813,397 and were \$32,151,730 more than expenses of \$223,661,667.
- The District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* during the year. Beginning net position was restated for the cumulative impact of implementing this new guidance, which lowered beginning net position by \$8,279,917 in governmental activities. This change is further described in Note 1 of the notes to basic financial statements.
- The General Fund's total fund balance (under the governmental fund presentation) increased \$6,304,395 from the prior year, compared to an increase of \$1,228,063 planned in the budget.
- General Fund unassigned fund balance (excluding restricted account deficits) increased from 12.5 percent to 14.1 percent of expenditures.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

## FUND FINANCIAL STATEMENTS

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following kinds of funds:

**Governmental Funds** – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	2025	2024
<b>Assets</b>		
Current and other assets	\$ 189,182,522	\$ 204,035,025
Capital assets, net of depreciation/amortization	490,838,899	465,548,481
Total assets	\$ 680,021,421	\$ 669,583,506
<b>Deferred outflows of resources</b>		
Bond refunding deferments	\$ 60,974	\$ 81,298
OPEB plan deferments	1,358,798	1,747,749
Pension plan deferments	24,275,331	28,405,832
Total deferred outflows of resources	\$ 25,695,103	\$ 30,234,879
<b>Liabilities</b>		
Current and other liabilities	\$ 27,133,291	\$ 24,543,876
Long-term liabilities	546,587,415	592,870,473
Total liabilities	\$ 573,720,706	\$ 617,414,349
<b>Deferred inflows of resources</b>		
Bond refunding deferments	\$ 382,292	\$ 493,218
Property taxes levied for subsequent year	64,717,593	61,582,490
OPEB plan deferments	6,868,111	6,464,019
Pension plan deferments	30,165,383	7,873,683
Total deferred inflows of resources	\$ 102,133,379	\$ 76,413,410
<b>Net position</b>		
Net investment in capital assets	\$ 102,267,941	\$ 82,919,169
Restricted	26,814,603	23,125,298
Unrestricted	(99,220,105)	(100,053,841)
Total net position	\$ 29,862,439	\$ 5,990,626

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

The District's increase in net investment in capital assets is due to the District repaying debt at a faster rate than the assets being depreciated/amortized and capital assets financed with the "pay-as-you-go" long-term facilities maintenance levy. Increases in net position restricted for capital asset acquisition, debt service, food service, and other state funding restrictions contributed to the growth in the restricted portion of net position. Changes in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position. Positive operations in the General Fund also contributed to the increase in unrestricted net position.

The significant decrease in current and other assets and increase in capital assets is due to projects in the District-Wide Facilities Plan financed with the proceeds of bonds issued in previous years.

Table 2 presents a condensed version of the Statement of Activities of the District:

<b>Table 2</b>		
<b>Summary Statement of Activities</b>		
<b>for the Years Ended June 30, 2025 and 2024</b>		
	2025	2024
<b>Revenues</b>		
Program revenues		
Charges for services	\$ 5,739,917	\$ 5,462,428
Operating grants and contributions	59,115,154	51,769,059
General revenues		
Property taxes	65,145,287	61,277,296
General grants and aids	118,561,388	115,862,967
Other	7,251,651	9,110,545
Total revenues	255,813,397	243,482,295
<b>Expenses</b>		
Administration	7,359,228	6,350,379
District support services	6,944,322	5,905,702
Elementary and secondary regular instruction	75,493,732	71,323,747
Vocational education instruction	4,098,158	3,767,454
Special education instruction	45,374,957	40,801,968
Instructional support services	10,028,245	9,663,639
Pupil support services	18,499,784	18,818,429
Sites and buildings	15,258,065	16,280,669
Fiscal and other fixed cost programs	1,183,049	991,313
Food service	9,799,476	8,726,388
Community service	13,678,758	12,174,340
Depreciation/amortization not included in other functions (excludes amounts directly allocated)	10,061,069	11,142,916
Interest and fiscal charges	5,882,824	15,666,146
Total expenses	223,661,667	221,613,090
Change in net position	32,151,730	21,869,205
Net position – beginning, as previously reported	5,990,626	(15,878,579)
Change in accounting principle	(8,279,917)	–
Net position – beginning, as adjusted	(2,289,291)	(15,878,579)
Net position – ending	\$ 29,862,439	\$ 5,990,626

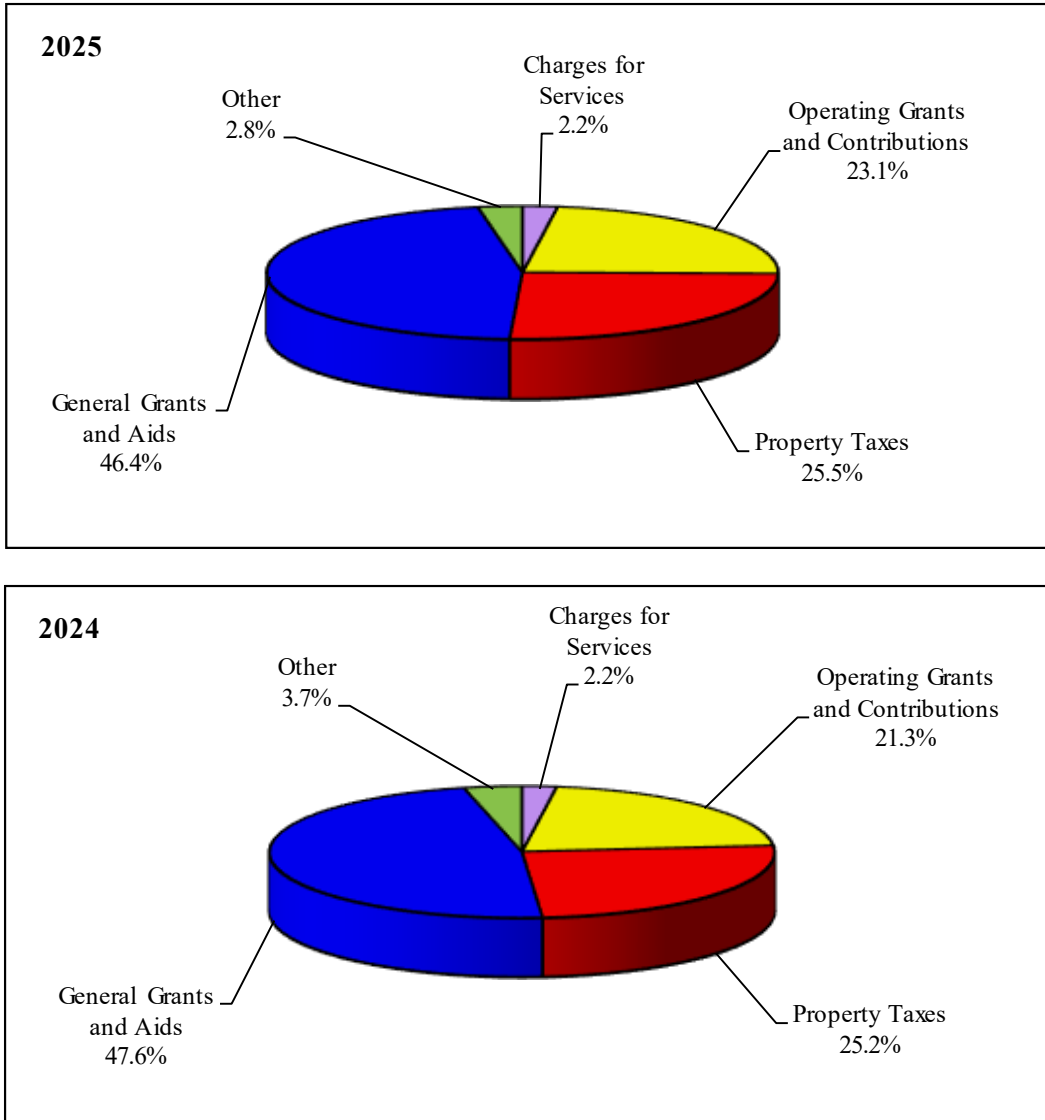
This statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation and amortization expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Governmental activities revenues increased \$12,331,102 (5.1 percent) from the previous year. The District recognized more special education funding, contributing to the increase in operating grants and contributions. The increase in the approved levy contributed to the change in property taxes. Additional funding for the basic general education formula allowance increased general grants and aids.

Governmental activities expenses were \$2,048,577 (0.9 percent) higher than last year, primarily to natural inflationary increases offset by a decrease in interest and fiscal charges due to the arbitrage liability accrued in the prior year.

Figure A shows further analysis of these revenue sources:

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

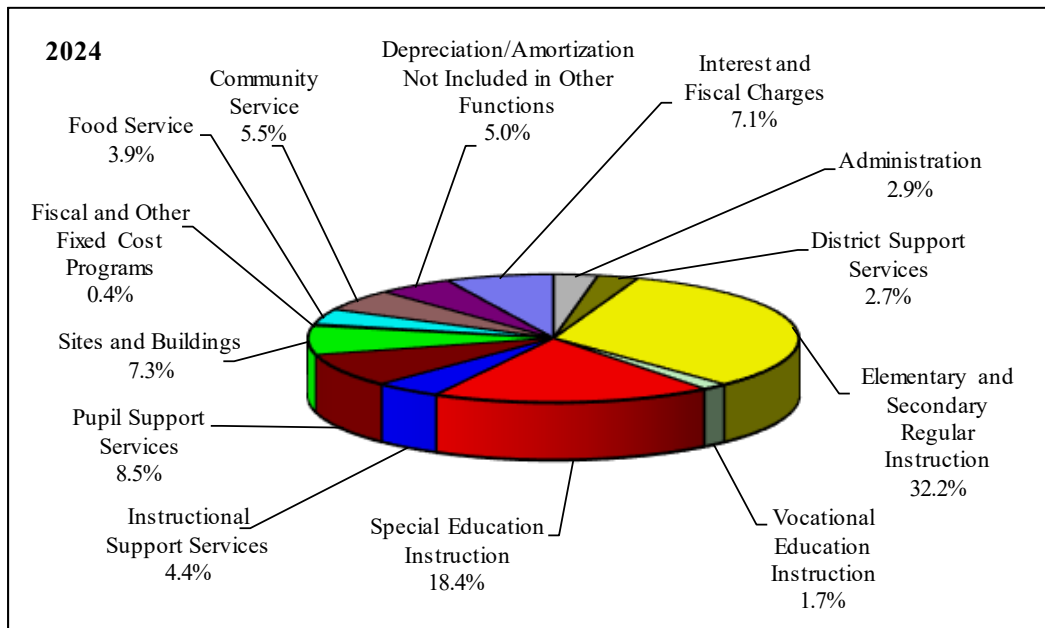
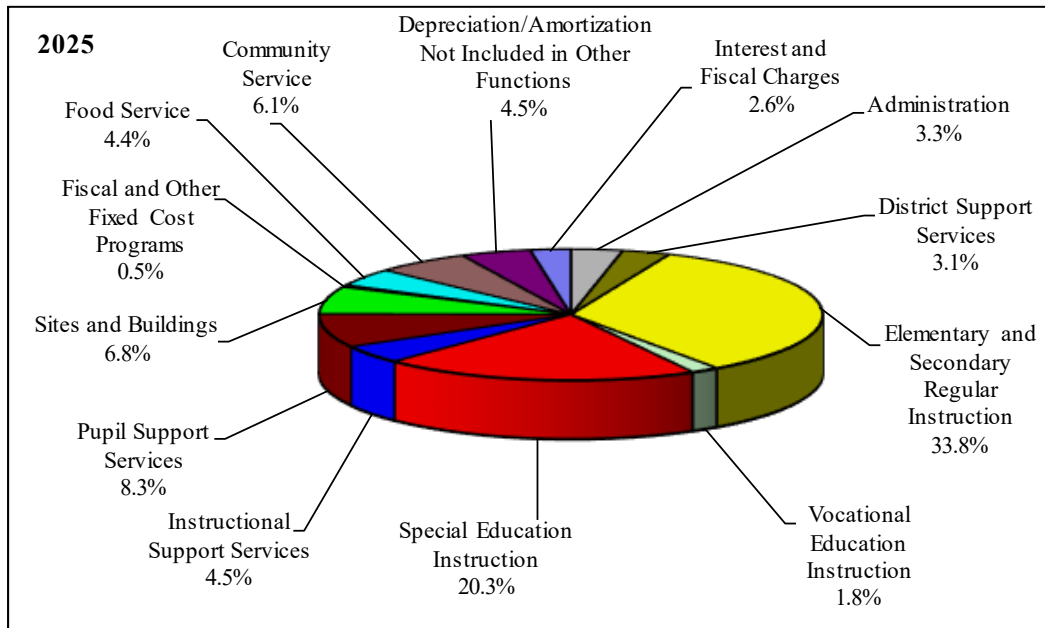


The largest share of the District’s revenue is received from the state, including the basic general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

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



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

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Major funds			
General	\$ 47,726,018	\$ 41,421,623	\$ 6,304,395
Capital Projects – Building Construction	35,175,247	63,027,907	(27,852,660)
Debt Service			
Regular	6,297,218	5,382,443	914,775
OPEB	518,190	470,215	47,975
Nonmajor funds			
Food Service Special Revenue	4,557,944	4,515,880	42,064
Community Service Special Revenue	<u>3,400,888</u>	<u>3,921,526</u>	<u>(520,638)</u>
Total governmental funds	<u>\$ 97,675,505</u>	<u>\$ 118,739,594</u>	<u>\$ (21,064,089)</u>

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

At June 30, 2025, the District's governmental funds reported combined fund balances of \$97,675,505, a decrease of \$21,064,089 in comparison with the prior year. Of this amount, \$26,744,917 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is: 1) not in spendable form (\$1,567,340), 2) restricted for particular purposes (\$66,378,274), or 3) assigned for particular purposes (\$2,984,974).

