Audit Review

Monday, December 8, 2025 6:00 PM
Carlton Middle/High School Library, 405 School Avenue, Carlton, MN 55718

1. **Welcome to the Special Meeting for the annual audit report from Clifton, Larson, Allen, LLP.**
2. **CLA auditor, Becca, will present the annual audit report and financial statements for FY25 to be approved by the board -attached**

INDEPENDENT SCHOOL DISTRICT NO. 93

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2025

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 93
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2025

BOARD OF EDUCATION

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Laura Nilsen	December 31, 2026	Chairperson
Ryan Leonzal	December 31, 2028	Vice-Chairperson
Sam Ojibway	December 31, 2026	Treasurer
Susan Karp	December 31, 2026	Clerk
Ben Nilsen	December 31, 2028	Director
Dan Solarz	December 31, 2028	Director

ADMINISTRATION

Mark Messman	Superintendent
Angela Lind	Business Manager

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 93
Carlton, 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. 93 (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 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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.

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – General Fund, budgetary comparison schedule – Food Service Fund, budgetary comparison schedule – Community Service Fund, schedule of changes in the District's OPEB liability and related ratios, schedule of the District's proportionate share of the net pension liability, and the schedule of District pension contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 uniform financial accounting and reporting standards compliance table is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the uniform financial accounting and reporting standards compliance table 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 but does not include the basic financial statements and our auditors' 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.

Report on Summarized Comparative Information

The District's 2024 financial statements were audited by other auditors and expressed unmodified audit opinions on those financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in their report dated December 13, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

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

CliftonLarsonAllen LLP

St. Cloud, Minnesota
REPORT DATE

REQUIRED SUPPLEMENTARY INFORMATION

This section of Independent School District No. 93's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2024 – 2025 fiscal years include the following:

- District-wide accrual basis net position increased by $167,211 on revenues of $6,661,980 compared to expenses of $6,494,769.

- Total General Fund revenues were approximately $5,754,000 as compared to $5,926,000 of expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
    - The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

    - Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

District-Wide Statements

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

Two District-wide statements report the District's net position and how they have 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 an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial health of the District, you need to consider additional nonfinancial factors such as enrollment trends, changes in the District's property tax base, and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

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

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

The District has two kinds of fund:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional reconciling information within the governmental funds statements to explain the relationship (or differences) between the funds.

- Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others, The District currently has one trust fund, for postemployment benefits. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was $1,047,086 on June 30, 2025.

Table A-1
The District's Net Position

	Governmental Activities as of June 30, 2025	Governmental Activities as of June 30, 2024	Percentage Change
Assets:			
Current and Other Assets	$ 3,807,048	$ 4,093,807	(7.0)%
Capital and Noncurrent Assets	5,426,084	5,667,298	(4.3)
Total Assets	9,233,132	9,761,105	(5.4)
Deferred Outflows of Resources	692,573	925,717	(25.2)
Liabilities:			
Current Liabilities	1,010,980	1,244,992	(18.8)
Long-Term Liabilities	5,198,060	6,570,107	(20.9)
Total Liabilities	6,209,040	7,815,099	(20.6)
Deferred Inflows of Resources	2,669,579	1,991,848	34.0
Net Position:			
Net Investment in Capital Assets	2,418,288	2,315,104	4.5
Restricted	502,796	525,357	(4.3)
Unrestricted	(1,873,998)	(1,960,586)	(4.4)
Total Net Position	$ 1,047,086	$ 879,875	19.0

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were $6,661,980 for the year ended June 30, 2025. Property taxes and state aid formula accounted for 61% of total revenue for the year. Another 31% came from other program-specific federal and state aid.

Table A-2
Change in Net Position

	Governmental Activities for the Fiscal Year Ended June 30,		Total Percent
	2025	2024	Change
Revenues			
Program Revenues:			
Charges for Services	$ 390,564	$ 363,002	7.6 %
Operating Grants and Contributions	2,037,318	2,137,002	(4.7)
Capital Grants and Contributions	6,829	20,050	(65.9)
General Revenues:			
Property Taxes	1,269,660	1,564,719	(18.9)
Unrestricted Federal and State Aid	2,795,387	2,886,337	(3.2)
Investment Earnings	80,213	77,484	3.5
Other	82,009	460,172	(82.2)
Total Revenues	6,661,980	7,508,766	(11.3)
Expenses			
Administration	540,595	470,686	14.9
District Support Services	556,590	503,647	10.5
Regular Instruction	2,425,986	2,104,461	15.3
Vocational Education Instruction	26,363	57,497	(54.1)
Special Education Instruction	907,781	916,394	(0.9)
Instructional Support Services	178,728	128,281	39.3
Pupil Support Services	691,944	645,837	7.1
Sites and Buildings	616,789	925,556	(33.4)
Fiscal and Other Fixed Cost Programs	100,143	55,065	81.9
Food Service	216,937	273,818	(20.8)
Community Service	245,680	273,839	(10.3)
Interest and Fiscal Charges on Long-Term Liabilities	(12,767)	92,992	(113.7)
Total Expenses	6,494,769	6,448,073	0.7
Increase in Net Position	167,211	1,060,693	
Net Position - Beginning of Year	879,875	(180,818)	
Net Position - End of Year	$ 1,047,086	$ 879,875	

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The cost of all governmental activities this year was $6,494,769.

- Some of the cost was paid by the users of the District's programs ($390,564).
- The federal and state governments subsidized certain programs with operating and capital grants and contributions ($2,044,147).
- The remaining District's costs were paid by District taxpayers and the taxpayers of our state through property taxes and state aid based on the statewide education aid formula.

Figure A-1
Sources of District's Revenues for Fiscal 2025

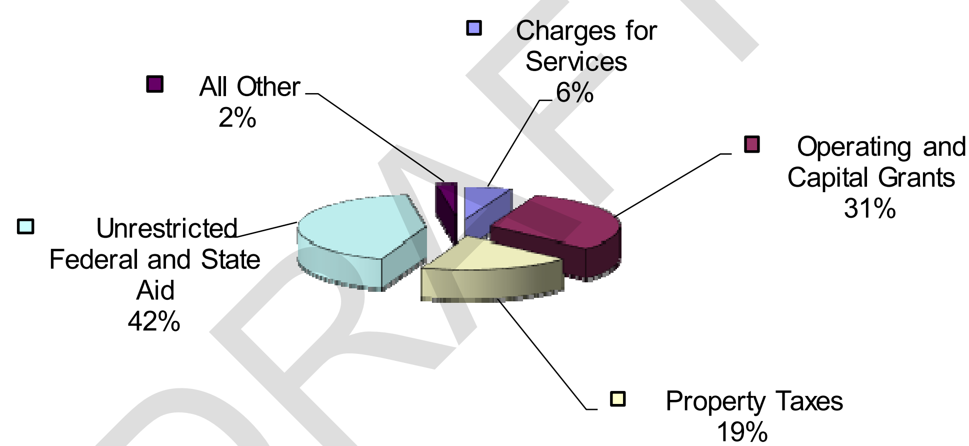
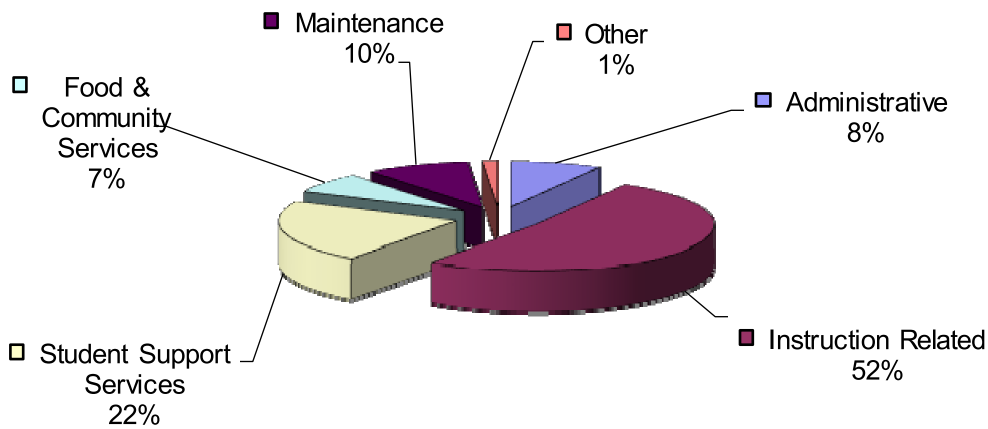