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

## ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Change</u>	<u>Percent Change</u>
Revenue	<u>\$ 187,869,254</u>	<u>\$ 191,560,562</u>	<u>\$ 3,691,308</u>	<u>2.0%</u>
Expenditures	<u>\$ 190,592,310</u>	<u>\$ 190,332,499</u>	<u>\$ (259,811)</u>	<u>(0.1%)</u>

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

Table 5 summarizes the operating results of the General Fund:

	<u>2025 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue and other financing sources	\$ 198,315,949	\$ 6,755,387	3.5%	\$ 8,904,196	4.7%
Expenditures	<u>192,011,554</u>	<u>1,679,055</u>	0.9%	<u>7,657,450</u>	4.2%
Net change in fund balances	<u>\$ 6,304,395</u>	<u>\$ 5,076,332</u>		<u>\$ 1,246,746</u>	

The fund balance of the General Fund increased \$6,304,395 from the prior year, compared to a \$1,228,063 increase planned in the final budget.

General Fund revenues and other financing sources were 3.5 percent over budget, primarily in federal sources and property taxes exceeding expectations. The increase from the prior year was mainly in state sources and property taxes. State sources increased over the prior year with more special education funding and legislative improvements for general education aid in fiscal 2025. Property taxes were up as anticipated with the approved levy in the current year. These increases were offset by a decrease in federal sources due to pandemic-related entitlements in the prior year.

General Fund expenditures were 0.9 percent over budget, primarily in capital expenditures due to the timing of long-term facilities maintenance projects. Expenditures increased from the prior year, mainly in salaries, employee benefits, and purchased services. Salaries and employee benefits increased due to contractual increases in the current year. Purchased services costs increased, mainly in special education instruction with increased contractual services costs directly related to vacant position in this function, and in sites and buildings with increased long-term facilities maintenance projects.

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

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

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. This fund ended the year with a fund balance decrease of \$27,852,660, due to the spend down of prior year bond issues. At June 30, 2025, this fund had a fund balance of \$35,175,247 restricted for long-term facilities maintenance (\$489,557) and capital projects (\$34,685,690) for future construction in accordance with the District-Wide Facilities Plan.

### **Debt Service Fund**

The Debt Service Fund revenues exceeded expenditures by \$962,750 in the current year. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of \$6,815,408 at June 30, 2025 is available for meeting future debt service obligations.

### **Other Governmental Funds**

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by \$42,064, compared to a planned fund balance decrease of \$351,417. Revenues were over budget with more participation than projected and conservative budgeting. Expenditures were more than projected in supplies and materials and purchased services, directly related to more participation than anticipated. Capital outlay was also over budget due to the timing of equipment purchases. As of June 30, 2025, the fund balance was 46.0 percent of expenditures.

The Community Service Special Revenue Fund ended the year with expenditures exceeding revenues, decreasing equity by \$520,638, compared to a planned fund balance increase of \$108,643. The variance to budget was primarily in expenditures which were over budget, mainly in purchased services and salaries. As of June 30, 2025, the fund balance was 24.7 percent of expenditures.

### **Internal Service Funds**

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

Operating revenues for the internal service funds for fiscal 2025 totaled \$25,360,686, while operating expenses totaled \$25,749,830.

The net position for the internal service funds as of June 30, 2025 was \$4,071,648, which represents a \$147,243 decrease from the prior year. This decrease is mainly due to medical expenses being higher than insurance premiums contributed from the governmental funds. As of June 30, 2025, the net position represents 15.8 percent of operating expenses.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

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

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Land	\$ 19,577,877	\$ 19,577,877	\$ –
Construction in progress	119,620,887	96,785,979	22,834,908
Land improvements	14,725,813	13,196,938	1,528,875
Buildings and improvements	446,255,408	437,109,826	9,145,582
Furniture and equipment	25,671,955	24,082,323	1,589,632
Lease – buildings and improvements	3,619,529	3,619,529	–
Lease – furniture and equipment	1,015,735	897,950	117,785
Technology subscriptions	2,333,529	1,688,323	645,206
Less accumulated depreciation/amortization	<u>(141,981,834)</u>	<u>(131,410,264)</u>	<u>(10,571,570)</u>
<b>Total</b>	<u><u>\$ 490,838,899</u></u>	<u><u>\$ 465,548,481</u></u>	<u><u>\$ 25,290,418</u></u>
Depreciation/amortization expense	<u><u>\$ 13,223,990</u></u>	<u><u>\$ 12,924,943</u></u>	<u><u>\$ 299,047</u></u>

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

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2025, consistent with the District-Wide Facilities Plan discussed on the previous page.

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

Additional details about capital assets can be found in the Note 3 to basic financial statements.

## Long-Term Liabilities

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

	<u>2025</u>	<u>2024</u>	<u>Change</u>
General obligation bonds payable	\$ 401,455,000	\$ 415,815,000	\$ (14,360,000)
Certificates of participation payable	6,290,000	7,090,000	(800,000)
Premium (discount) on bonds payable and certificates of participation payable	16,461,884	18,529,779	(2,067,895)
Lease liability	3,023,003	3,509,654	(486,651)
Arbitrage liability	-	5,915,866	(5,915,866)
Net/total pension liability	86,842,554	117,093,130	(30,250,576)
Net OPEB liability	17,861,806	19,920,789	(2,058,983)
Compensated absences payable	14,653,168	4,996,255	9,656,913
<b>Total</b>	<b><u>\$ 546,587,415</u></b>	<b><u>\$ 592,870,473</u></b>	<b><u>\$ (46,283,058)</u></b>

The decrease in general obligation bonds payable, certificates of participation payable, premium/discount, and lease liability is due to scheduled principal payments and amortization in the current year, with no new bonds or certificates of participation issued in the current year.

With changes in the investment market, the District had a decrease in the projected arbitrage liability as of year-end.

The difference in the net/total pension liability reflects the change in the District's proportionate share of the state-wide PERA and TRA pension plans.

The implementation of new GASB guidance for compensated absences payable, as previously discussed, increased compensated absences payable in the current year.

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

District's market value	\$12,411,184,519
Limit rate	<u>15.0%</u>
Legal debt limit	<u>\$ 1,861,677,678</u>

Additional details of the District's long-term debt activity can be found in Note 4 to basic financial statements.

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

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

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

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

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

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives and utilizes. If you have questions about these statements, or need additional financial information, please contact the Finance Department, Independent School District No. 622, 2520 East 12th Avenue, North St. Paul, Minnesota 55109.

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BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Governmental Activities	
	2025	2024
<b>Assets</b>		
Cash and temporary investments	\$ 124,354,960	\$ 142,838,728
Receivables		
Current taxes	38,071,506	36,223,123
Delinquent taxes	1,423,886	1,052,541
Accounts and interest	939,124	1,147,654
Due from other governmental units	21,808,593	20,005,210
Due from post-employment benefits trust	700,000	700,000
Inventory	692,943	805,648
Prepaid items	1,191,510	1,262,121
Capital assets		
Not depreciated/amortized	139,198,764	116,363,856
Depreciated, net of accumulated depreciation/amortization	<u>351,640,135</u>	<u>349,184,625</u>
Total capital assets, net of accumulated depreciation/amortization	<u>490,838,899</u>	<u>465,548,481</u>
Total assets	680,021,421	669,583,506
<b>Deferred outflows of resources</b>		
Bond refunding deferments	60,974	81,298
OPEB plan deferments	1,358,798	1,747,749
Pension plan deferments	<u>24,275,331</u>	<u>28,405,832</u>
Total deferred outflows of resources	<u>25,695,103</u>	<u>30,234,879</u>
Total assets and deferred outflows of resources	<u>\$ 705,716,524</u>	<u>\$ 699,818,385</u>
<b>Liabilities</b>		
Salaries payable	\$ 1,045,266	\$ 989,304
Accounts and contracts payable	14,472,237	11,237,535
Accrued interest payable	5,605,297	5,875,470
Due to other governmental units	3,696,872	4,370,388
Unearned revenue	628,304	851,588
Claims incurred, but not reported	1,685,315	1,219,591
Long-term liabilities		
Due within one year	18,336,510	17,768,739
Due in more than one year	<u>528,250,905</u>	<u>575,101,734</u>
Total long-term liabilities	<u>546,587,415</u>	<u>592,870,473</u>
Total liabilities	573,720,706	617,414,349
<b>Deferred inflows of resources</b>		
Bond refunding deferments	382,292	493,218
Property taxes levied for subsequent year	64,717,593	61,582,490
OPEB plan deferments	6,868,111	6,464,019
Pension plan deferments	<u>30,165,383</u>	<u>7,873,683</u>
Total deferred inflows of resources	<u>102,133,379</u>	<u>76,413,410</u>
<b>Net position</b>		
Net investment in capital assets	102,267,941	82,919,169
Restricted for		
Capital asset acquisition	11,879,137	10,457,087
Debt service	1,699,820	305,303
Food service	4,557,944	4,515,880
Community service	3,430,060	3,942,578
Other purposes (state funding restrictions)	5,247,642	3,904,450
Unrestricted	<u>(99,220,105)</u>	<u>(100,053,841)</u>
Total net position	<u>29,862,439</u>	<u>5,990,626</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 705,716,524</u>	<u>\$ 699,818,385</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

Functions/Programs	2025		
	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities			
Administration	\$ 7,359,228	\$ -	\$ -
District support services	6,944,322	-	-
Elementary and secondary regular instruction	75,493,732	964,759	4,011,948
Vocational education instruction	4,098,158	-	13,998
Special education instruction	45,374,957	625,969	36,528,682
Instructional support services	10,028,245	-	15,175
Pupil support services	18,499,784	180,095	705,956
Sites and buildings	15,258,065	-	543,816
Fiscal and other fixed cost programs	1,183,049	-	-
Food service	9,799,476	178,450	9,612,203
Community service	13,678,758	3,790,644	7,683,376
Depreciation/amortization not included in other functions (excludes amounts directly allocated)	10,061,069	-	-
Interest and fiscal charges	5,882,824	-	-
<b>Total governmental activities</b>	<b>\$ 223,661,667</b>	<b>\$ 5,739,917</b>	<b>\$ 59,115,154</b>
General revenues			
Taxes			
Property taxes levied for general purposes			
Property taxes levied for community service			
Property taxes levied for debt service			
General grants and aids			
Other general revenues			
Investment earnings			
Total general revenues			
Change in net position			
Net position – beginning, as previously reported			
Change in accounting principle			
Net position – beginning, as adjusted			
Net position – ending			

	2024
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Governmental Activities
\$ (7,359,228)	\$ (6,350,379)
(6,944,322)	(5,905,702)
(70,517,025)	(66,475,272)
(4,084,160)	(3,750,873)
(8,220,306)	(8,952,240)
(10,013,070)	(9,663,639)
(17,613,733)	(18,001,620)
(14,714,249)	(16,280,669)
(1,183,049)	(991,313)
(8,823)	549,967
(2,204,738)	(1,750,801)
(10,061,069)	(11,142,916)
<u>(5,882,824)</u>	<u>(15,666,146)</u>
(158,806,596)	(164,381,603)
35,572,183	33,773,221
1,534,627	1,560,758
28,038,477	25,943,317
118,561,388	115,862,967
1,931,538	1,996,095
5,320,113	7,114,450
<u>190,958,326</u>	<u>186,250,808</u>
32,151,730	21,869,205
5,990,626	(15,878,579)
<u>(8,279,917)</u>	<u>—</u>
<u>(2,289,291)</u>	<u>(15,878,579)</u>
<u>\$ 29,862,439</u>	<u>\$ 5,990,626</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
<b>Assets</b>			
Cash and temporary investments	\$ 45,052,861	\$ 43,193,670	\$ 19,640,832
Receivables			
Current taxes	20,849,157	–	16,343,674
Delinquent taxes	796,429	–	592,984
Accounts and interest	803,342	3,833	–
Due from other governmental units	20,378,494	–	58,617
Due from other funds	700,000	–	–
Inventory	–	–	–
Prepaid items	869,348	–	–
	<u>\$ 89,449,631</u>	<u>\$ 43,197,503</u>	<u>\$ 36,636,107</u>
<b>Liabilities</b>			
Salaries payable	\$ 768,104	\$ –	\$ –
Accounts and contracts payable	4,643,467	8,022,256	–
Due to other governmental units	1,808,845	–	–
Unearned revenue	22,596	–	–
Total liabilities	<u>7,243,012</u>	<u>8,022,256</u>	<u>–</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue – delinquent taxes	670,901	–	489,709
Property taxes levied for subsequent year	33,809,700	–	29,330,990
Total deferred inflows of resources	<u>34,480,601</u>	<u>–</u>	<u>29,820,699</u>
<b>Fund balances</b>			
Nonspendable	869,348	–	–
Restricted	17,126,779	35,175,247	6,815,408
Assigned	2,984,974	–	–
Unassigned	26,744,917	–	–
Total fund balances	<u>47,726,018</u>	<u>35,175,247</u>	<u>6,815,408</u>
	<u>\$ 89,449,631</u>	<u>\$ 43,197,503</u>	<u>\$ 36,636,107</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 89,449,631</u>	<u>\$ 43,197,503</u>	<u>\$ 36,636,107</u>

Nonmajor Funds	Total Governmental Funds	
	2025	2024
\$ 9,606,205	\$ 117,493,568	\$ 136,786,729
878,675	38,071,506	36,223,123
34,473	1,423,886	1,052,541
131,949	939,124	1,147,654
1,371,482	21,808,593	20,005,210
–	700,000	700,000
692,943	692,943	805,648
5,049	874,397	1,255,320
<u>\$ 12,720,776</u>	<u>\$ 182,004,017</u>	<u>\$ 197,976,225</u>
\$ 277,162	\$ 1,045,266	\$ 989,304
392,199	13,057,922	10,617,217
1,880,800	3,689,645	4,370,388
605,708	628,304	851,588
<u>3,155,869</u>	<u>18,421,137</u>	<u>16,828,497</u>
29,172	1,189,782	825,644
1,576,903	64,717,593	61,582,490
<u>1,606,075</u>	<u>65,907,375</u>	<u>62,408,134</u>
697,992	1,567,340	2,060,968
7,260,840	66,378,274	90,871,617
–	2,984,974	2,723,056
–	26,744,917	23,083,953
<u>7,958,832</u>	<u>97,675,505</u>	<u>118,739,594</u>
<u>\$ 12,720,776</u>	<u>\$ 182,004,017</u>	<u>\$ 197,976,225</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2025</u>	<u>2024</u>
Total fund balances – governmental funds	\$ 97,675,505	\$ 118,739,594
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	632,820,733	596,958,745
Accumulated depreciation/amortization	(141,981,834)	(131,410,264)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(401,455,000)	(415,815,000)
Certificates of participation payable	(6,290,000)	(7,090,000)
Premiums on debt	(16,461,884)	(18,529,779)
Lease liability	(3,023,003)	(3,509,654)
Arbitrage liability	–	(5,915,866)
Net/total pension liability	(86,842,554)	(117,093,130)
Net OPEB liability	(17,861,806)	(19,920,789)
Compensated absences payable	(14,653,168)	(4,996,255)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(5,605,297)	(5,875,470)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position.	4,071,648	4,218,891
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – bond refunding deferments	60,974	81,298
Deferred outflows of resources – OPEB plan deferments	1,358,798	1,747,749
Deferred outflows of resources – pension plan deferments	24,275,331	28,405,832
Deferred inflows of resources – bond refunding deferments	(382,292)	(493,218)
Deferred inflows of resources – OPEB plan deferments	(6,868,111)	(6,464,019)
Deferred inflows of resources – pension plan deferments	(30,165,383)	(7,873,683)
Deferred inflows of resources – unavailable revenue – delinquent taxes	1,189,782	825,644
Total net position – governmental activities	<u>\$ 29,862,439</u>	<u>\$ 5,990,626</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
Revenue			
Local sources			
Property taxes	\$ 35,377,759	\$ –	\$ 27,876,883
Investment earnings	1,772,950	2,175,303	715,070
Other	3,665,387	–	–
State sources	147,522,012	–	600,372
Federal sources	9,823,082	–	–
Total revenue	<u>198,161,190</u>	<u>2,175,303</u>	<u>29,192,325</u>
Expenditures			
Current			
Administration	7,348,118	–	–
District support services	7,133,995	–	–
Elementary and secondary regular instruction	76,353,486	–	–
Vocational education instruction	4,099,511	–	–
Special education instruction	45,585,555	–	–
Instructional support services	10,001,369	–	–
Pupil support services	17,155,344	–	–
Sites and buildings	21,374,061	–	–
Fiscal and other fixed cost programs	1,183,049	–	–
Food service	–	–	–
Community service	14,845	–	–
Capital outlay	–	30,027,963	–
Debt service			
Principal	1,404,436	–	14,360,000
Interest and fiscal charges	357,785	–	13,869,575
Total expenditures	<u>192,011,554</u>	<u>30,027,963</u>	<u>28,229,575</u>
Excess (deficiency) of revenue over expenditures	6,149,636	(27,852,660)	962,750
Other financing sources			
Debt issued	117,785	–	–
Sale of capital assets	31,974	–	–
Insurance recovery	5,000	–	–
Total other financing sources	<u>154,759</u>	<u>–</u>	<u>–</u>
Net change in fund balances	6,304,395	(27,852,660)	962,750
Fund balances			
Beginning of year	<u>41,421,623</u>	<u>63,027,907</u>	<u>5,852,658</u>
End of year	<u>\$ 47,726,018</u>	<u>\$ 35,175,247</u>	<u>\$ 6,815,408</u>

Nonmajor Funds	Total Governmental Funds	
	2025	2024
\$ 1,526,507	\$ 64,781,149	\$ 60,962,954
414,889	5,078,212	6,864,543
3,969,094	7,634,481	7,450,492
9,243,320	157,365,704	148,944,817
8,052,259	17,875,341	18,244,011
<u>23,206,069</u>	<u>252,734,887</u>	<u>242,466,817</u>
–	7,348,118	6,585,790
–	7,133,995	6,662,627
–	76,353,486	75,622,425
–	4,099,511	3,870,624
–	45,585,555	41,806,346
–	10,001,369	10,089,313
–	17,155,344	17,990,933
–	21,374,061	18,979,200
–	1,183,049	991,313
9,587,789	9,587,789	8,464,618
13,753,468	13,768,313	12,184,232
343,386	30,371,349	40,951,704
–	15,764,436	13,148,814
–	14,227,360	14,596,345
<u>23,684,643</u>	<u>273,953,735</u>	<u>271,944,284</u>
(478,574)	(21,218,848)	(29,477,467)
–	117,785	–
–	31,974	29,831
–	5,000	–
<u>–</u>	<u>154,759</u>	<u>29,831</u>
(478,574)	(21,064,089)	(29,447,636)
<u>8,437,406</u>	<u>118,739,594</u>	<u>148,187,230</u>
<u>\$ 7,958,832</u>	<u>\$ 97,675,505</u>	<u>\$ 118,739,594</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2025</u>	<u>2024</u>
Total net change in fund balances – governmental funds.	\$ (21,064,089)	\$ (29,447,636)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation/amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	38,612,053	47,516,115
Depreciation/amortization expense	(13,223,990)	(12,924,943)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	(97,645)	(1,306,594)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
Lease liability	(117,785)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	14,360,000	11,800,000
Certificates of participation payable	800,000	770,000
Lease liability	604,436	578,814
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	270,173	61,658
Debt issuance premiums are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	2,067,895	2,067,480
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Arbitrage liability	5,915,866	(3,289,541)
Net/total pension liability	30,250,576	4,185,156
Net OPEB liability	2,058,983	583,953
Compensated absences payable	(1,376,996)	1,095,667
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	(147,243)	(1,264,889)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – bond refunding deferments	(20,324)	(20,324)
Deferred outflows of resources – OPEB plan deferments	(388,951)	(754,774)
Deferred outflows of resources – pension plan deferments	(4,130,501)	(10,037,164)
Deferred inflows of resources – bond refunding deferments	110,926	110,926
Deferred inflows of resources – OPEB plan deferments	(404,092)	84,078
Deferred inflows of resources – pension plan deferments	(22,291,700)	11,746,881
Deferred inflows of resources – unavailable revenue – delinquent taxes	364,138	314,342
Change in net position – governmental activities	<u>\$ 32,151,730</u>	<u>\$ 21,869,205</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 32,550,116	\$ 32,907,116	\$ 35,377,759	\$ 2,470,643
Investment earnings	1,500,000	1,500,000	1,772,950	272,950
Other	2,765,615	2,765,745	3,665,387	899,642
State sources	145,955,160	149,289,338	147,522,012	(1,767,326)
Federal sources	5,098,363	5,098,363	9,823,082	4,724,719
Total revenue	<u>187,869,254</u>	<u>191,560,562</u>	<u>198,161,190</u>	<u>6,600,628</u>
Expenditures				
Current				
Administration	7,898,109	7,638,298	7,348,118	(290,180)
District support services	6,408,846	6,408,846	7,133,995	725,149
Elementary and secondary regular instruction	74,284,024	74,284,024	76,353,486	2,069,462
Vocational education instruction	3,051,575	3,051,575	4,099,511	1,047,936
Special education instruction	48,465,918	48,465,918	45,585,555	(2,880,363)
Community education instruction	10,000	10,000	14,845	4,845
Instructional support services	9,181,971	9,181,971	10,001,369	819,398
Pupil support services	20,037,302	20,037,302	17,155,344	(2,881,958)
Sites and buildings	18,179,565	18,179,565	21,374,061	3,194,496
Fiscal and other fixed cost programs	1,175,000	1,175,000	1,183,049	8,049
Debt service				
Principal	1,400,000	1,400,000	1,404,436	4,436
Interest and fiscal charges	500,000	500,000	357,785	(142,215)
Total expenditures	<u>190,592,310</u>	<u>190,332,499</u>	<u>192,011,554</u>	<u>1,679,055</u>
Excess (deficiency) of revenue over expenditures	(2,723,056)	1,228,063	6,149,636	4,921,573
Other financing sources				
Debt issued	-	-	117,785	117,785
Sale of capital assets	-	-	31,974	31,974
Insurance recovery	-	-	5,000	5,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>154,759</u>	<u>154,759</u>
Net change in fund balances	<u>\$ (2,723,056)</u>	<u>\$ 1,228,063</u>	<u>6,304,395</u>	<u>\$ 5,076,332</u>
Fund balances				
Beginning of year			<u>41,421,623</u>	
End of year			<u>\$ 47,726,018</u>	

INDEPENDENT SCHOOL DISTRICT NO. 622

Internal Service Funds  
Statement of Net Position  
as of June 30, 2025

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

	<u>2025</u>	<u>2024</u>
Assets		
Current assets		
Cash and temporary investments	\$ 6,861,392	\$ 6,051,999
Prepaid items	<u>317,113</u>	<u>6,801</u>
Total assets	<u>7,178,505</u>	<u>6,058,800</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	1,414,315	620,318
Due to other governmental units	7,227	-
Claims incurred, but not reported	<u>1,685,315</u>	<u>1,219,591</u>
Total liabilities	<u>3,106,857</u>	<u>1,839,909</u>
Net position		
Unrestricted	<u>\$ 4,071,648</u>	<u>\$ 4,218,891</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2025</u>	<u>2024</u>
Operating revenue		
Charges for services	\$ 25,360,686	\$ 23,614,096
Operating expenses		
Dental benefit claims	1,961,092	1,933,714
Medical benefit claims	21,347,999	21,495,364
Fees and stop-loss	2,440,739	1,699,814
Total operating expenses	<u>25,749,830</u>	<u>25,128,892</u>
Operating income (loss)	(389,144)	(1,514,796)
Nonoperating revenue		
Investment earnings	<u>241,901</u>	<u>249,907</u>
Change in net position	(147,243)	(1,264,889)
Net position		
Beginning of year	<u>4,218,891</u>	<u>5,483,780</u>
End of year	<u>\$ 4,071,648</u>	<u>\$ 4,218,891</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 25,360,686	\$ 23,614,096
Payments for dental benefit claims	(1,989,626)	(1,968,145)
Payments for medical benefit claims	(20,751,569)	(22,441,586)
Payments for fees and stop-loss	<u>(2,051,999)</u>	<u>(1,699,028)</u>
Net cash flows from operating activities	567,492	(2,494,663)
Cash flows from investing activities		
Investment income received	<u>241,901</u>	<u>249,907</u>
Net change in cash and cash equivalents	809,393	(2,244,756)
Cash and cash equivalents		
Beginning of year	<u>6,051,999</u>	<u>8,296,755</u>
End of year	<u>\$ 6,861,392</u>	<u>\$ 6,051,999</u>
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	\$ (389,144)	\$ (1,514,796)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Prepaid items	(310,312)	(972)
Accounts and contracts payable	793,997	(315,181)
Due to other governmental units	7,227	-
Claims incurred, but not reported	<u>465,724</u>	<u>(663,714)</u>
Net cash flows from operating activities	<u>\$ 567,492</u>	<u>\$ (2,494,663)</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Fiduciary Net Position  
as of June 30, 2025

	Post-Employment Benefits Trust Fund
Assets	
Cash and temporary investments	\$ 444,750
Investments, at fair value	
U.S. treasuries	1,687,731
Investment pools/mutual funds	13,353,978
Receivables	
Accounts and interest	115,641
Total assets	<u>15,602,100</u>
Liabilities	
Due to governmental funds	<u>700,000</u>
Net position	
Restricted for OPEB	<u><u>\$ 14,902,100</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>Post-Employment Benefits Trust Fund</u>
Additions	
Contributions	
Employee	\$ 839,110
Investment earnings	
Total investment earnings	832,628
Less investment expense	<u>11,251</u>
Net investment earnings	<u>821,377</u>
Total additions	1,660,487
Deductions	
Benefits paid to plan members	<u>839,110</u>
Change in net position	821,377
Net position	
Beginning of year	<u>14,080,723</u>
End of year	<u><u>\$ 14,902,100</u></u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Basic Financial Statements  
June 30, 2025

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

**A. Organization**

Independent School District No. 622 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

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

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

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

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

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

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

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

For capital assets that can be specifically identified with or allocated to functional areas, depreciation/amortization expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation/amortization expense is reported as “depreciation/amortization not included in other functions.” Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

### D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. The Proprietary Funds (Internal Service Funds) are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the Internal Service Funds are consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, this fund is excluded from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the District’s internal service funds are charges to customers (other district funds and employees) for service. Operating expenses for the internal service funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

### Description of Funds

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

### Major Governmental Funds

**General Fund** – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Projects – Building Construction Fund** – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue or under the long-term facilities maintenance program.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used to pay principal, interest, and related costs on the 2018D Taxable OPEB Refunding Bond issue.

### Nonmajor Governmental Funds

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

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

### Proprietary Funds

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

### Fiduciary Fund

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

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

### **E. Budgetary Information**

Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds. The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level.

Budgeted expenditure appropriations lapse at year-end. Actual expenditures exceeded final budgeted appropriations by \$1,679,055, \$427,156, \$968,171, and \$4,321,260, in the General, Food Service Special Revenue, Community Service Special Revenue, and Capital Projects – Building Construction Funds, respectively. The excess expenditures were approved by the School Board as required by Minnesota Statutes, and were financed with revenues in excess of budget, other financing sources, or available fund balances.

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

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Earnings from the investments of the Capital Projects – Building Construction Fund are allocated specifically to that fund.

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

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

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date. Guaranteed investment contracts are valued on a cost-basis measure and, therefore, are not subject to the fair value disclosure.

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

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

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

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

### G. Receivables

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

At June 30, 2025, the District reported the following receivables due from other governmental units:

Due from the MDE	\$ 21,222,348
Due from other Minnesota school districts	519,956
Due from other governmental units	<u>66,289</u>
Total due from other governmental units	<u>\$ 21,808,593</u>

### H. Inventories

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

### I. Prepaid Items

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

### J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$3,419,274 of the property tax levy collectible in 2025 as revenue to the District in fiscal year 2024–2025. The remaining portion of the taxes collectible in 2025 is recorded as deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

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

### **K. Subscription-Based Information Technology Arrangements (SBITAs)**

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

### **L. Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Lease assets are recorded based on the measurement of payments applicable to the lease term. Technology subscriptions are recorded based on the measurement of any subscription liability plus the payment due to a SBITA vendor at the commencement of the subscription term, including any applicable initial implementation costs as defined in the standard. The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year. Groups of similar assets acquired at or near the same time for a single objective, with individual acquisition costs below this threshold, are also capitalized if cost of the assets is considered significant in the aggregate. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary, ranging from 20 to 50 years for land improvements and buildings and improvements, and 5 to 20 years for furniture and equipment. Lease assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described if future ownership is anticipated. Technology subscriptions are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. Capital assets that are not depreciated include land and construction in progress.