Figure A-2
District Expenses for Fiscal 2025



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Table A-3
Cost and Net Cost of Services

	Total Cost of Services			Net Cost of Services		
	2025	2024	Change	2025	2024	Change
Administration	$ 540,595	$ 470,686	14.9 %	$ 493,147	$ 347,799	41.8 %
District Support Services	556,590	503,647	10.5	343,764	501,966	(31.5)
Regular Instruction	2,425,986	2,104,461	15.3	1,841,819	1,190,170	54.8
Vocational Education Instruction	26,363	57,497	(54.1)	26,363	57,497	(54.1)
Special Education Instruction	907,781	916,394	(0.9)	102,814	294,994	(65.1)
Instructional Support Services	178,728	128,281	39.3	164,760	16,631	890.7
Pupil Support Services	691,944	645,837	7.1	440,792	588,951	(25.2)
Sites and Buildings	616,789	925,556	(33.4)	514,984	724,116	(28.9)
Fiscal and Other Fixed Cost Programs	100,143	55,065	81.9	98,944	55,065	79.7
Food Service	216,937	273,818	(20.8)	5,448	6,352	(14.2)
Community Service	245,680	273,839	(10.3)	39,990	51,486	(22.3)
Interest and Fiscal Charges on Long-Term Liabilities	(12,767)	92,992	(113.7)	(12,767)	92,992	(113.7)
Total	$ 6,494,769	$ 6,448,073	0.7	$ 4,060,058	$ 3,928,019	3.4

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $1,358,715.

Revenues for the District's governmental funds were $6,576,378, while total expenditures were $6,735,168.

GENERAL FUND

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

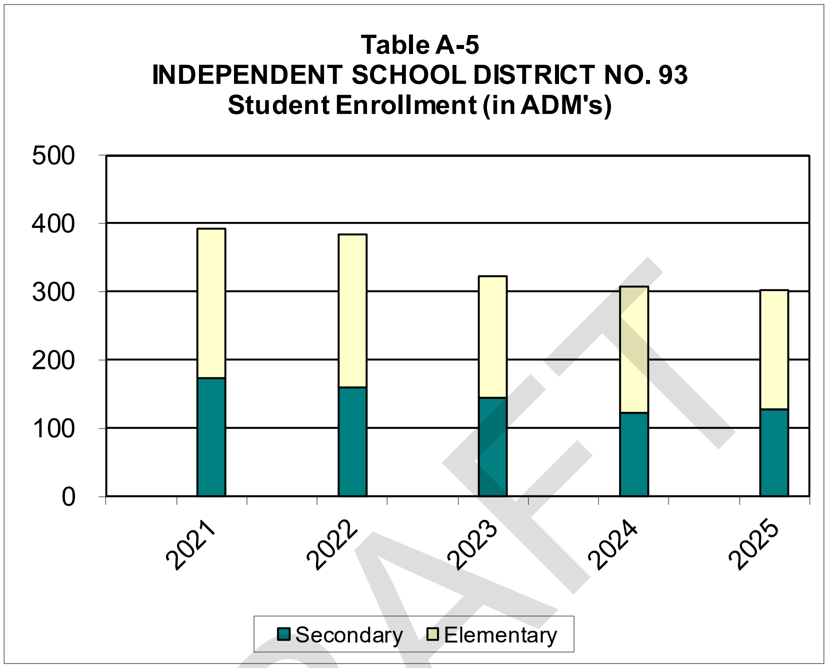
The following graph shows the trend in student counts over the past five years:

Table A-4

	2021	2022	2023	2024	2025
Pre-K	4	1	-	9	6
HCP K	7	2	3	-	-
Reg K	30	32	17	18	24
Elementary	177	188	158	159	144
Secondary	174	160	145	122	128
Total Students for Aid	392	383	323	308	302
Percent Change	-6.67%	-2.30%	-15.67%	-4.64%	-1.95%

GENERAL FUND (CONTINUED)

Student Enrollment (Average Daily Membership)



The following schedule presents a summary of General Fund Revenues:

Table A-6
General Fund Revenues

Fund	Year Ended June 30, 2025	Year Ended June 30, 2024	Change Amount Increase (Decrease)	Change Percent Increase (Decrease)
Local Sources:				
Property Taxes	$ 897,815	$ 932,884	$ (35,069)	(3.8)%
Earnings on Investments	62,384	73,016	(10,632)	(14.6)
Other	296,312	262,615	33,697	12.8
State Sources	4,091,967	3,510,230	581,737	16.6
Federal Sources	405,173	1,491,296	(1,086,123)	(72.8)
Total General Fund Revenue	$ 5,753,651	$ 6,270,041	$ (516,390)	(8.2)

Total General Fund revenue decreased by $516,390 or 8.2% from the prior year as show above. The decrease relates to the decrease in federal funding.

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-7
General Fund Expenditures

	Year Ended		Change	
	June 30, 2025	June 30, 2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 2,775,568	$ 2,863,249	$ (87,681)	(3.1)%
Employee Benefits	917,544	1,004,088	(86,544)	(8.6)
Purchased Services	1,630,204	1,465,373	164,831	11.2
Supplies and Materials	381,347	407,752	(26,405)	(6.5)
Capital Expenditures	181,582	336,213	(154,631)	(46.0)
Other Expenditures	40,208	42,286	(2,078)	(4.9)
Total Expenditures	$ 5,926,453	$ 6,147,368	$ (220,915)	(3.6)

Total General Fund expenditures decreased by $220,915 or 3.6% from the prior year as show above. The decrease in salaries and benefits is due to salary adjustments and additions to staff. There was also a significant decrease in capital expenditures due to a reduction in miscellaneous capital projects that aren't deemed to qualify as a capital asset.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times. These budget amendments fall into two categories:

- Generally speaking, the first budget amendment concentrates on students and staff. Actual student counts from the beginning of the school year are tracked and matched against the student enrollment estimates used to project many of the revenue components in the preliminary budget revenue categories. Actual staffing and respective assignments are verified for accuracy against the projected staffing costs used to establish the preliminary budget expense for salaries and benefits.

- Because it occurs further into the fiscal year, the second amendment of the budget has a heavier concentration on the review and tracking of both actual revenue and expense categories toward the annual budgeted amounts.

In the case of either budget amendments, depending on how actual revenue and expense items are tracking against the preliminary budget amounts, adjustments are proposed to specific categories for review and approval by the school board.