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

### **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. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

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

### **N. Compensated Absences Payable**

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

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination.

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

### **O. Severance Benefits**

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance or retirement benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

Members of certain employee groups may also elect to receive district matching contributions paid into tax-deferred matching contribution plans. The amount of any severance or retirement benefit due to an individual is reduced by the total contributions made to such a plan over the course of that individual's employment. Severance or retirement benefits are required to be paid out within 30 days following the effective date of retirement. Retirement benefits for eligible teachers are paid into a post-employment healthcare savings plan, administered by the Minnesota State Retirement System. For all other employees, severance benefits are paid out directly to the employee.

The obligation for severance payable is part of the liability for compensated absences payable and accrued in the financial statements as previously noted.

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

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

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

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

### Q. Other Post-Employment Benefits (OPEB) Plan

The District provides post-employment healthcare benefits to eligible employee groups in accordance with provisions in certain collectively bargained contracts based on years of service and/or minimum age requirements. See the OPEB Plan note for further information.

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

### R. Risk Management and Self-Insurance

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current year.
- 2. Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

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

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

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

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2024	\$ 1,842,948	\$ 23,090,775	\$ 23,740,020	\$ 1,193,703
2025	\$ 1,193,703	\$ 23,683,436	\$ 23,221,667	\$ 1,655,472

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

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

<u>Fiscal Year Ended June 30,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2024	\$ 40,357	\$ 2,038,117	\$ 2,052,586	\$ 25,888
2025	\$ 25,888	\$ 2,066,394	\$ 2,062,439	\$ 29,843

**S. Net Position**

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

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

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

**T. Fund Balance Classifications**

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

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

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

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

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

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

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

The District reports deferred outflows and inflows of resources related to bond refunding deferments in the government-wide Statement of Net Position. A bond refunding deferment results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

### **V. Use of Estimates**

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

### **W. Prior Period Comparative Financial Information/Reclassification**

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

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

### X. Change in Accounting Principle

During the year ended June 30, 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. This statement provided new guidance on accounting and reporting for compensated absences. Certain amounts necessary to fully restate fiscal year 2024 financial statements are not determinable; therefore, prior year comparative amounts have not been restated. Implementation of this new guidance resulted in a restatement of beginning net position for the cumulative effect of this change. In the government-wide financial statements, beginning net position was reduced by \$8,279,917. See Note 4 of the notes to basic financial statements for additional details on this change.

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

Deposits	\$ 8,867,815
Investments	130,970,534
Cash on hand	<u>3,070</u>
Total	<u>\$ 139,841,419</u>

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

Statement of Net Position	
Cash and temporary investments	\$ 124,354,960
Statement of Fiduciary Net Position	
Cash and temporary investments	
Post-Employment Benefits Trust Fund	<u>15,486,459</u>
Total	<u>\$ 139,841,419</u>

### B. Deposits

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

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

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

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

The District's deposit policy does not further limit depository choices.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

At year-end, the carrying amount of the District’s deposits was \$8,867,815, while the balance on the bank records was \$13,685,249. At June 30, 2025, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

### C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration in Years		Total
	Credit Rating	Rating Agency		Less Than 1	1 to 5	
U.S. treasuries	N/A	N/A	Level 2	\$ 1,687,731	\$ 3,005,026	\$ 4,692,757
U.S. treasuries demand deposit SLGS	N/A	N/A	Level 2	\$ 41,397,386	\$ –	41,397,386
Guaranteed investment contract	A	Fitch	N/A	\$ 161,541	\$ –	161,541
Negotiable certificates of deposit	N/R	N/A	Level 2	\$ 491,757	\$ 495,154	986,911
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund – Liquid Class	AAA	S&P	Amortized Cost	N/A	N/A	220,836
Minnesota School District Liquid Asset Fund – MAX Class	AAA	S&P	Amortized Cost	N/A	N/A	367,027
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost	N/A	N/A	34,508,376
MNTrust Limited Term Duration	N/R	N/A	Amortized Cost	N/A	N/A	19,197,184
MNTrust Term Series	N/R	N/A	Amortized Cost	\$ 8,500,000	\$ 4,250,000	12,750,000
MNTrust Term Series II	AAA	Fitch	Amortized Cost	\$ 1,000,000	\$ –	1,000,000
MNTrust Term Series Flex	N/R	N/A	Amortized Cost	N/A	N/A	2,333,744
Goldman Sachs Government Institutional Fund	Aaa	Moody’s	Level 2	N/A	N/A	11,025,644
Vanguard Total Bond Market ETF	N/R	N/A	Level 1	N/A	N/A	730,041
Vanguard Total Stock Market ETF	N/R	N/A	Level 1	N/A	N/A	1,598,293
First American Government Obligation Fund	AAA	S&P	Level 1	N/A	N/A	794
Total						<u>\$ 130,970,534</u>

N/A – Not Applicable

N/R – Not Rated

The Minnesota School District Liquid Asset Fund (MSDLAF), Minnesota Trust (MNTrust) Investment Shares Portfolio, MNTrust Limited Term Duration, MNTrust Term Series, MNTrust Term Series II, and MNTrust Term Series Flex are regulated by Minnesota Statutes and are external investment pools not registered with the Securities and Exchange Commission. The District’s investment in these investment pools is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. For the MSDLAF and MNTrust Investment Shares Portfolio, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the MSDLAF Liquid Class; the redemption notice period is 14 days for the MSDLAF MAX Class 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. MN Trust Limited Term Duration must be deposited for a minimum of 30 calendar days. MNTrust Term Series and MNTrust Term Series II are intended to be held until maturity. A participant’s withdrawal prior to maturity will require 7-days’ notice of redemption and will likely carry a penalty which could be substantial in that it would be intended to allow the Term Series Portfolio to recoup any associated penalties, charges, losses, or other costs associated with the early redemption of the investments therein.

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

At year-end, \$2,332,103 of the District’s investments were uninsured and not registered in the District’s name, with the securities held by the purchasing agent, or by its trust department or agent, but not in the District’s name.

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

**Post-Employment Benefits Trust Fund** – This fund represents investments administered by the District’s OPEB Trust Fund investment managers. The District’s investment policy extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund 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 repurchase agreements, and commercial paper if issued by a United States corporation or its Canadian subsidiary and if rated in the highest two quality categories by a nationally recognized rating agency; and in the State Board of Investments. Investments are stated at fair value.

**Concentration Risk** – This is the risk associated with investing a significant portion of the District’s investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District’s investment policies do not address concentration risk.

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

### NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated/amortized					
Land	\$ 19,577,877	\$ –	\$ –	\$ –	\$ 19,577,877
Construction in progress	96,785,979	35,323,922	–	(12,489,014)	119,620,887
Total capital assets, not depreciated/amortized	116,363,856	35,323,922	–	(12,489,014)	139,198,764
Capital assets, depreciated/amortized					
Land improvements	13,196,938	–	–	1,528,875	14,725,813
Buildings and improvements	437,109,826	–	(1,787,317)	10,932,899	446,255,408
Furniture and equipment	24,082,323	2,525,140	(962,748)	27,240	25,671,955
Lease – buildings and improvements	3,619,529	–	–	–	3,619,529
Lease – furniture and equipment	897,950	117,785	–	–	1,015,735
Technology subscriptions	1,688,323	645,206	–	–	2,333,529
Total capital assets, depreciated/amortized	480,594,889	3,288,131	(2,750,065)	12,489,014	493,621,969
Less accumulated depreciation/amortization for					
Land improvements	(7,166,920)	(601,766)	–	–	(7,768,686)
Buildings and improvements	(106,947,359)	(9,873,974)	1,787,317	–	(115,034,016)
Furniture and equipment	(15,805,661)	(1,721,522)	865,103	–	(16,662,080)
Lease – buildings and improvements	(770,926)	(430,115)	–	–	(1,201,041)
Lease – furniture and equipment	(359,180)	(179,590)	–	–	(538,770)
Technology subscriptions	(360,218)	(417,023)	–	–	(777,241)
Total accumulated depreciation/amortization	(131,410,264)	(13,223,990)	2,652,420	–	(141,981,834)
Net capital assets, depreciated/amortized	349,184,625	(9,935,859)	(97,645)	12,489,014	351,640,135
Total capital assets, net	<u>\$ 465,548,481</u>	<u>\$ 25,388,063</u>	<u>\$ (97,645)</u>	<u>\$ –</u>	<u>\$ 490,838,899</u>

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

District support services	\$ 276,853
Elementary and secondary regular instruction	651,063
Special education instruction	60,702
Pupil support services	1,924,183
Food service	250,120
Depreciation/amortization not included in other functions	<u>10,061,069</u>
Total depreciation/amortization expense	<u>\$ 13,223,990</u>

## NOTE 4 – LONG-TERM LIABILITIES

### A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Issue	Issue Date	Interest Rate	Original Issue	Amounts of Installments	Remaining Maturities	Principal Outstanding
General obligation bonds payable						
2016A Refunding Bonds	11/17/2016	5.00%	\$ 34,050,000	\$260,000–\$5,200,000	02/01/2026–02/01/2027	\$ 535,000
2017A Alternative Facility Refunding Bonds	05/18/2017	3.00%	\$ 6,600,000	\$575,000–\$760,000	02/01/2026–02/01/2028	2,200,000
2018A Facilities Maintenance Bonds	09/13/2018	3.00–5.00%	\$ 44,885,000	\$210,000–\$5,485,000	02/01/2026–02/01/2039	44,885,000
2018D Taxable OPEB Refunding Bonds	11/15/2018	2.90–3.60%	\$ 13,985,000	\$1,595,000–\$1,935,000	02/01/2026–02/01/2027	3,805,000
2018E Alternative Facilities Refunding Bonds	11/15/2018	4.00–5.00%	\$ 3,530,000	\$265,000–\$445,000	02/01/2026–02/01/2029	1,655,000
2019A School Building Bonds	11/14/2019	3.00–5.00%	\$ 195,050,000	\$1,375,000–\$24,925,000	02/01/2030–02/01/2046	192,925,000
2019B Facilities Maintenance Bonds	11/14/2019	3.00–5.00%	\$ 61,325,000	\$325,000–\$5,295,000	02/01/2026–02/01/2042	58,195,000
2019C Alternative Facility Refunding Bond	11/14/2019	4.00–5.00%	\$ 7,040,000	\$415,000–\$845,000	02/01/2026–02/01/2031	4,160,000
2021A School Building and Refunding Bonds	12/16/2021	2.00–4.00%	\$ 87,795,000	\$2,840,000–\$11,390,000	02/01/2026–02/01/2034	74,615,000
2023A Facilities Maintenance Bonds	04/12/2023	4.00–5.00%	\$ 19,560,000	\$1,080,000–\$3,455,000	02/01/2026–02/01/2033	18,480,000
Total general obligation bonds payable						<u>\$ 401,455,000</u>

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

### B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
Certificates of participation payable					
2018C Certificates of Participation	09/13/2018	3.00–4.00%	\$ 9,405,000	02/01/2034	<u>\$ 6,290,000</u>

The District sold a certificate of participation under Minnesota Statutes § 123B.51 and § 465.71 to finance additions and improvements to existing school facilities. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificate. The certificate of participation is being paid by the General Fund.

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

**C. Lease Liability**

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

The District currently has the following lease liability obligations outstanding:

Lease Description	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
John Glenn building space	3.10%	06/30/2017	02/01/2027	\$ 361,981
Next Step building space	3.62%	08/17/2023	07/17/2033	2,162,699
Copier equipment	3.62%	09/01/2022	08/01/2027	408,082
Ford truck equipment	8.49%	04/18/2025	04/18/2029	90,241
Total lease liability				<u>\$ 3,023,003</u>

**D. Other Long-Term Liabilities**

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

The District has three defined benefit pension plans, including two state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA, and one single-employer plan administered by the District.

The following is a summary of the pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2025:

Pension Plans	Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
State-wide, multiple-employer – PERA	\$ 14,173,129	\$ 4,459,021	\$ 9,244,704	\$ 1,517,286
State-wide, multiple-employer – TRA	72,439,259	19,816,107	20,888,469	7,252,005
Single-employer – District	230,166	203	32,210	(38,142)
Total	<u>\$ 86,842,554</u>	<u>\$ 24,275,331</u>	<u>\$ 30,165,383</u>	<u>\$ 8,731,149</u>

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

### E. Changes in Long-Term Liabilities

	Beginning Balance	Change in Accounting Principle (1)	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 415,815,000	\$ –	\$ –	\$ 14,360,000	\$ 401,455,000	\$ 15,455,000
Certificates of participation payable	7,090,000	–	–	800,000	6,290,000	610,000
Plus premium	18,529,779	–	–	2,067,895	16,461,884	–
Total bonds and certificates of participation payable	441,434,779	–	–	17,227,895	424,206,884	16,065,000
Lease liability	3,509,654	–	117,785	604,436	3,023,003	617,047
Arbitrage liability	5,915,866	–	–	5,915,866	–	–
Net/total pension liability	117,093,130	–	11,625,761	41,876,337	86,842,554	25,591
Net OPEB liability	19,920,789	–	1,299,949	3,358,932	17,861,806	–
Compensated absences payable (2)	4,996,255	8,279,917	1,376,996	–	14,653,168	1,628,872
	<u>\$ 592,870,473</u>	<u>\$ 8,279,917</u>	<u>\$ 14,420,491</u>	<u>\$ 68,983,466</u>	<u>\$ 546,587,415</u>	<u>\$ 18,336,510</u>

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

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

### F. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Lease Liability	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 15,455,000	\$ 13,242,131	\$ 610,000	\$ 210,581	\$ 617,047	\$ 103,668
2027	17,200,000	12,587,566	630,000	186,181	639,722	80,994
2028	17,880,000	11,855,506	660,000	160,981	308,104	61,126
2029	19,250,000	11,096,756	675,000	141,181	286,834	49,711
2030	18,365,000	10,329,656	700,000	120,931	271,069	37,933
2031–2035	87,535,000	42,289,525	3,015,000	255,606	900,227	52,530
2036–2040	100,890,000	28,238,681	–	–	–	–
2041–2045	117,180,000	11,914,500	–	–	–	–
2046	7,700,000	231,000	–	–	–	–
	<u>\$ 401,455,000</u>	<u>\$ 141,785,321</u>	<u>\$ 6,290,000</u>	<u>\$ 1,075,461</u>	<u>\$ 3,023,003</u>	<u>\$ 385,962</u>

## NOTE 5 – FUND BALANCES

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

### A. Classifications

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
<b>Nonspendable</b>					
Inventory	\$ –	\$ –	\$ –	\$ 692,943	\$ 692,943
Prepaid items	869,348	–	–	5,049	874,397
Total nonspendable	869,348	–	–	697,992	1,567,340
<b>Restricted</b>					
Student activities	131,220	–	–	–	131,220
Staff development	2,597,215	–	–	–	2,597,215
Literacy incentive aid	72,907	–	–	–	72,907
Operating capital	11,657,370	–	–	–	11,657,370
Quality compensation	84,444	–	–	–	84,444
School library aid	37,601	–	–	–	37,601
Literacy aid	265,723	–	–	–	265,723
Teacher compensation for READ Act training	26,312	–	–	–	26,312
Long-term facilities maintenance	221,767	489,557	–	–	711,324
Student support personnel	203,329	–	–	–	203,329
Medical Assistance	1,828,891	–	–	–	1,828,891
Capital projects	–	34,685,690	–	–	34,685,690
Debt service	–	–	6,297,218	–	6,297,218
OPEB debt service	–	–	518,190	–	518,190
Food service	–	–	–	3,865,001	3,865,001
Community education	–	–	–	1,785,301	1,785,301
Early childhood family education	–	–	–	806,741	806,741
School readiness	–	–	–	535,792	535,792
Adult basic education	–	–	–	267,911	267,911
Community service	–	–	–	94	94
Total restricted	17,126,779	35,175,247	6,815,408	7,260,840	66,378,274
<b>Assigned</b>					
Subsequent year’s budget	2,984,974	–	–	–	2,984,974
<b>Unassigned – safe schools levy restricted account deficit</b>					
	(276,664)	–	–	–	(276,664)
<b>Unassigned</b>					
	27,021,581	–	–	–	27,021,581
Total unassigned	26,744,917	–	–	–	26,744,917
<b>Total</b>	<b>\$ 47,726,018</b>	<b>\$ 35,175,247</b>	<b>\$ 6,815,408</b>	<b>\$ 7,958,832</b>	<b>\$ 97,675,505</b>

### B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes that the District will strive to maintain a minimum unassigned General Fund balance of 8.0 percent to 10.0 percent of the expenditure budget. At June 30, 2025, the unassigned fund balance of the General Fund (excluding restricted account deficits) was 14.1 percent of current year expenditures.

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

### **A. Plan Descriptions**

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

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

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

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

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

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

### **B. Benefits Provided**

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

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

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

The General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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

### **2. TRA Benefits**

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

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

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

### Tier I Benefits

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

With these provisions:

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

Or

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

### Tier II Benefits

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

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

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

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

### C. Contributions

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

#### 1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employee and employer contributions. Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50 percent for General Plan members. The District's contributions to the GERF for the year ended June 30, 2025, were \$2,559,417. The District's contributions were equal to the required contributions as set by state statutes.

#### 2. TRA Contributions

Per Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. Rates for each fiscal year 2025 Coordinated Plan were 7.75 percent for the employee and 8.75 percent for the employer. Basic Plan rates were 11.25 percent for the employee and 12.75 percent for the employer. The District's contributions to the TRA for the plan's fiscal year ended June 30, 2025, were \$7,005,480. The District's contributions were equal to the required contributions for each year as set by state statutes.

### D. Pension Costs

#### 1. GERF Pension Costs

At June 30, 2025, the District reported a liability of \$14,173,129 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled \$366,488.

District's proportionate share of the net pension liability	\$ 14,173,129
State's proportionate share of the net pension liability associated with the District	<u>366,488</u>
Total	<u>\$ 14,539,617</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.3834 percent at the end of the measurement period and 0.3775 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$1,507,461 for its proportionate share of the GERF's pension expense. The District also recognized an additional \$9,825 as pension expense and grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual \$16 million contribution.

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

During the plan year ended June 30, 2024, the state of Minnesota contributed \$170.1 million to the General Employees Fund. The state of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$652,095 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota’s on-behalf contributions to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,325,530	\$ –
Changes in actuarial assumptions	67,848	5,304,258
Net collective difference between projected and actual investment earnings on pension plan investments	–	3,940,446
Changes in proportion	506,226	–
District’s contributions to the GERF subsequent to the measurement date	<u>2,559,417</u>	<u>–</u>
Total	<u>\$ 4,459,021</u>	<u>\$ 9,244,704</u>

The \$2,559,417 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2026	\$ (3,935,323)
2027	\$ (676,240)
2028	\$ (1,647,252)
2029	\$ (1,086,285)

**2. TRA Pension Costs**

At June 30, 2025, the District reported a liability of \$72,439,259 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District’s proportion of the net pension liability was based on the District’s contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District’s proportionate share was 1.1400 percent at the end of the measurement period and 1.1594 percent for the beginning of the period.

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

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

District’s proportionate share of the net pension liability	\$ 72,439,259
State’s proportionate share of the net pension liability associated with the District	<u>4,737,978</u>
Total	<u><u>\$ 77,177,237</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$6,991,556. It also recognized \$260,449 as an increase to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the state of Minnesota contributed \$176.0 million to the Fund. The state of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176.0 million in direct state aid because of this contribution was not considered to meet the definition of a special funding situation. The District recognized \$2,008,299 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota’s on-behalf contributions to the Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 3,439,179	\$ 942,923
Changes in actuarial assumptions	7,083,611	8,638,578
Net collective difference between projected and actual investment earnings on pension plan investments	–	9,972,212
Changes in proportion	2,287,837	1,334,756
District’s contributions to the TRA subsequent to the measurement date	<u>7,005,480</u>	<u>–</u>
Total	<u><u>\$ 19,816,107</u></u>	<u><u>\$ 20,888,469</u></u>

The \$7,005,480 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2026	\$ (3,856,672)
2027	\$ 6,753,631
2028	\$ (5,158,822)
2029	\$ (4,405,819)
2030	\$ (1,410,160)

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

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

The State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation.

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

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

### F. Actuarial Methods and Assumptions

#### 1. GERF

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

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

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

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

Actuarial assumptions for the GERF Plan are reviewed every four years. The most recent four-year experience study for the GERF Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

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

### 2. TRA

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

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

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

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

#### 1. GERF

##### CHANGES IN PLAN PROVISIONS

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

##### CHANGES IN ACTUARIAL ASSUMPTIONS

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

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

### **2. TRA**

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

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15.00 percent to reflect the continued lower than expected observations.

### **G. Discount Rate**

#### **1. GERF**

The discount rate used to measure the total pension liability in 2024 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### **2. TRA**

The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

### H. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.00%	7.00%	8.00%
District’s proportionate share of the GERF net pension liability	\$ 30,956,394	\$ 14,173,129	\$ 367,362
TRA discount rate	6.00%	7.00%	8.00%
District’s proportionate share of the TRA net pension liability	\$ 127,569,773	\$ 72,439,259	\$ 27,065,538

### I. Pension Plan Fiduciary Net Position

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

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

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

### A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. The District is phasing out post-employment medical and dental insurance to all district employees, in accordance with their respective master employment agreements. The eligibility for, amount of, duration of, and the District’s contribution to the cost of the benefits provided varies by contract, hire dates, and date of retirement. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

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

### B. Benefits Provided

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

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

### C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations.

### D. Membership

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

Retirees and beneficiaries receiving benefits	625
Active plan members	<u>1,629</u>
Total members	<u><u>2,254</u></u>

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

### E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2025. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2023, and update procedures were used to roll forward the total OPEB liability to the measurement date. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	\$ 32,763,906
Plan fiduciary net position	<u>(14,902,100)</u>
District's net OPEB liability	<u>\$ 17,861,806</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>45.5%</u>

### F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2023, and update procedures were used to roll forward the total OPEB liability to the measurement date. The total OPEB liability was measured as of June 30, 2025, using the entry-age, level percentage of pay actuarial cost method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.70%
Expected long-term investment return	3.90% (net of investment expense)
20-year municipal bond yield	4.90%
Inflation rate	2.50%
Salary increases	3.00%
Healthcare trend rate	6.00%, grading to 5.00% over 5 years and then to 4.00% over the next 48 years
Dental trend rate	3.00%
Vision trend rate	5.00%
Medicare supplemental trend rate	4.00%

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

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

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

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

The long-term expected rate of return on OPEB Plan investments was set based on the plan's target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. The target allocation and best-estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Domestic equity	10.00 %	7.40 %
Fixed income	85.00	3.50 %
Cash	5.00	2.75 %
Total	<u>100.00 %</u>	3.90 %

### G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 5.80 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### H. Discount Rate

The discount rate used to measure the total OPEB liability was 4.70 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used in the prior measurement date was 4.10 percent.

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

**I. Changes in the Net OPEB Liability**

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Beginning balance – July 1, 2024	\$ 34,001,512	\$ 14,080,723	\$ 19,920,789
Changes for the year			
Service cost	1,424,898	–	1,424,898
Interest	1,400,410	–	1,400,410
Assumption changes	(1,497,025)	–	(1,497,025)
Contributions – employer	–	2,565,889	(2,565,889)
Contributions – employee	–	839,110	(839,110)
Projected investment return	–	821,377	(821,377)
Benefit payments – employer-financed	(1,726,779)	(2,565,889)	839,110
Benefit payments – employee-financed	(839,110)	(839,110)	–
Total net changes	<u>(1,237,606)</u>	<u>821,377</u>	<u>(2,058,983)</u>
Ending balance – June 30, 2025	<u>\$ 32,763,906</u>	<u>\$ 14,902,100</u>	<u>\$ 17,861,806</u>

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 4.10 percent to 4.70 percent.
- The expected long-term investment rate was changed from 4.00 percent to 3.90 percent.

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

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	3.70%	4.70%	5.70%
Net OPEB liability	\$ 20,701,509	\$ 17,861,806	\$ 15,375,114

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

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

	1% Decrease in Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Cost Trend Rate
OPEB healthcare cost trend rate	5.00% decreasing to 4.00%, then 3.00%	6.00% decreasing to 5.00%, then 4.00%	7.00% decreasing to 6.00%, then 5.00%
OPEB dental trend rate	2.00%	3.00%	4.00%
OPEB vision trend rate	4.00%	5.00%	6.00%
OPEB Medicare supplement trend rate	3.00%	4.00%	5.00%
Net OPEB liability	\$ 14,231,288	\$ 17,861,806	\$ 22,229,950

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

For the current year ended, the District recognized OPEB expense of \$1,299,949. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 633,105	\$ 1,597,839
Changes in actuarial assumptions	725,693	5,053,107
Difference between projected and actual investment earnings	–	217,165
	<u>\$ 1,358,798</u>	<u>\$ 6,868,111</u>

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

Year Ending June 30,	OPEB Expense Amount
2026	\$ (929,993)
2027	\$ (1,140,941)
2028	\$ (671,800)
2029	\$ (693,907)
2030	\$ (657,032)
Thereafter	\$ (1,415,640)

## NOTE 8 – PENSION BENEFITS PLAN – DISTRICT

### A. Plan Description

The District provides pension benefits to certain eligible employees through its Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive severance or retirement benefits in excess of one year's salary.

### B. Contributions and Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the District. There are no invested plan assets accumulated for payment of future benefits.

### C. Membership

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

Active plan members	69
---------------------	----

### D. Actuarial Methods and Assumptions

The total pension liability was determined by an actuarial valuation date of July 1, 2023, and update procedures were used to roll forward the total pension liability to the measurement date. The total pension liability was measured as of June 30, 2025, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.90%
20-year municipal bond yield	4.90%
Inflation rate	2.50%
Salary increases	3.00%

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

### E. Discount Rate

The discount rate used to measure the total pension liability was 4.90 percent. The District discount rate used in the prior measurement date was 4.10 percent. Since the plan is not funded, the discount rate is equal to the 20-year municipal bond rate, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

**NOTE 8 – PENSION BENEFITS PLAN – DISTRICT (CONTINUED)**

**F. Changes in the Total Pension Liability**

	<u>Total Pension Liability</u>
Beginning balance – July 1, 2024	\$ 261,092
Changes for the year	
Service cost	16,769
Interest	10,331
Assumption changes	(5,737)
Benefit payments – employer-financed	<u>(52,289)</u>
Total net changes	<u>(30,926)</u>
Ending balance – June 30, 2025	<u>\$ 230,166</u>

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 4.10 percent to 4.90 percent.

**G. Total Pension Liability Sensitivity to Discount Rate Changes**

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

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Pension discount rate	3.90%	4.90%	5.90%
Total pension liability	\$ 239,553	\$ 230,166	\$ 221,012

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

For the current year ended, the District recognized negative pension expense of \$38,142. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to this pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ –	\$ 19,895
Changes in actuarial assumptions	<u>203</u>	<u>12,315</u>
	<u>\$ 203</u>	<u>\$ 32,210</u>

**NOTE 8 – PENSION BENEFITS PLAN – DISTRICT (CONTINUED)**

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

Year Ending June 30,	Pension Expense Amount
2026	\$ (11,262)
2027	\$ (11,461)
2028	\$ (4,217)
2029	\$ (4,115)
2030	\$ (952)

**NOTE 9 – FLEXIBLE BENEFIT PLAN**

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

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

Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated service providers. These payments are made on a monthly basis and are accounted for in the General Fund, special revenue funds, and self-insurance fund.