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights (Continued)

Actual results differed from budget as follows:

- While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by $283,814, actual expenditures exceeded actual revenues by $172,802.
- Overall, actual revenues were $373,431 more than budgeted, representing more than a 6.94% variation from budget to actual. State sources were over budget due to additional funding. Other income increased due to an increase in medical assistance.
- The actual expenditures for current year were $262,419 more than budgeted, which represents about 4.60% of budgeted expenditures. Capital outlay was over budget due to the purchase of solar panels in the current year. Instructional support expenditures increased due to staffing positions added that were funded with state aid.

CAPITAL ASSETS

As shown in the table below, the District has invested $11,461,952 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was $390,123.

Table A-8
The District's Capital Assets

	2025	2024	Percentage Change
Land	$ 1,975	$ 1,975	- %
Construction-in-Progress	134,294	-	100.0
Land Improvements	1,039,090	1,039,090	-
Buildings and Improvements	9,693,332	9,684,799	0.1
Equipment	593,261	587,179	1.0
Leased Equipment	-	62,908	(100.0)
Less: Accumulated Depreciation/Amortization	(6,035,868)	(5,708,653)	5.7
Total	$ 5,426,084	$ 5,667,298	(4.3)

LONG-TERM LIABILITIES

At year-end, the District had $2,900,000 in general obligation bonds outstanding as shown in Note 5 to the financial statements. The District also had an estimated $109,000 in compensated absences at June 30, 2025.

Table A-9
The District's Long-Term Liabilities

	2025	2024	Percentage Change
General Obligation Bonds	$ 2,900,000	$ 3,140,000	(7.6)%
Net Bond Premium	107,796	212,194	(49.2)
Compensated Absences	109,478	91,149	20.1
Total	$ 3,117,274	$ 3,443,343	(9.5)
Long-Term Liabilities			
Due Within One Year	$ 259,116	$ 331,149	
Due in More Than One Year	2,858,158	3,112,194	
Total	$ 3,117,274	$ 3,443,343	

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Carlton School District faces critical decisions about its future. While the district's fund balance has remained relatively stable over recent years, enrollment has been declining at an average rate of 20-25 students annually. The ongoing trend remains a concern. These declines are uneven across grade levels, complicating efforts to make proportional staffing adjustments.

The Carlton School Board remains committed to maintaining a comprehensive K-12 system and advancing the district's Strategic Plan. At the same time, the board recognizes the importance of addressing future challenges proactively. To that end, the board has chosen to explore potential consolidation options. Earlier this year, we discussed a possible consolidation with the Wrenshall school district, as a way to enhance financial stability and expand opportunities for students. The board members are committed with the consolidation to ensure a successful future. This deliberate approach underscores the district's commitment to aligning leadership decisions with the community's educational priorities and goals. The district is taking a deliberate and measured approach to this process. This involves continual engaging with financial advisors to reassess the financial implications of consolidation.

This financial evaluation will include a detailed review of funding mechanisms, potential cost savings, tax implications, and other critical financial factors. The findings will be instrumental in guiding the district's decision-making process, ensuring that any potential merger is both financially viable and sustainable for the long term.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager at the District's office located at 405 School Ave., Carlton, Minnesota 55718.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 93
STATEMENT OF NET POSITION
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	Governmental Activities	
	2025	2024
ASSETS		
Cash and Investments	$ 2,009,652	$ 2,150,857
Receivables:		
Property Taxes	482,828	483,044
Other Governments	591,411	905,607
Other	44,482	5,837
Inventories	3,525	2,621
Net OPEB Asset	655,649	545,841
Due From Trust	19,501	-
Capital Assets:		
Land	1,975	1,975
Construction-in-Progress	134,294	-
Other Capital Assets, Net of Depreciation	5,289,815	5,665,323
Total Assets	9,233,132	9,761,105
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	685,879	884,383
OPEB Related	6,694	41,334
Total Deferred Outflows of Resources	692,573	925,717
LIABILITIES		
Salaries and Payroll Deductions Payable	387,802	428,734
Accounts and Contracts Payable	99,859	173,003
Accrued Interest	36,250	38,819
Due to Other Governmental Units	220,041	225,375
Unearned Revenue	7,912	47,912
Long-Term Liabilities:		
Portion Due Within One Year	259,116	331,149
Portion Due in More Than One Year	2,858,158	3,112,194
Net Pension Liability	2,339,902	3,457,913
Total Liabilities	6,209,040	7,815,099
DEFERRED INFLOWS OF RESOURCES		
Pension Related	1,423,948	710,019
OPEB Related	215,275	146,849
Property Taxes Levied for Subsequent Year	1,030,356	1,134,980
Total Deferred Inflows of Resources	2,669,579	1,991,848
NET POSITION		
Net Investment in Capital Assets	2,418,288	2,315,104
Restricted for:		
General Fund Operating Capital Purposes	1,745	43,160
General Fund State-Mandated Reserves	195,160	195,556
Food Service	3,962	9,410
Community Service	163,183	169,396
Debt Service	138,746	107,835
Unrestricted	(1,873,998)	(1,960,586)
Total Net Position	$ 1,047,086	$ 879,875

See accompanying Notes to Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 93
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

					2025	2024
		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
GOVERNMENTAL ACTIVITIES						
Administration	$ 540,595	$ 47,448	$ -	$ -	$ (493,147)	$ (347,799)
District Support Services	556,590	-	207,214	5,612	(343,764)	(501,966)
Regular Instruction	2,425,986	80,224	503,943	-	(1,841,819)	(1,190,170)
Vocational Education Instruction	26,363	-	-	-	(26,363)	(57,497)
Special Education Instruction	907,781	-	804,967	-	(102,814)	(294,994)
Instructional Support Services	178,728	-	13,968	-	(164,760)	(16,631)
Pupil Support Services	691,944	-	251,152	-	(440,792)	(588,951)
Sites and Buildings	616,789	93,759	6,829	1,217	(514,984)	(724,116)
Fiscal and Other Fixed Cost Programs	100,143	-	1,199	-	(98,944)	(55,065)
Food Service	216,937	1,983	209,506	-	(5,448)	(6,352)
Community Service	245,680	167,150	38,540	-	(39,990)	(51,486)
Interest and Fiscal Charges on Long-Term Liabilities	(12,767)	-	-	-	12,767	(92,992)
Total School District	$ 6,494,769	$ 390,564	$ 2,037,318	$ 6,829	(4,060,058)	(3,928,019)
	GENERAL REVENUES					
	Property Taxes Levied for:					
	General Purposes				924,072	936,066
	Community Service				38,740	50,443
	Debt Service				306,848	578,210
	State Aid Not Restricted to Specific Purposes				2,795,387	2,886,337
	Earnings on Investments				80,213	77,484
	Miscellaneous				82,009	460,172
	Total General Revenues				4,227,269	4,988,712
	CHANGE IN NET POSITION				167,211	1,060,693
	Net Position - Beginning of Year				879,875	(180,818)
	NET POSITION - END OF YEAR				$ 1,047,086	$ 879,875

See accompanying Notes to Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 93
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Debt Service	2025	2024
ASSETS						
Cash and Investments	$ 1,464,947	$ 8,072	$ 187,093	$ 349,540	$ 2,009,652	$ 2,150,857
Receivables:						
Current Property Taxes	277,031	-	17,122	141,961	436,114	462,587
Delinquent Property Taxes	25,569	-	1,417	19,728	46,714	20,457
Accounts and Interest Receivable	43,238	-	1,244	-	44,482	2,307
Due from Other Minnesota School Districts	94,173	-	-	-	94,173	110,598
Due from Minnesota Department of Education	248,330	812	4,127	3,285	256,554	205,628
Due from Federal through Minnesota Department of Education	200,943	973	-	-	201,916	499,728
Due from Other Governmental Units	38,768	-	-	-	38,768	89,653
Due from Other Funds	19,501	-	-	-	19,501	3,530
Inventory	-	3,525	-	-	3,525	2,621
Total Assets	$ 2,412,500	$ 13,382	$ 211,003	$ 514,514	$ 3,151,399	$ 3,547,966
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Salaries and Payroll Deductions Payable	$ 369,991	$ 9,420	$ 8,386	$ -	$ 387,797	$ 430,059
Accounts and Contracts Payable	99,263	-	601	-	99,864	171,678
Due to Other Minnesota School Districts	200,434	-	107	-	200,541	212,992
Due to Other Governmental Units	19,500	-	-	-	19,500	12,383
Unearned Revenue	-	-	7,912	-	7,912	47,912
Total Liabilities	689,188	9,420	17,006	-	715,614	875,024
Deferred Inflows of Resources						
Property Taxes Levied for Subsequent Year	646,395	-	44,443	339,518	1,030,356	1,134,980
Unavailable Revenue - Delinquent Taxes	25,569	-	1,417	19,728	46,714	20,457
Total Deferred Inflows of Resources	671,964	-	45,860	359,246	1,077,070	1,155,437
Fund Balance						
Nonspendable:						
Inventory	-	3,525	-	-	3,525	2,621
Restricted:						
Student Activity Funds	76,233	-	-	-	76,233	50,965
Staff Development	445	-	-	-	445	7,985
Literacy Incentive Aid	95	-	-	-	95	14,677
American Indian Education Aid	3,533	-	-	-	3,533	4,422
Operating Capital	1,745	-	-	-	1,745	43,160
Learning and Development	-	-	-	-	-	215
Gifted and Talented	17,240	-	-	-	17,240	23,433
Basic Skills Programs	-	-	-	-	-	19,889
School Library Aid	10,384	-	-	-	10,384	17,395
Safe Schools - Crime	722	-	-	-	722	2,385
Literacy Aid	11,822	-	-	-	11,822	-
Teacher Compensation for Read Act Training	10,674	-	-	-	10,674	-
Community Education Programs	-	-	86,520	-	86,520	75,771
Early Childhood and Family Educations Programs	-	-	72,046	-	72,046	88,332
Long-Term Facilities Maintenance	42,607	-	-	-	42,607	117,246
Medical Assistance	21,405	-	-	-	21,405	314
Other Restricted	-	437	3,200	155,268	158,905	80,661
Title IV - Impact Aid	-	-	-	-	-	5,404
Assigned:						
Other Assigned	127,079	-	-	-	127,079	132,746
Unassigned	727,364	-	(13,629)	-	713,735	829,884
Total Fund Balances	1,051,348	3,962	148,137	155,268	1,358,715	1,517,505
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 2,412,500	$ 13,382	$ 211,003	$ 514,514	$ 3,151,399	$ 3,547,966

See accompanying Notes to Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 93
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	2025	2024
Total Fund Balance for Governmental Funds	$ 1,358,715	$ 1,517,505
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	1,975	1,975
Construction-in-Progress	134,294	-
Land Improvements, Net of Accumulated Depreciation	553,478	592,332
Buildings and Improvements, Net of Accumulated Depreciation	4,571,658	4,889,659
Equipment, Net of Accumulated Depreciation/Amortization	164,679	183,332
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:		
Net Pension Liability	(2,339,902)	(3,457,913)
Deferred Inflows of Resources - Pension Related	(1,423,948)	(710,019)
Deferred Outflows of Resources - Pension Related	685,879	884,383
The District's OPEB Liability and related deferred outflows and inflows are recorded only on the Statement of Net Position. Balances at year-end are:		
OPEB Asset	655,649	545,841
OPEB Liability	-	-
Deferred Outflows of Resources - OPEB Related	6,694	41,334
Deferred Inflows of Resources - OPEB Related	(215,275)	(146,849)
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.	46,714	20,457
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(36,250)	(38,819)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at year-end are:		
Bonds Payable	(2,900,000)	(3,140,000)
Unamortized Premiums	(107,796)	(212,194)
Compensated Absences	(109,478)	(91,149)
Total Net Position of Governmental Activities	$ 1,047,086	$ 879,875

See accompanying Notes to Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 93
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Debt Service	2025	2024
REVENUES						
Local:						
Property Taxes	$ 897,815	$ -	$ 38,740	$ 306,848	$ 1,243,403	$ 1,559,616
Earnings on Investments	62,384	-	6,096	11,733	80,213	77,484
Other	296,312	1,983	174,278	-	472,573	461,940
State Sources	4,091,967	101,891	40,695	32,848	4,267,401	3,722,617
Federal Sources	405,173	107,615	-	-	512,788	1,619,066
Total Revenues	5,753,651	211,489	259,809	351,429	6,576,378	7,440,723
EXPENDITURES						
Current:						
Administration	554,868	-	-	-	554,868	513,251
District Support Services	562,583	-	-	-	562,583	460,527
Regular Instruction	2,133,032	-	-	-	2,133,032	2,312,602
Vocational Education Instruction	24,781	-	-	-	24,781	60,001
Special Education Instruction	924,332	-	-	-	924,332	964,716
Instructional Support Services	179,668	-	-	-	179,668	135,684
Pupil Support Services	686,884	-	-	-	686,884	685,891
Sites and Buildings	578,580	-	-	-	578,580	591,087
Fiscal and Other Fixed Cost Programs	100,143	-	-	-	100,143	58,989
Food Service	-	216,856	-	-	216,856	266,210
Community Service	-	-	257,578	-	257,578	291,944
Capital Outlay	181,582	81	-	-	181,663	416,543
Debt Service:						
Principal	-	-	-	240,000	240,000	563,407
Interest and Fiscal Charges	-	-	-	94,200	94,200	122,275
Total Expenditures	5,926,453	216,937	257,578	334,200	6,735,168	7,443,127
Excess (Deficiency) of Revenues Over (Under) Expenditures	(172,802)	(5,448)	2,231	17,229	(158,790)	(2,404)
OTHER FINANCING SOURCES (USES)						
Insurance Proceeds	-	-	-	-	-	49,716
NET CHANGE IN FUND BALANCE	(172,802)	(5,448)	2,231	17,229	(158,790)	47,312
Fund Balance - Beginning of Year	1,224,150	9,410	145,906	138,039	1,517,505	1,470,193
FUND BALANCE - END OF YEAR	$ 1,051,348	$ 3,962	$ 148,137	$ 155,268	$ 1,358,715	$ 1,517,505

See accompanying Notes to Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 93
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

	2025	2024
Net Change in Fund Balance-Total Governmental Funds	$ (158,790)	$ 47,312
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation/amortization expense.		
Capital Outlays	148,909	393,745
Depreciation/Amortization Expense	(390,123)	(409,667)
Payment of OPEB benefits are recognized as expenditures at the fund level while the change in the OPEB liability and related deferred outflows and inflows are recognized in the Statement of Net Position.	6,742	26,770
Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.	205,578	433,111
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Net Bond (Premium) Discount Amortization	104,398	18,319
Repayment of Bond Principal	240,000	566,276
Change in Accrued Interest Expense - General Obligation Bonds	2,569	10,964
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds.	26,257	5,103
In the statement of activities, compensated absences are measured on the accrual basis. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(18,329)	(31,240)
Change in Net Position of Governmental Activities	$ 167,211	$ 1,060,693