Amounts withheld for medical reimbursement and dependent care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependent care activity is included in the financial statements in the General Fund and special revenue funds.

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

## **NOTE 10 – INTERFUND TRANSACTIONS**

### **Interfund Receivables and Payables**

The District's General Fund has an interfund receivable from the fiduciary Post-Employment Benefits Trust Fund relating to post-employment benefit costs of \$700,000 to be reimbursed as of June 30, 2025.

Interfund receivables and payables reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements. However, receivables and payables between the District's governmental activities and fiduciary fund are not eliminated.

## **NOTE 11 – COMMITMENTS AND CONTINGENCIES**

### **A. Federal and State Receivables**

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

### **B. Construction Contracts**

The District is committed to various contracts awarded for construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2025 was \$14,582,091.

### **C. Legal Claims**

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

### **D. Purchase Power Agreement**

During fiscal year 2025, the District entered into a solar purchase power agreement. The District is committed on a purchase power agreement for all of the annual delivered energy generated by the system for a period of 20 years from the commercial operation date. In return, the District will receive bill credits associated with the energy production.

## **NOTE 12 – SUBSEQUENT EVENTS**

In March 2026, the District awarded the sale of \$21,730,000 of General Obligation Facilities Maintenance Bonds, Series 2026A. The bonds bear an interest rate of 4.00–5.00 percent and mature in 2041.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 622

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2016	06/30/2015	0.4116%	\$ 21,331,249	\$ -	\$ 21,331,249	\$ 24,164,168	88.28%	78.20%
06/30/2017	06/30/2016	0.3541%	\$ 28,751,165	\$ 375,475	\$ 29,126,640	\$ 21,939,530	131.05%	68.90%
06/30/2018	06/30/2017	0.3541%	\$ 22,605,512	\$ 284,216	\$ 22,889,728	\$ 22,809,532	99.11%	75.90%
06/30/2019	06/30/2018	0.3500%	\$ 19,416,564	\$ 636,932	\$ 20,053,496	\$ 23,496,733	82.64%	79.50%
06/30/2020	06/30/2019	0.3470%	\$ 19,184,852	\$ 596,307	\$ 19,781,159	\$ 24,554,191	78.13%	80.20%
06/30/2021	06/30/2020	0.3605%	\$ 21,613,622	\$ 666,458	\$ 22,280,080	\$ 25,700,593	84.10%	79.10%
06/30/2022	06/30/2021	0.3575%	\$ 15,266,851	\$ 466,323	\$ 15,733,174	\$ 25,740,237	59.31%	87.00%
06/30/2023	06/30/2022	0.3759%	\$ 29,771,404	\$ 872,763	\$ 30,644,167	\$ 28,155,353	105.74%	76.70%
06/30/2024	06/30/2023	0.3775%	\$ 21,109,377	\$ 581,903	\$ 21,691,280	\$ 30,017,270	70.32%	83.10%
06/30/2025	06/30/2024	0.3834%	\$ 14,173,129	\$ 366,488	\$ 14,539,617	\$ 32,415,319	43.72%	89.08%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2016	\$ 1,645,472	\$ 1,645,472	\$ -	\$ 21,939,530	7.50%
06/30/2017	\$ 1,710,720	\$ 1,710,720	\$ -	\$ 22,809,532	7.50%
06/30/2018	\$ 1,762,249	\$ 1,762,249	\$ -	\$ 23,496,733	7.50%
06/30/2019	\$ 1,841,562	\$ 1,841,562	\$ -	\$ 24,554,191	7.50%
06/30/2020	\$ 1,927,545	\$ 1,927,545	\$ -	\$ 25,700,593	7.50%
06/30/2021	\$ 1,930,522	\$ 1,930,522	\$ -	\$ 25,740,237	7.50%
06/30/2022	\$ 2,111,696	\$ 2,111,696	\$ -	\$ 28,155,353	7.50%
06/30/2023	\$ 2,251,299	\$ 2,251,299	\$ -	\$ 30,017,270	7.50%
06/30/2024	\$ 2,431,152	\$ 2,431,152	\$ -	\$ 32,415,319	7.50%
06/30/2025	\$ 2,559,417	\$ 2,559,417	\$ -	\$ 34,125,938	7.50%

INDEPENDENT SCHOOL DISTRICT NO. 622

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2016	06/30/2015	1.1144%	\$ 68,936,661	\$ 8,455,794	\$ 77,392,455	\$ 56,560,535	121.88%	76.80%
06/30/2017	06/30/2016	1.0688%	\$254,934,302	\$ 25,589,195	\$280,523,497	\$ 55,599,679	458.52%	44.88%
06/30/2018	06/30/2017	1.0712%	\$213,830,952	\$ 20,669,481	\$234,500,433	\$ 57,658,824	370.86%	51.57%
06/30/2019	06/30/2018	1.0682%	\$ 67,092,958	\$ 6,303,801	\$ 73,396,759	\$ 59,013,621	113.69%	78.07%
06/30/2020	06/30/2019	1.0786%	\$ 68,750,191	\$ 6,084,429	\$ 74,834,620	\$ 61,234,275	112.27%	78.21%
06/30/2021	06/30/2020	1.0924%	\$ 80,707,976	\$ 6,763,297	\$ 87,471,273	\$ 63,346,430	127.41%	75.48%
06/30/2022	06/30/2021	1.1054%	\$ 48,375,609	\$ 4,079,845	\$ 52,455,454	\$ 65,967,410	73.33%	86.63%
06/30/2023	06/30/2022	1.1391%	\$ 91,213,102	\$ 6,764,401	\$ 97,977,503	\$ 70,392,863	129.58%	76.17%
06/30/2024	06/30/2023	1.1594%	\$ 95,722,661	\$ 6,705,160	\$102,427,821	\$ 73,718,152	129.85%	76.42%
06/30/2025	06/30/2024	1.1400%	\$ 72,439,259	\$ 4,737,978	\$ 77,177,237	\$ 75,564,977	95.86%	82.07%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2016	\$ 4,169,871	\$ 4,169,871	\$ -	\$ 55,599,679	7.50%
06/30/2017	\$ 4,324,135	\$ 4,324,135	\$ -	\$ 57,658,824	7.50%
06/30/2018	\$ 4,426,203	\$ 4,426,203	\$ -	\$ 59,013,621	7.50%
06/30/2019	\$ 4,720,962	\$ 4,720,962	\$ -	\$ 61,234,275	7.71%
06/30/2020	\$ 5,027,197	\$ 5,027,197	\$ -	\$ 63,346,430	7.94%
06/30/2021	\$ 5,377,693	\$ 5,377,693	\$ -	\$ 65,967,410	8.15%
06/30/2022	\$ 5,872,210	\$ 5,872,210	\$ -	\$ 70,392,863	8.34%
06/30/2023	\$ 6,302,521	\$ 6,302,521	\$ -	\$ 73,718,152	8.55%
06/30/2024	\$ 6,608,741	\$ 6,608,741	\$ -	\$ 75,564,977	8.75%
06/30/2025	\$ 7,005,480	\$ 7,005,480	\$ -	\$ 80,049,612	8.75%

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	District Fiscal Year-End Date								
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total pension liability									
Service cost	\$ 30,840	\$ 22,811	\$ 24,596	\$ 23,798	\$ 25,442	\$ 17,685	\$ 17,979	\$ 17,920	\$ 16,769
Interest	20,359	20,199	21,834	20,912	9,104	7,994	11,956	11,326	10,331
Assumption changes	-	(418)	1,182	9,739	1,243	(18,065)	(603)	(1,822)	(5,737)
Differences between expected and actual experience	-	30,125	-	(333,649)	-	(25,401)	-	(17,146)	-
Benefit payments	(56,254)	(39,359)	(13,266)	(15,583)	(19,729)	(33,731)	(63,811)	(42,966)	(52,289)
Net change in total pension liability	(5,055)	33,358	34,346	(294,783)	16,060	(51,518)	(34,479)	(32,688)	(30,926)
Total pension liability – beginning of year	595,851	590,796	624,154	658,500	363,717	379,777	328,259	293,780	261,092
Total pension liability – end of year	\$ 590,796	\$ 624,154	\$ 658,500	\$ 363,717	\$ 379,777	\$ 328,259	\$ 293,780	\$ 261,092	\$ 230,166
Covered-employee payroll	\$4,245,066	\$3,252,385	\$3,349,956	\$2,812,756	\$2,897,139	\$3,132,175	\$3,226,141	\$3,275,403	\$3,373,665
Total pension liability as a percentage of covered-employee payroll	13.92%	19.19%	19.66%	12.93%	13.11%	10.48%	9.11%	7.97%	6.82%

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

Note 2: The District implemented GASB Statement No. 73 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	District Fiscal Year-End Date								
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability									
Service cost	\$ 1,418,232	\$ 1,386,666	\$ 1,513,621	\$ 1,725,232	\$ 1,844,562	\$ 1,472,860	\$ 1,490,305	\$ 1,532,762	\$ 1,424,898
Interest	1,409,951	1,420,441	1,271,446	1,205,112	946,007	871,568	1,321,576	1,358,216	1,400,410
Assumption changes	-	(616,650)	924,626	297,277	658,804	(5,427,164)	(283,728)	(159,438)	(1,497,025)
Plan changes	-	-	-	(135,589)	-	32,662	-	-	-
Differences between expected and actual experience	-	(4,078,413)	-	(121,654)	-	1,055,177	-	(916,879)	-
Benefit payments – employer-financed	(2,389,507)	(1,702,027)	(1,665,583)	(1,090,512)	(2,049,290)	(2,053,278)	(2,060,734)	(1,392,073)	(1,726,779)
Benefit payments – employee-financed	-	(886,342)	(988,965)	(1,134,151)	(820,700)	(831,247)	(787,535)	(799,824)	(839,110)
Net change in total OPEB liability	438,676	(4,476,325)	1,055,145	745,715	579,383	(4,879,422)	(320,116)	(377,236)	(1,237,606)
Total OPEB liability – beginning of year	41,235,692	41,674,368	37,198,043	38,253,188	38,998,903	39,578,286	34,698,864	34,378,748	34,001,512
Total OPEB liability – end of year	41,674,368	37,198,043	38,253,188	38,998,903	39,578,286	34,698,864	34,378,748	34,001,512	32,763,906
Plan fiduciary net position									
Contributions – employer	898,918	1,702,027	1,665,583	1,090,512	2,049,290	2,053,278	2,060,734	1,491,897	2,565,889
Contributions – employee	-	886,342	988,965	1,134,151	820,700	831,247	787,535	799,824	839,110
Investment earnings	149,619	316,153	243,681	312,890	626,820	(488,255)	544,711	906,717	821,377
Benefit payments – employer-financed	(2,389,507)	(1,702,027)	(1,665,583)	(1,090,512)	(2,049,290)	(2,053,278)	(2,060,734)	(2,191,897)	(2,565,889)
Benefit payments – employee-financed	-	(886,342)	(988,965)	(1,134,151)	(820,700)	(831,247)	(787,535)	(799,824)	(839,110)
Net change in plan fiduciary net position	(1,340,970)	316,153	243,681	312,890	626,820	(488,255)	544,711	206,717	821,377
Plan fiduciary net position – beginning of year	13,658,976	12,318,006	12,634,159	12,877,840	13,190,730	13,817,550	13,329,295	13,874,006	14,080,723
Plan fiduciary net position – end of year	12,318,006	12,634,159	12,877,840	13,190,730	13,817,550	13,329,295	13,874,006	14,080,723	14,902,100
Net OPEB liability	\$29,356,362	\$24,563,884	\$25,375,348	\$25,808,173	\$25,760,736	\$21,369,569	\$20,504,742	\$19,920,789	\$17,861,806
Plan fiduciary net position as a percentage of the total OPEB liability	29.56%	33.96%	33.66%	33.82%	34.91%	38.41%	40.36%	41.41%	45.48%
Covered-employee payroll	\$76,079,920	\$72,697,272	\$74,878,190	\$80,898,370	\$83,325,321	\$89,873,601	\$92,569,809	\$88,391,888	\$91,043,645
Net OPEB liability as a percentage of covered-employee payroll	38.59%	33.79%	33.89%	31.90%	30.92%	23.78%	22.15%	22.54%	19.62%

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

INDEPENDENT SCHOOL DISTRICT NO. 622

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

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	1.1%
2018	2.6%
2019	1.9%
2020	2.4%
2021	4.8%
2022	(3.5%)
2023	4.1%
2024	6.5%
2025	5.8%

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

INDEPENDENT SCHOOL DISTRICT NO. 622

Notes to Required Supplementary Information  
June 30, 2025

**PERA – GENERAL EMPLOYEES RETIREMENT FUND**

**2024 CHANGES IN PLAN PROVISIONS**

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

**2024 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2023 CHANGES IN PLAN PROVISIONS**

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan in October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**2023 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2022 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2021 CHANGES IN ACTUARIAL ASSUMPTIONS**

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

**2020 CHANGES IN PLAN PROVISIONS**

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

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

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

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

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

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

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

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

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

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

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

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

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

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

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

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

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

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

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

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

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

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

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

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

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

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

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

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family of tables.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15.00 percent to reflect the continued lower than expected observations.

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

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

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

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

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

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit, are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

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

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

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

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

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

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

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

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

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

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

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

## **PENSION BENEFITS PLAN**

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

- The discount rate was changed from 4.10 percent to 4.90 percent.

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

- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The discount rate was changed from 3.90 percent to 4.10 percent.

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

- The discount rate was changed from 3.80 percent to 3.90 percent.

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

- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for nonteachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The discount rate was changed from 2.10 percent to 3.80 percent.

### **2021 CHANGES IN PLAN PROVISIONS**

- The teachers' district matching contribution to the 403(b) Plan was increased from 3.50 percent to 3.60 percent of pay, as teachers will receive \$2,000 annually for district paid matching for all future years. This plan change did not impact the liabilities.

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

- The discount rate was changed from 2.40 percent to 2.10 percent.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.

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

- The discount rate was changed from 3.10 percent to 2.40 percent.
- The mortality tables and salary increases were updated.

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

- The discount rate was changed from 3.40 percent to 3.10 percent.