See accompanying Notes to Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 93
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	OPEB Trust Fund	
	2025	2024
ASSETS		
Cash and Investments	$ 101,000	$ 96,248
Investments:		
Money Market	653,825	311,195
U.S. Treasury Securities	-	314,891
Interest Receivable	10,636	-
Total Assets	$ 765,461	$ 722,334
LIABILITIES		
Accounts Payable	-	3,530
Due To Other Funds	19,501	-
Total Liabilities	$ 19,501	$ 3,530
NET POSITION		
Restricted for Postemployment Benefits Other Than Pensions	$ 745,960	$ 718,804

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

	2025	2024
ADDITIONS		
Gifts and Bequests	$ 6,949	$ -
Investment Income:		
Interest and Dividends	38,827	32,320
Less: Investment Expense	(250)	(250)
Total Additions	45,526	32,070
DEDUCTIONS		
Benefit Payments	18,120	8,330
Administrative Expense	250	250
Total Deductions	18,370	8,580
CHANGE IN NET POSITION	27,156	23,490
Net Position - Beginning of Year	718,804	695,314
NET POSITION - END OF YEAR	$ 745,960	$ 718,804

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 93 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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. Financial Reporting Entity

The District is an instrumentality of the state of Minnesota established to function as an educational institution. The elected Board of Education (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

GAAP require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

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

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

C. Basic Financial Statement Presentation

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

Separate fund financial statements are provided for governmental, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The fiduciary fund, postemployment benefits irrevocable trust fund, is presented in the fiduciary fund financial statements. 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 District-wide 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 fund is charges for service in the form of insurance premiums. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Measurement Focus and Basis of Accounting

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

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. <u>Revenue Recognition</u>

   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. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Community service tuition, meal sales, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures

   Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Description of Funds

The existence of the various District funds has been established by the state of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting 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. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements, and state aids.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs, or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state credits.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs.

Fiduciary Fund

Postemployment Benefits Irrevocable Trust Fund

This trust fund is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits. District contributions to this fund must be expensed to an operating fund.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the Board of Education adopts an annual budget for the following fiscal year for the General, Food Service, and Community Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budgeted amounts represent the amended budget as adopted by the Board of Education. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the Board of Education prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by Board of Education action. Revisions to budgeted amounts must be approved by the Board of Education.

Total fund expenditures in excess of the budget require approval of the Board of Education. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budgeted amounts include interim budget amendments that increased or decreased revenue and expenditure budgets as follows:

Revenues	Original Budget	Amendments	Amended Budget
General Fund	$ 5,327,899	$ 52,321	$ 5,380,220
Special Revenue Funds:			
Food Service Fund	242,250	(21,700)	220,550
Community Service Fund	264,407	(11,798)	252,609
Expenditures			
General Fund	5,425,649	238,385	5,664,034
Special Revenue Funds:			
Food Service Fund	249,833	(3,194)	246,639
Community Service Fund	284,374	(21,107)	263,267

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

At the end of each fiscal year, if the General Fund has a net unreserved deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain reserves specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the commissioner of the Department of Education.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments

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

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, Bankers' acceptances, and U.S. Treasury and agency obligations.

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are property taxes receivable.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

I. Property Taxes

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection 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 January 1. Taxes are due on May 15 and October 15. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid by through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflow of resources (property taxes levied for subsequent year).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes (Continued)

The majority of District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the “tax shift.”

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at $27,479) for the District. Certain other portions of the District’s 2024 Pay 2025 levy, normally revenue for the 2025-2026 fiscal year, are also advance recognized at June 30, 2025, as required by state statute to match revenue with the same fiscal year as the related expenditures

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 unavailable because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2025, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District’s capital asset threshold for assets must have an individual cost of more than $5,000. For bulk purchases of furniture, textbooks, or technology, the capitalization threshold is $25,000 in aggregate. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for equipment.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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

K. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The District will not recognize the related outflow until a future event occurs.

L. Long-Term Obligations

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

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

M. Accrued Employee Benefits

<u>Compensated Absences</u>

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

N. Deferred Inflows of Resources

In addition to liabilities, the financial statements reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

O. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for the school lunch deposits, charges for services and unearned grant revenue.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Pensions

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

Q. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance are related to prepaid items and inventories. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Business Manager to assign fund balances and its intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned fund balance.

It is also the District's policy to strive to maintain a minimum unassigned General Fund balance between 16% and 25% of the annual unassigned operating budget.

R. Net Position

Net position represents the difference between assets and deferred inflows of resources and liabilities and deferred outflows of resources in the District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance (less any unspent bond proceeds) of any debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. Unrestricted net position represents all net position remaining after net investment in capital assets and restricted net position. When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, it is the District's policy to use restricted first, then unrestricted net position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2024, from which the summarized information was derived. Certain comparative information has been reclassified to conform with the current year presentation.

T. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

U. Adoption of New Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issues GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

The District adopted the requirements of the guidance effective July 1, 2024, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard did not result in any material adjustments.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures over Budget

Expenditures exceeded budgeted amounts in the following funds at June 30, 2025.

	Budget	Expenditures	Excess
General Fund	$ 5,664,034	$ 5,926,453	$ 262,419

The overages above were considered by District management to be the result of necessary expenditures critical to operations.

B. Due to/from Other Funds

The amount due to the General Fund from the OPEB Trust Fund in the amount of $19,501 is the amount of the trust draw in the current year.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Position and balance sheet as "Cash and Investments." In accordance with Minnesota Statutes the District maintains deposits at financial institutions which are authorized by the School District's Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The District's deposits in banks at June 30, 2025 was $449,513. At June 30, 2025, the District's deposits were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

With the exception of the fiduciary funds held in the District's Other Postemployment Benefit Trust account discussed in Note 3, C, the District may invest its idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies;
- Shares of investment companies registered under the Investment Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less;
- General obligations rated "A" or better; revenue obligations rated "AA" or better;
- General obligations of the Minnesota Housing Finance Agency rate "A" or better;
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System;

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less;
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories and repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2025, the District had the following investments:

Type	Amount
MN Trust Investment Share	$ 1,661,139
OPEB Trust	
Money Market	653,825
Total	$ 2,314,964

MN Trust is an external investment pool (Pool). The Pool is regulated by Minnesota statutes and is not registered with the Securities and Exchange Commission (SEC) as an investment company. The MN Trust Investment Series and Term Series is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of $1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Governmental Accounting Standards Board. The MN Trust Term Series withdraws requires a seven-day notice of redemption and would likely carry a penalty. The MN Trust Investment Series withdrawals may only be made on the third Wednesday of each month upon advance written notice, with no penalties assessed.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities to meet cash requirements for ongoing operations. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Type	Total	12 Months or Less	12 to 24 Months	25 to 60 Months
MN Trust Investment Share	$ 1,661,139	$ 1,661,139	$ -	$ -
OPEB Trust				
Money Market	653,825	653,825	-	-
Total	$ 2,314,964	$ 2,314,964	$ -	$ -

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District's investments as rated by Moody's Investors Service:

Type	Credit Quality Rating	Amount
MN Trust Investment Share	NR	$ 1,661,139
OPEB Trust		
Money Market	NR	653,825
Total		$ 2,314,964

Custodial Credit Risk – For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's bond documents require insurance of all balances held with each investment account. As of June 30, 2025, the investment balances were fully covered by insurance.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in any one issuer. For the year ended June 30, 2025, none of the individual investments held by the District were over the 5% threshold.

The District's deposits ($449,513) and investments ($2,314,964) are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	$ 2,009,652
Cash and Investments - Statement of Fiduciary Net Position	754,825
Total Cash and Investments	$ 2,764,477

C. Other Postemployment Benefit Trust Account

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes

Fiduciary Funds held in the District's Other Postemployment Benefit Trust account may be invested as authorized by Minnesota Statutes Chapter 356A. The District has further restricted and defined its authorized statute investment parameters within an OPEB Trust investment policy statement as follows:

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Other Postemployment Benefit Trust Account (Continued)

Following is a list of the permissible assets for the OPEB Trust portfolio:

- *Securities of the U.S. government, its agencies and/or instrumentality*
- Commercial Paper; Domestic and Eurodollar
- Corporate Notes/Bonds; Domestic and International
- Asset-Backed Securities
- Certificates of Deposit
- Tax-Exempt and Taxable Municipal bonds
- Mortgage-backed securities (U.S. government-backed)
- Domestic Equities traded on a major exchange
- International Equities traded on a U.S. exchange (ADRs)
- Open-ended mutual funds that invest substantially all their assets in the asset classes listed above, such as: money market funds, domestic and foreign equity and fixed income funds
- Alternative funds that employ nontraditional strategies

D. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- *Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- *Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data. These inputs include similarly traded investments valued by a pricing service that uses matrix pricing and valuation multiples.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurements (Continued)

- *Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
None Noted	$ -	$ -	$ -	$ -
Investments measured at Net Asset Value (NAV)				2,314,964
Total				$ 2,314,964

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 1,975	$ -	$ -	$ 1,975
Construction-in-Progress	-	134,294	-	134,294
Total Capital Assets, Not Being Depreciated	1,975	134,294	-	136,269
Capital Assets, Being Depreciated:				
Land Improvements	1,039,090	-	-	1,039,090
Buildings and Improvements	9,684,799	8,533	-	9,693,332
Equipment	587,179	6,082	-	593,261
Total Capital Assets, Being Depreciated	11,311,068	14,615	-	11,325,683
Accumulated Depreciation for:				
Land Improvements	(446,758)	(38,854)	-	(485,612)
Buildings and Improvements	(4,795,140)	(326,534)	-	(5,121,674)
Equipment	(403,847)	(24,735)	-	(428,582)
Total Accumulated Depreciation	(5,645,745)	(390,123)	-	(6,035,868)
Total Capital Assets, Being Depreciated, Net	5,665,323	(375,508)	-	5,289,815
Right-to-Use Asset:				
Equipment	62,908	-	(62,908)	-
Accumulated Amortization for:				
Equipment	(62,908)	-	62,908	-
Total Right-to-Use Assets, Being Amortized, Net	-	-	-	-
Governmental Activities Capital Assets, Net	$ 5,667,298	$ (241,214)	$ -	$ 5,426,084

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the District as follows:

Governmental Activities:	
Administration	$ 513
District Support Services	315
Regular Instruction	341,715
Vocational Education Instruction	2,484
Special Education Instruction	3,258
Pupil Support Services	13,203
Sites and Buildings	28,635
Total Depreciation Expense, Governmental Activities	$ 390,123

NOTE 5 LONG-TERM LIABILITIES

A. Components of General Long-Term Debt

Description of Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
Facilities Maintenance Bonds:					
Series 2018A	2/15/2018	3.00% - 5.00%	$ 5,525,000	2/1/2036	$ 2,900,000
Unamortized Bond Premium					107,796
Compensated Absences					109,478
Total Long-Term Liabilities					$ 3,117,274

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable, are as follows:

	General Obligation Bonds Payable	
Year Ending June 30,	Principal	Interest
2026	$ 235,000	$ 87,000
2027	240,000	79,950
2028	250,000	72,750
2029	255,000	65,250
2030	265,000	57,600
2031-2035	1,395,000	163,800
2036	260,000	7,800
Total	$ 2,900,000	$ 534,150

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt

1. General Obligation Bonds

These bonds were issued to finance acquisition and/or construction/improvement of capital facilities. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. Total deferred tax levies available to retire bond principal and interest payable at June 30, 2025 are $3,605,858. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statute.

D. Changes in Long-Term Debt

		June 30, 2024	Additions	Retirements	June 30, 2025	Due Within One Year
General Obligation Bonds		$ 3,140,000	$ -	$ 240,000	$ 2,900,000	$ 235,000
Net Bond Premiums		212,194	-	104,398	107,796	-
Subtotal		3,352,194	-	344,398	3,007,796	235,000
Compensated Absences	*	91,149	18,329	-	109,478	24,116
Total		$ 3,443,343	$ 18,329	$ 344,398	$ 3,117,274	$ 259,116

NOTE 6 RESTRICTED AND ASSIGNED FUND BALANCES

A. Restricted for Student Activities

Represents available resources to be used for extracurricular activity funds raised by students.

B. Restricted for Staff Development

In accordance with state statute, represents available resources dedicated exclusively for staff development.

C. Restricted for Literacy Incentive Aid

Represents the resources available to support implementation of evidence-based reading instruction.

D. Restricted for American Indian Education Aid

Represents available resources remaining in the American Indian Education funds levels in accordance with Minnesota Statutes 124D.81, Subdivision 2b.

E. Restricted for Operating Capital

Represents tax levies and state aid in the General Fund to be used for purchase of equipment and facilities.

NOTE 6 RESTRICTED AND ASSIGNED FUND BALANCES (CONTINUED)

F. Restricted for Gifted and Talented

Represents the part of general education aid revenue for the gifted and talented program that is unspent at year-end must be restricted in this balance sheet account.

G. Restricted for School Library Aid

Represents available resources for school library uses.

H. Restricted for Safe Schools – Crime

Represents the unspent resources from the crime levy to be used for crime prevention, student and staff safety, and violence prevention measures.

I. Restricted for Literacy Aid

This restriction represents resources available for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy.

J. Restricted for Teacher Compensation for Read Act Training

This restriction represents available resources available for teacher compensation for Read Act training.

K. Restricted for Long-Term Facilities Maintenance (LTFM)

This restriction represents available resources to be used for LTFM projects in accordance with the 10 year capital plan.

L. Restricted for Medical Assistance

Represents available resources to be used for Medical Assistance expenditures.

M. Restricted for Community Education Programs

The fund balance restriction represents accumulated resources available to provide general community education programming.

N. Restricted for Early Childhood and Family Education

Represents the resources available to provide for services for Early Childhood Family Education programming.

NOTE 6 RESTRICTED AND ASSIGNED FUND BALANCES (CONTINUED)

O. Restricted for Other Purposes

Restricted for other purposes represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. See specific restrictions below:

Other Restricted:		
Restricted for Food Service	$	437
Restricted for Community Service		3,200
Restricted for Debt Service		155,268
Total Other Restricted	$	158,905

P. Other Assigned

This assignment represents resources to support expenditures for various programs within the Dsitrict.

NOTE 7 PENSION PLANS

A. Plan Description

1. General Employees Retirement Plan (General Employees Plan)

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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.

NOTE 7 PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA)

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

Educators employed in Minnesota's public elementary and secondary school, 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 schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage within one year of eligible employment or elect coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing DCR plan is not a member of TRA except for purposes of social security coverage.