## **PENSION BENEFITS PLAN (CONTINUED)**

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

- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

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

- The discount rate was changed from 3.50 percent to 3.40 percent.
- Retirement rates now begin at age 55, even if eligibility requirements have not been met.

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

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

- The discount rate was changed from 4.10 percent to 4.70 percent.
- The expected long-term investment rate was changed from 4.00 percent to 3.90 percent.

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

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The discount rate was changed from 3.90 percent to 4.10 percent.
- The expected long-term investment rate was changed from 4.10 percent to 4.00 percent.

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

- The discount rate was changed from 3.80 percent to 3.90 percent.

### **2022 CHANGES IN PLAN PROVISIONS**

- The active superintendent is eligible for full family medical and dental coverage paid for by the District in retirement.

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

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.
- The salary increase rates for nonteachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The expected long-term investment return was changed from 3.00 percent to 4.10 percent.
- The discount rate was changed from 2.20 percent to 3.80 percent.

## **OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)**

### **2021 CHANGES IN PLAN PROVISIONS**

- Only custodians hired before July 1, 2018 and not electing to participate in the Matching Retirement Plan are eligible to receive district paid medical and dental post-employment benefits.

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

- The discount rate was changed from 2.40 percent to 2.20 percent.
- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.

### **2020 CHANGES IN PLAN PROVISIONS**

- Only custodians hired before July 1, 2018 and not electing to participate in the Matching Retirement Plan are eligible to receive district paid medical and dental benefits.

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

- The expected long-term investment rate was changed from 2.60 percent to 3.00 percent.
- The discount rate was changed from 3.10 percent to 2.40 percent.
- The healthcare trend rates, mortality tables, and salary increase rates were updated.

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

- The discount rate was changed from 3.40 percent to 3.10 percent.

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

- Principals hired after July 1, 2018 need 10 years of service to be eligible for the subsidized retirement benefit.
- Custodians hired after July 1, 2018 are no longer eligible for subsidized medical and dental benefits. Custodians hired before July 1, 2018 may choose to have the current subsidized medical and dental benefits or make a one-time election to switch to a matching retirement plan.

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

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

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

- The discount rate was changed from 3.50 percent to 3.40 percent.

SUPPLEMENTARY INFORMATION

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## **GOVERNMENTAL FUNDS**

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. The governmental fund category for the District includes the General Fund, Capital Projects – Building Construction Fund, Debt Service Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund.

The statements and schedules that follow are to provide further detail and support additional analysis for the District's major and nonmajor governmental funds.

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Special Revenue Funds		
	Food Service	Community Service	Total
<b>Assets</b>			
Cash and temporary investments	\$ 4,000,599	\$ 5,605,606	\$ 9,606,205
Receivables			
Current taxes	–	878,675	878,675
Delinquent taxes	–	34,473	34,473
Accounts and interest	–	131,949	131,949
Due from other governmental units	229,571	1,141,911	1,371,482
Inventory	692,943	–	692,943
Prepaid items	–	5,049	5,049
	<u>–</u>	<u>5,049</u>	<u>5,049</u>
Total assets	<u>\$ 4,923,113</u>	<u>\$ 7,797,663</u>	<u>\$ 12,720,776</u>
<b>Liabilities</b>			
Salaries payable	\$ 66,441	\$ 210,721	\$ 277,162
Accounts and contracts payable	165,554	226,645	392,199
Due to other governmental units	2,437	1,878,363	1,880,800
Unearned revenue	130,737	474,971	605,708
Total liabilities	<u>365,169</u>	<u>2,790,700</u>	<u>3,155,869</u>
<b>Deferred inflows of resources</b>			
Unavailable revenue – delinquent taxes	–	29,172	29,172
Property taxes levied for subsequent year	–	1,576,903	1,576,903
Total deferred inflows of resources	<u>–</u>	<u>1,606,075</u>	<u>1,606,075</u>
<b>Fund balances</b>			
Nonspendable for inventory	692,943	–	692,943
Nonspendable for prepaid items	–	5,049	5,049
Restricted	3,865,001	3,395,839	7,260,840
Total fund balances	<u>4,557,944</u>	<u>3,400,888</u>	<u>7,958,832</u>
	<u>4,557,944</u>	<u>3,400,888</u>	<u>7,958,832</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,923,113</u>	<u>\$ 7,797,663</u>	<u>\$ 12,720,776</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	\$           –	\$ 1,526,507	\$ 1,526,507
Investment earnings	169,626	245,263	414,889
Other	178,450	3,790,644	3,969,094
State sources	2,049,241	7,194,079	9,243,320
Federal sources	7,562,962	489,297	8,052,259
Total revenue	<u>9,960,279</u>	<u>13,245,790</u>	<u>23,206,069</u>
Expenditures			
Current			
Food service	9,587,789	–	9,587,789
Community service	–	13,753,468	13,753,468
Capital outlay	330,426	12,960	343,386
Total expenditures	<u>9,918,215</u>	<u>13,766,428</u>	<u>23,684,643</u>
Net change in fund balances	42,064	(520,638)	(478,574)
Fund balances			
Beginning of year	<u>4,515,880</u>	<u>3,921,526</u>	<u>8,437,406</u>
End of year	<u>\$ 4,557,944</u>	<u>\$ 3,400,888</u>	<u>\$ 7,958,832</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Cash and temporary investments	\$ 45,052,861	\$ 39,368,476
Receivables		
Current taxes	20,849,157	19,579,973
Delinquent taxes	796,429	601,493
Accounts and interest	803,342	439,501
Due from other governmental units	20,378,494	18,781,198
Due from other funds	700,000	700,000
Prepaid items	<u>869,348</u>	<u>1,253,077</u>
Total assets	<u>\$ 89,449,631</u>	<u>\$ 80,723,718</u>
<b>Liabilities</b>		
Salaries payable	\$ 768,104	\$ 789,194
Accounts and contracts payable	4,643,467	2,884,475
Due to other governmental units	1,808,845	3,331,751
Unearned revenue	<u>22,596</u>	<u>107,727</u>
Total liabilities	7,243,012	7,113,147
<b>Deferred inflows of resources</b>		
Unavailable revenue – delinquent taxes	670,901	476,477
Property taxes levied for subsequent year	<u>33,809,700</u>	<u>31,712,471</u>
Total deferred inflows of resources	34,480,601	32,188,948
<b>Fund balances (deficit)</b>		
Nonspendable for prepaid items	869,348	1,253,077
Restricted for student activities	131,220	139,636
Restricted for staff development	2,597,215	1,587,900
Restricted for literacy incentive aid	72,907	137,919
Restricted for operating capital	11,657,370	10,247,213
Restricted for quality compensation	84,444	–
Restricted for school library aid	37,601	–
Restricted for safe schools levy	–	120,498
Restricted for literacy aid	265,723	–
Restricted for teacher compensation for READ Act training	26,312	–
Restricted for long-term facilities maintenance	221,767	209,874
Restricted for student support personnel	203,329	72,407
Restricted for Medical Assistance	1,828,891	1,846,090
Assigned for subsequent year’s budget	2,984,974	2,723,056
Unassigned – safe schools levy restricted account deficit	(276,664)	–
Unassigned	<u>27,021,581</u>	<u>23,083,953</u>
Total fund balances	<u>47,726,018</u>	<u>41,421,623</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 89,449,631</u>	<u>\$ 80,723,718</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2025		2024	
	Budget	Actual	Over (Under) Budget	Actual
<b>Revenue</b>				
Local sources				
Property taxes	\$ 32,907,116	\$ 35,377,759	\$ 2,470,643	\$ 33,608,667
Investment earnings	1,500,000	1,772,950	272,950	1,501,831
Other	2,765,745	3,665,387	899,642	3,713,463
State sources	149,289,338	147,522,012	(1,767,326)	139,195,554
Federal sources	5,098,363	9,823,082	4,724,719	11,362,407
Total revenue	191,560,562	198,161,190	6,600,628	189,381,922
<b>Expenditures</b>				
Current				
Administration				
Salaries	5,648,895	5,238,334	(410,561)	4,713,828
Employee benefits	1,770,294	1,756,624	(13,670)	1,651,631
Purchased services	76,200	268,142	191,942	89,078
Supplies and materials	21,409	14,414	(6,995)	17,056
Capital expenditures	1,500	–	(1,500)	–
Other expenditures	120,000	70,604	(49,396)	114,197
Total administration	7,638,298	7,348,118	(290,180)	6,585,790
District support services				
Salaries	3,044,474	4,069,700	1,025,226	3,827,085
Employee benefits	898,272	1,448,597	550,325	1,376,297
Purchased services	819,086	864,379	45,293	571,146
Supplies and materials	1,382,714	673,807	(708,907)	707,090
Capital expenditures	214,800	2,578	(212,222)	164,428
Other expenditures	49,500	74,934	25,434	16,581
Total district support services	6,408,846	7,133,995	725,149	6,662,627
Elementary and secondary regular instruction				
Salaries	47,245,906	47,697,660	451,754	46,367,790
Employee benefits	17,789,204	18,503,738	714,534	17,465,281
Purchased services	6,127,208	6,247,006	119,798	6,669,737
Supplies and materials	2,787,143	3,241,451	454,308	4,267,015
Capital expenditures	56,813	219,800	162,987	490,163
Other expenditures	277,750	443,831	166,081	362,439
Total elementary and secondary regular instruction	74,284,024	76,353,486	2,069,462	75,622,425

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2025		2024	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,542,453	2,366,889	824,436	2,288,876
Employee benefits	669,122	857,226	188,104	876,806
Purchased services	650,000	664,720	14,720	484,214
Supplies and materials	40,000	58,300	18,300	50,935
Other expenditures	150,000	152,376	2,376	169,793
Total vocational education instruction	3,051,575	4,099,511	1,047,936	3,870,624
Special education instruction				
Salaries	29,816,594	27,590,800	(2,225,794)	25,123,976
Employee benefits	11,458,106	9,993,761	(1,464,345)	9,587,310
Purchased services	6,687,235	7,375,488	688,253	6,470,002
Supplies and materials	239,353	285,214	45,861	305,597
Capital expenditures	16,880	20,659	3,779	55,009
Other expenditures	247,750	319,633	71,883	264,452
Total special education instruction	48,465,918	45,585,555	(2,880,363)	41,806,346
Community education instruction				
Employee benefits	10,000	14,845	4,845	15,931
Instructional support services				
Salaries	6,617,417	7,313,020	695,603	7,419,135
Employee benefits	1,833,351	1,949,788	116,437	2,050,594
Purchased services	304,253	321,851	17,598	174,111
Supplies and materials	381,950	322,247	(59,703)	328,525
Capital expenditures	—	198	198	24,260
Other expenditures	45,000	94,265	49,265	92,688
Total instructional support services	9,181,971	10,001,369	819,398	10,089,313
Pupil support services				
Salaries	8,540,801	7,415,740	(1,125,061)	7,222,461
Employee benefits	2,816,617	2,532,582	(284,035)	2,434,156
Purchased services	7,384,039	6,010,462	(1,373,577)	6,781,959
Supplies and materials	852,345	743,806	(108,539)	965,262
Capital expenditures	414,500	424,780	10,280	558,575
Other expenditures	29,000	27,974	(1,026)	28,520
Total pupil support services	20,037,302	17,155,344	(2,881,958)	17,990,933

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2025		2024	
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	5,178,574	5,433,718	255,144	5,390,329
Employee benefits	2,140,102	2,311,311	171,209	2,131,255
Purchased services	5,563,075	6,157,848	594,773	5,570,430
Supplies and materials	816,200	972,614	156,414	928,437
Capital expenditures	4,475,614	6,122,368	1,646,754	4,597,823
Other expenditures	6,000	376,202	370,202	360,926
Total sites and buildings	18,179,565	21,374,061	3,194,496	18,979,200
Fiscal and other fixed cost programs				
Purchased services	1,175,000	1,162,549	(12,451)	945,663
Other expenditures	–	20,500	20,500	45,650
Total fiscal and other fixed cost programs	1,175,000	1,183,049	8,049	991,313
Debt service				
Principal	1,400,000	1,404,436	4,436	1,348,814
Interest and fiscal charges	500,000	357,785	(142,215)	390,788
Total debt service	1,900,000	1,762,221	(137,779)	1,739,602
Total expenditures	190,332,499	192,011,554	1,679,055	184,354,104
Excess of revenue over expenditures	1,228,063	6,149,636	4,921,573	5,027,818
Other financing sources				
Debt issued	–	117,785	117,785	–
Sale of capital assets	–	31,974	31,974	29,831
Insurance recovery	–	5,000	5,000	–
Total other financing sources	–	154,759	154,759	29,831
Net change in fund balances	\$ 1,228,063	6,304,395	\$ 5,076,332	5,057,649
Fund balances				
Beginning of year		41,421,623		36,363,974
End of year		\$ 47,726,018		\$ 41,421,623

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2025</u>	<u>2024</u>
Assets		
Cash and temporary investments	\$ 4,000,599	\$ 3,842,418
Receivables		
Due from other governmental units	229,571	126,600
Inventory	<u>692,943</u>	<u>805,648</u>
Total assets	<u>\$ 4,923,113</u>	<u>\$ 4,774,666</u>
Liabilities		
Salaries payable	\$ 66,441	\$ 36,486
Accounts and contracts payable	165,554	71,067
Due to other governmental units	2,437	2,256
Unearned revenue	<u>130,737</u>	<u>148,977</u>
Total liabilities	365,169	258,786
Fund balances		
Nonspendable for inventory	692,943	805,648
Restricted for food service	<u>3,865,001</u>	<u>3,710,232</u>
Total fund balances	<u>4,557,944</u>	<u>4,515,880</u>
Total liabilities and fund balances	<u>\$ 4,923,113</u>	<u>\$ 4,774,666</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2025		2024	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	\$ 10,000	\$ 169,626	\$ 159,626	\$ 135,775
Other – primarily meal sales	200,000	178,450	(21,550)	199,800
State sources	26,000	2,049,241	2,023,241	2,610,372
Federal sources	8,903,642	7,562,962	(1,340,680)	6,466,183
Total revenue	<u>9,139,642</u>	<u>9,960,279</u>	<u>820,637</u>	<u>9,412,130</u>
Expenditures				
Current				
Salaries	3,067,111	3,003,185	(63,926)	2,596,832
Employee benefits	991,268	1,019,288	28,020	919,885
Purchased services	118,000	246,532	128,532	150,421
Supplies and materials	5,104,680	5,303,180	198,500	4,787,128
Other expenditures	10,000	15,604	5,604	10,352
Capital outlay	200,000	330,426	130,426	195,116
Total expenditures	<u>9,491,059</u>	<u>9,918,215</u>	<u>427,156</u>	<u>8,659,734</u>
Net change in fund balances	<u>\$ (351,417)</u>	42,064	<u>\$ 393,481</u>	752,396
Fund balances				
Beginning of year		<u>4,515,880</u>		<u>3,763,484</u>
End of year		<u>\$ 4,557,944</u>		<u>\$ 4,515,880</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
Cash and temporary investments	\$ 5,605,606	\$ 5,342,225
Receivables		
Current taxes	878,675	864,251
Delinquent taxes	34,473	26,792
Accounts and interest	131,949	125,980
Due from other governmental units	1,141,911	1,031,386
Prepaid items	<u>5,049</u>	<u>2,243</u>
Total assets	<u><u>\$ 7,797,663</u></u>	<u><u>\$ 7,392,877</u></u>
<b>Liabilities</b>		
Salaries payable	\$ 210,721	\$ 162,353
Accounts and contracts payable	226,645	118,295
Due to other governmental units	1,878,363	1,023,667
Unearned revenue	<u>474,971</u>	<u>594,884</u>
Total liabilities	<u>2,790,700</u>	<u>1,899,199</u>
<b>Deferred inflows of resources</b>		
Unavailable revenue – delinquent taxes	29,172	21,052
Property taxes levied for subsequent year	<u>1,576,903</u>	<u>1,551,100</u>
Total deferred inflows of resources	<u>1,606,075</u>	<u>1,572,152</u>
<b>Fund balances</b>		
Nonspendable for prepaid items	5,049	2,243
Restricted for community education	1,785,301	1,974,108
Restricted for early childhood family education	806,741	931,368
Restricted for school readiness	535,792	664,378
Restricted for adult basic education	267,911	349,335
Restricted for community service	<u>94</u>	<u>94</u>
Total fund balances	<u><u>3,400,888</u></u>	<u><u>3,921,526</u></u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u><u>\$ 7,797,663</u></u>	 <u><u>\$ 7,392,877</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

Year Ended June 30, 2025

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

	2025		2024	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 1,769,986	\$ 1,526,507	\$ (243,479)	\$ 1,551,313
Investment earnings	–	245,263	245,263	194,248
Other – primarily tuition and fees	3,803,192	3,790,644	(12,548)	3,533,729
State sources	6,887,355	7,194,079	306,724	6,474,389
Federal sources	446,367	489,297	42,930	415,421
Total revenue	<u>12,906,900</u>	<u>13,245,790</u>	<u>338,890</u>	<u>12,169,100</u>
Expenditures				
Current				
Salaries	6,057,022	6,361,061	304,039	5,444,222
Employee benefits	1,953,711	1,874,871	(78,840)	1,694,403
Purchased services	4,147,878	4,760,729	612,851	4,400,402
Supplies and materials	539,207	655,050	115,843	541,671
Other expenditures	81,839	101,757	19,918	87,603
Capital outlay	18,600	12,960	(5,640)	34,790
Total expenditures	<u>12,798,257</u>	<u>13,766,428</u>	<u>968,171</u>	<u>12,203,091</u>
Net change in fund balances	<u>\$ 108,643</u>	<u>(520,638)</u>	<u>\$ (629,281)</u>	<u>(33,991)</u>
Fund balances				
Beginning of year		<u>3,921,526</u>		<u>3,955,517</u>
End of year		<u>\$ 3,400,888</u>		<u>\$ 3,921,526</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	<u>2025</u>	<u>2024</u>
Assets		
Cash and temporary investments	\$ 43,193,670	\$ 69,998,209
Receivables		
Accounts and interest	<u>3,833</u>	<u>582,173</u>
Total assets	<u>\$ 43,197,503</u>	<u>\$ 70,580,382</u>
Liabilities		
Salaries payable	\$ –	\$ 1,271
Accounts and contracts payable	8,022,256	7,538,490
Due to other governmental units	<u>–</u>	<u>12,714</u>
Total liabilities	8,022,256	7,552,475
Fund balances		
Restricted for long-term facilities maintenance	489,557	14,090,969
Restricted for capital projects	<u>34,685,690</u>	<u>48,936,938</u>
Total fund balances	<u>35,175,247</u>	<u>63,027,907</u>
Total liabilities and fund balances	<u>\$ 43,197,503</u>	<u>\$ 70,580,382</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

Capital Projects – Building Construction Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual

Year Ended June 30, 2025

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

	2025		Over (Under) Budget	2024
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 3,500,000	\$ 2,175,303	\$ (1,324,697)	\$ 4,424,755
Other	–	–	–	3,500
Total revenue	<u>3,500,000</u>	<u>2,175,303</u>	<u>(1,324,697)</u>	<u>4,428,255</u>
Expenditures				
Capital outlay				
Salaries	51,600	45,273	(6,327)	54,654
Employee benefits	19,291	4,021	(15,270)	21,424
Purchased services	928,050	1,008,905	80,855	1,614,632
Supplies and materials	3,500	3,408	(92)	–
Capital expenditures	<u>24,704,262</u>	<u>28,966,356</u>	<u>4,262,094</u>	<u>39,031,088</u>
Total expenditures	<u>25,706,703</u>	<u>30,027,963</u>	<u>4,321,260</u>	<u>40,721,798</u>
Net change in fund balances	<u>\$ (22,206,703)</u>	<u>(27,852,660)</u>	<u>\$ (5,645,957)</u>	<u>(36,293,543)</u>
Fund balances				
Beginning of year		<u>63,027,907</u>		<u>99,321,450</u>
End of year		<u>\$ 35,175,247</u>		<u>\$ 63,027,907</u>

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INDEPENDENT SCHOOL DISTRICT NO. 622

Debt Service Fund  
 Balance Sheet by Account  
 as of June 30, 2025  
 (With Comparative Totals as of June 30, 2024)

	Regular Debt Service Account	OPEB Debt Service Account	Totals	
			2025	2024
<b>Assets</b>				
Cash and temporary investments	\$ 18,255,008	\$ 1,385,824	\$ 19,640,832	\$ 18,235,401
Receivables				
Current taxes	15,242,886	1,100,788	16,343,674	15,778,899
Delinquent taxes	545,306	47,678	592,984	424,256
Due from other governmental units	58,614	3	58,617	66,026
	<u>\$ 34,101,814</u>	<u>\$ 2,534,293</u>	<u>\$ 36,636,107</u>	<u>\$ 34,504,582</u>
<b>Liabilities</b>				
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ 4,890
<b>Deferred inflows of resources</b>				
Unavailable revenue – delinquent taxes	449,121	40,588	489,709	328,115
Property taxes levied for subsequent year	27,355,475	1,975,515	29,330,990	28,318,919
Total deferred inflows of resources	<u>27,804,596</u>	<u>2,016,103</u>	<u>29,820,699</u>	<u>28,647,034</u>
<b>Fund balances</b>				
Restricted for debt service	<u>6,297,218</u>	<u>518,190</u>	<u>6,815,408</u>	<u>5,852,658</u>
	<u>\$ 34,101,814</u>	<u>\$ 2,534,293</u>	<u>\$ 36,636,107</u>	<u>\$ 34,504,582</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 34,101,814</u>	<u>\$ 2,534,293</u>	<u>\$ 36,636,107</u>	<u>\$ 34,504,582</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	2025			Total
	Budget	Regular Debt Service Account	OPEB Debt Service Account	
Revenue				
Local sources				
Property taxes	\$ 27,716,919	\$ 25,873,667	\$ 2,003,216	\$ 27,876,883
Investment earnings	17,000	664,147	50,923	715,070
State sources	585,000	600,347	25	600,372
Total revenue	<u>28,318,919</u>	<u>27,138,161</u>	<u>2,054,164</u>	<u>29,192,325</u>
Expenditures				
Debt service				
Principal	14,360,000	12,550,000	1,810,000	14,360,000
Interest	13,888,944	13,663,906	195,715	13,859,621
Fiscal charges and other	9,975	9,480	474	9,954
Total expenditures	<u>28,258,919</u>	<u>26,223,386</u>	<u>2,006,189</u>	<u>28,229,575</u>
Net change in fund balances	<u>\$ 60,000</u>	914,775	47,975	962,750
Fund balances				
Beginning of year		<u>5,382,443</u>	<u>470,215</u>	<u>5,852,658</u>
End of year		<u>\$ 6,297,218</u>	<u>\$ 518,190</u>	<u>\$ 6,815,408</u>

	<u>2024</u>	
	<u>Over (Under)</u>	<u>Actual</u>
	<u>Budget</u>	
\$	159,964	\$ 25,802,974
	698,070	607,934
	15,372	664,502
	<u>873,406</u>	<u>27,075,410</u>
	-	11,800,000
	(29,323)	14,182,776
	(21)	22,781
	<u>(29,344)</u>	<u>26,005,557</u>
\$	<u>902,750</u>	1,069,853
		<u>4,782,805</u>
		<u>\$ 5,852,658</u>

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## **INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains two internal service funds. These funds are used to account for dental and health insurance offered by the District to its employees as self-insured plans.

The statements that follow are to provide further detail and support additional analysis for the District's internal service funds.

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Dental	Medical	Totals	
	Self-Insurance	Self-Insurance	2025	2024
<b>Assets</b>				
Current assets				
Cash and temporary investments	\$ 584,965	\$ 6,276,427	\$ 6,861,392	\$ 6,051,999
Prepaid items	–	317,113	317,113	6,801
Total assets	584,965	6,593,540	7,178,505	6,058,800
<b>Liabilities</b>				
Current liabilities				
Accounts and contracts payable	85,059	1,329,256	1,414,315	620,318
Due to other governmental units	–	7,227	7,227	–
Claims incurred, but not reported	29,843	1,655,472	1,685,315	1,219,591
Total liabilities	114,902	2,991,955	3,106,857	1,839,909
<b>Net position</b>				
Unrestricted	\$ 470,063	\$ 3,601,585	\$ 4,071,648	\$ 4,218,891

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Dental	Medical	Totals	
	Self-Insurance	Self-Insurance	2025	2024
Operating revenue				
Charges for services	\$ 2,143,006	\$ 23,217,680	\$ 25,360,686	\$ 23,614,096
Operating expenses				
Dental benefit claims	1,961,092	–	1,961,092	1,933,714
Medical benefit claims	–	21,347,999	21,347,999	21,495,364
Fees and stop-loss	105,302	2,335,437	2,440,739	1,699,814
Total operating expenses	<u>2,066,394</u>	<u>23,683,436</u>	<u>25,749,830</u>	<u>25,128,892</u>
Operating income (loss)	76,612	(465,756)	(389,144)	(1,514,796)
Nonoperating revenue				
Investment earnings	<u>14,847</u>	<u>227,054</u>	<u>241,901</u>	<u>249,907</u>
Change in net position	91,459	(238,702)	(147,243)	(1,264,889)
Net position				
Beginning of year	<u>378,604</u>	<u>3,840,287</u>	<u>4,218,891</u>	<u>5,483,780</u>
End of year	<u>\$ 470,063</u>	<u>\$ 3,601,585</u>	<u>\$ 4,071,648</u>	<u>\$ 4,218,891</u>

INDEPENDENT SCHOOL DISTRICT NO. 622

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

	Dental	Medical	Totals	
	Self-Insurance	Self-Insurance	2025	2024
Cash flows from operating activities				
Contributions from governmental funds	\$ 2,143,006	\$ 23,217,680	\$ 25,360,686	\$ 23,614,096
Payments for dental benefit claims	(1,989,626)	–	(1,989,626)	(1,968,145)
Payments for medical benefit claims	–	(20,751,569)	(20,751,569)	(22,441,586)
Payments for fees and stop-loss	(105,483)	(1,946,516)	(2,051,999)	(1,699,028)
Net cash flows from operating activities	47,897	519,595	567,492	(2,494,663)
Cash flows from investing activities				
Investment income received	14,847	227,054	241,901	249,907
Net change in cash and cash equivalents	62,744	746,649	809,393	(2,244,756)
Cash and cash equivalents				
Beginning of year	522,221	5,529,778	6,051,999	8,296,755
End of year	\$ 584,965	\$ 6,276,427	\$ 6,861,392	\$ 6,051,999
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 76,612	\$ (465,756)	\$ (389,144)	\$ (1,514,796)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Prepaid items	–	(310,312)	(310,312)	(972)
Accounts and contracts payable	(32,670)	826,667	793,997	(315,181)
Due to other governmental units	–	7,227	7,227	–
Claims incurred, but not reported	3,955	461,769	465,724	(663,714)
Net cash flows from operating activities	\$ 47,897	\$ 519,595	\$ 567,492	\$ (2,494,663)

OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 622

Student Enrollment  
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					Total Pupil Units
	Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2016	127.71	718.50	4,534.08	5,288.64	10,668.93	11,726.67
2017	177.75	665.55	4,430.34	5,206.78	10,480.42	11,521.79
2018	238.30	709.12	4,474.14	5,211.11	10,632.67	11,674.89
2019	265.14	734.54	4,443.69	5,192.62	10,635.99	11,674.52
2020	264.33	742.34	4,366.01	5,189.93	10,562.61	11,600.60
2021	228.04	667.89	4,212.26	5,197.22	10,305.41	11,344.87
2022	263.04	671.87	4,216.49	5,111.75	10,263.15	11,285.50
2023	326.54	707.34	4,228.52	4,992.45	10,254.85	11,253.33
2024	366.60	755.88	4,239.77	5,102.87	10,465.12	11,485.72
2025	381.62	722.65	4,345.60	4,949.58	10,399.45	11,389.38

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

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

Source: Minnesota Department of Education student reporting system

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