B. Benefits Provided

1. General Employees Plan Benefits

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

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% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of 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% 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% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

2. TRA Benefits

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

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

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service are Up to July 1, 2006	1.2% per Year
	First Ten Years, If Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service If Service Years are Up to July 1, 2006	1.7% per Year
	All Other Years of Service If Services Years are July 1, 2006 or After	1.9% per Year

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) 3.0% 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

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for coordinated members and 2.7% 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.

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

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

C. Contributions

1. General Employees Plan Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50% for General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025 were $67,198. The District's contributions were equal to the required contributions as set by state statute.

NOTE 7 PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were $160,196. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2025, the District reported a liability of $382,771 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 $9,898, for a total net pension liability of $392,669 associated with the District.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the district's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0104% at the end of the measurement period and 0.0109% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of $3,100 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $123 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16 million to the General Employees Fund.

During the plan year ended June 30, 2025, 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 $17,611 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 its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 35,990	$ -
Changes in Actuarial Assumptions	1,869	144,872
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	111,154
Changes in Proportion	-	44,774
District Contributions Subsequent to the Measurement Date	67,198	-
Total	$ 105,057	$ 300,800

$67,198 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2026	$ (142,683)
2027	(35,442)
2028	(55,478)
2029	(29,338)

2. TRA Pension Costs

At June 30, 2025, the District reported a liability of $1,957,131 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.0308% at the end of the measurement period and 0.0345% for the beginning of the period.

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

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

Description		Amount
District's Proportionate Share of the TRA Net Pension Liability	$	1,957,131
State's Proportionate Share of TRA's Net Pension Liability Associated with the District		127,948
Total	$	2,085,079

For the year ended June 30, 2025, the District recognized a recognized pension expense of $38,080 for its proportionate share of the TRA's pension expense. In addition, the District recognized ($1,566) as an increase to pension expense and grant revenue for the support provided by direct aid.

At June 30, 2025, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$	93,302	$	25,365
Changes in Actuarial Assumptions		197,374		233,393
Net Difference Between Projected and Actual Investment Earnings		-		277,008
Changes in Proportion		129,950		587,382
District Contributions Subsequent to the Measurement Date		160,196		-
Total	$	580,822	$	1,123,148

$160,196 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		Pension Expense Amount
2026	$	(274,190)
2027		66,020
2028		(200,621)
2029		(217,436)
2030		(76,295)

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the District's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

	PERA	TRA	Total
Net Pension Liability	$ 382,771	$ 1,957,131	$ 2,339,902
Deferred Outflows of Resources	105,057	580,822	685,879
Deferred Inflows of Resources	300,800	1,123,148	1,423,948
Pension Expense	3,223	36,514	39,737

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Totals	100.0 %	

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

NOTE 7 PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Totals	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0%. The 7.0% 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 7.0% is within that range.

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

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

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

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

TRA pre-retirement mortality rates were based on the 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 mortality rates were based on the PubT-2010(A) Retiree Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale. Beneficiaries mortality rates were based on the 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 mortality rates were based on the PubNS-2010 Disabled Retiree Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale.

NOTE 7 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Inflation is assumed to be 2.5% for TRA. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Salary growth assumptions for TRA range in annual increments from 2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028.

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

The following changes in actuarial assumptions and plan provisions for TRA occurred in 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.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

NOTE 7 PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

G. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plan 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.

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

H. Pension Liability Sensitivity

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

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
General Employees Plan Discount Rate	6.00%	7.00%	8.00%
District's Proportionate Share of the General Employees Plan Net Pension Liability	$ 836,033	$ 382,771	$ 9,921
TRA Discount Rate	6.00%	7.00%	8.00%
District's Proportionate Share of the TRA Net Pension Liability	$ 3,446,622	$ 1,957,131	$ 731,244

NOTE 7 PENSION PLANS (CONTINUED)

I. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling 651-296-2409 or 1-800-657-3669.

NOTE 8 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the year ended June 30, 2025 were $18,700.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District administers a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) which provides medical and dental benefits to eligible retired employees and their dependents in accordance with the terms of the plan.

The District has established an irrevocable trust fund to account for accumulated plan assets available to pay for current and future postemployment health care costs. The Trust does not issue a stand-alone financial report but is included in this report of the District.

The District provides postemployment health insurance benefits to some retired employees as established by contracts with bargaining units or other employment contracts. These contracts state the years, age, and retiring dates needed to qualify for these postemployment benefits. The contracts also establish the amount the District will contribute towards the purchase of health insurance. The District determines the amount contributed to the Trust. Currently, the District is not making contributions to the Trust since there are adequate amounts in the Trust to pay all current and future benefits. There are 34 active participants, 14 retired participants waiving medical coverage, 1 retiree electing medical coverage and 1 retiree with only non-medical OPEB coverage.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Funding Policy

The District's investment policy is to follow state statutes as listed in Note 3. The District is assumed to make no future contributions to the trust. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust. Contribution requirements are negotiated between the District and union representatives. For fiscal year 2025, the District made no contributions to the plan. All current year benefits were paid from the District's OPEB Trust Fund.

C. Net OPEB Liability (Asset) of the District

The components on the net OPEB liability (asset) of the District at June 30, 2025, were as follows:

Total OPEB Asset	$	90,311
Plan Fiduciary Net Position		745,960
District's Net OPEB Liability (Asset)	$	(655,649)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)		-13.77%

D. Actuarial Methods and Assumptions

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

The District's OPEB liability was measured as of June 30, 2025, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2024.

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

Inflation	2.50%
Salary Increases	Service Graded Table
Investment Rate of Return	5.31%
Health Care Trend Rates	8.6% Decreasing to 3.9% over 50 years

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

For the year ended June 30, 2025, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan expenditures, was 5.31%. The money-weighted rate of return expresses investment performance, net of investment expenditures, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%). Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Target Allocation	Expected Class Return
Equities	- %	7.10 %
Fixed Income	-	5.20
International Equity	-	7.45
Real Estate	-	6.48
Cash and Equivalents	100.00	3.69
Total	100.00 %	3.70
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)		3.75 %

The discount rate used to measure the total OPEB liability was 3.75%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments. Once projected trust assets are exhausted, the municipal bond index rate was applied to the remaining expected benefit payments.

The expected employer asset return is based on plan's target investment allocation along with long-term return expectations by asset class. Where there is sufficient historical evidence of market outperformance, historical average returns may be considered.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

Since the most recent valuation, the following changes have been made:

- The discount rate was changed from 3.25% to 3.75%.
- The long-term investment return assumption was changed from 3.25% to 3.75% based on updated capital market assumptions.
- The percent of future retirees assumed to elect coverage at retirement changed from 30% to 20% to reflect recent plan experience.

E. Changes in the OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2024	$ 180,289	$ 726,130	$ (545,841)
Changes for the Year:			
Service Cost	18,070	-	18,070
Interest	6,265	38,577	(32,312)
and Actual Experience	(88,301)	-	(88,301)
Change of Assumptions	(14,841)	-	(14,841)
Benefit Payments	(11,171)	(11,171)	-
Administrative Expense	-	(7,576)	7,576
Net Changes	(89,978)	19,830	(109,808)
Balance at June 30, 2025	$ 90,311	$ 745,960	$ (655,649)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB Liability (Asset)	$ (650,089)	$ (655,649)	$ (660,954)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1% lower (7.6% decreasing to 2.9% over the next 50 years) or 1% higher (9.6% decreasing to 4.9% over the next 50 years) than the current healthcare cost trend rates:

Medical Trend Rate	1% Decrease (7.6% Decreasing to 2.9%)	Current Trend Rates (8.6% Decreasing to 3.9%)	1% Increase (9.6% Decreasing to 4.9%)
Net OPEB Liability (Asset)	$ (662,744)	$ (655,649)	$ (647,120)

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Changes in the OPEB Liability (Asset) (Continued)

For the year ended June 30, 2025, the District recognized OPEB expense of ($20,718). At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 6,694	$ 119,731
Changes in Actuarial Assumptions	-	84,566
Net Difference Between Projected and Actual Investment Earnings	-	10,978
Total	$ 6,694	$ 215,275

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

Year Ending June 30,	Future Recognition
2026	$ (34,697)
2027	(41,776)
2028	(43,116)
2029	(35,703)
2030	(21,689)
Thereafter	(31,600)
Total	$ (208,581)

NOTE 10 COMMITMENTS AND CONTINGENCIES

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. The financial assistance received is subject to audits by the grantor agency.

NOTE 11 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers' compensation. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 93
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Property Taxes	$ 839,596	$ 889,305	$ 897,815	$ 8,510
Earnings on Investments	70,000	70,000	62,384	(7,616)
Other	198,187	197,237	296,312	99,075
State Sources	3,826,113	3,865,164	4,091,967	226,803
Federal Sources	394,003	358,514	405,173	46,659
Total Revenues	5,327,899	5,380,220	5,753,651	373,431
EXPENDITURES				
Current:				
Administration	507,627	498,941	554,868	55,927
District Support Services	517,835	536,301	562,583	26,282
Elementary and Secondary Regular Instruction	2,132,129	2,164,759	2,133,032	(31,727)
Vocational Education Instruction	5,544	11,800	24,781	12,981
Special Education Instruction	925,445	1,007,422	924,332	(83,090)
Instructional Support Services	63,289	63,289	179,668	116,379
Pupil Support Services	605,068	654,068	686,884	32,816
Sites and Buildings	577,310	591,052	578,580	(12,472)
Fiscal and Other Fixed Cost Programs	50,000	80,000	100,143	20,143
Capital Outlay	14,102	29,102	181,582	152,480
Debt Service:				
Principal	27,300	27,300	-	(27,300)
Total Expenditures	5,425,649	5,664,034	5,926,453	262,419
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(97,750)	(283,814)	(172,802)	111,012
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	500	500	-	(500)
NET CHANGE IN FUND BALANCE	$ (97,250)	$ (283,314)	(172,802)	$ 110,512
FUND BALANCE				
Beginning of Year			1,224,150	
END OF YEAR			$ 1,051,348	

See accompanying Notes to Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 93
BUDGETARY COMPARISON SCHEDULE
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Other - Primarily Meal Sales	$ 2,050	$ 2,050	$ 1,983	$ (67)
State Sources	123,500	114,500	101,891	(12,609)
Federal Sources	116,700	104,000	107,615	3,615
Total Revenues	242,250	220,550	211,489	(9,061)
EXPENDITURES				
Current:				
Food Service	249,833	245,639	216,856	(28,783)
Capital Outlay	-	1,000	81	(919)
Total Expenditures	249,833	246,639	216,937	(29,702)
NET CHANGE IN FUND BALANCE	$ (7,583)	$ (26,089)	(5,448)	$ 20,641
FUND BALANCE				
Beginning of Year			9,410	
End of Year			$ 3,962	

See accompanying Notes to Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 93
BUDGETARY COMPARISON SCHEDULE
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Property Taxes	$ 39,807	$ 37,920	$ 38,740	$ 820
Earnings on Investments	-	-	6,096	6,096
Other - Primarily Tuition and Fees	170,485	162,770	174,278	11,508
State Sources	43,465	41,269	40,695	(574)
Federal Sources	10,650	10,650	-	(10,650)
Total Revenues	264,407	252,609	259,809	7,200
EXPENDITURES				
Current:				
Community Service	282,774	263,167	257,578	(5,589)
Capital Outlay	1,600	100	-	(100)
Total Expenditures	284,374	263,267	257,578	(5,689)
NET CHANGE IN FUND BALANCE	$ (19,967)	$ (10,658)	2,231	$ 12,889
FUND BALANCE				
Beginning of Year			145,906	
End of Year			$ 148,137	

See accompanying Notes to Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 93
SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST TEN MEASUREMENT PERIODS

	2025	2024	2023	2022
Total OPEB Liability:				
Service Cost	$ 18,070	$ 17,544	$ 29,733	$ 30,087
Interest	6,265	5,845	7,107	6,009
Differences Between Expected and Actual Experience	(88,301)	(1,248)	(67,439)	(455)
Changes of Assumptions	(14,841)	-	(71,058)	(5,055)
Change of Benefit Terms	-	-	-	-
Benefit Payments	(11,171)	(8,330)	(19,593)	(29,463)
Net Change in Total OPEB Liability	(89,978)	13,811	(121,250)	1,123
Total OPEB Liability - Beginning	180,289	166,478	287,728	286,605
Total OPEB Liability - Ending (a)	$ 90,311	$ 180,289	$ 166,478	$ 287,728
Plan Fiduciary Net Position				
Contributions - Employer	$ -	$ -	$ 12,833	$ 11,044
Net Investment Income	38,577	39,397	7,180	(27,209)
Differences Between Expected and Actual Experience	-	-	-	-
Benefit Payments	(11,171)	(8,330)	(19,593)	(29,463)
Administrative Expense	(7,576)	(251)	-	-
Net Change in Plan Fiduciary Net Position	19,830	30,816	420	(45,628)
Plan Fiduciary Net Position - Beginning	726,130	695,314	694,894	740,522
Plan Fiduciary Net Position - Ending (b)	$ 745,960	$ 726,130	$ 695,314	$ 694,894
District's Net OPEB Asset - Ending (a) - (b)	$ (655,649)	$ (545,841)	$ (528,836)	$ (407,166)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Asset	825.99%	402.76%	417.66%	241.51%
Covered-Employee Payroll	$ 2,345,540	$ 2,668,063	$ 2,789,272	$ 3,107,350
District's OPEB Liability as a Percentage of Covered-Employee Payroll	-27.95%	-20.46%	-18.96%	-13.10%

Note 1

The District implemented GASB Statement No. 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

See accompanying Notes to Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 93
SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY (ASSET) AND RELATED RATIOS (CONTINUED)
LAST TEN MEASUREMENT PERIODS

2021	2020	2019	2018	2017
$ 33,489	$ 33,139	$ 30,776	$ 29,981	$ 28,046
10,351	10,505	7,067	7,902	8,692
16,924	-	101,513	-	-
(62,809)	(9,372)	(38,240)	(15,630)	-
(1,838)	-	1,362	-	-
(42,137)	(35,010)	(42,039)	(70,816)	(69,761)
(46,020)	(738)	60,439	(48,563)	(33,023)
332,625	333,363	272,924	321,487	354,510
$ 286,605	$ 332,625	$ 333,363	$ 272,924	$ 321,487
$ 24,253	$ -	$ -	$ -	$ -
37,387	11,106	(2,650)	10,247	11,555
-	-	-	-	-
(42,137)	(35,010)	(42,039)	(70,816)	(69,761)
-	-	-	-	(57,151)
19,503	(23,904)	(44,689)	(60,569)	(115,357)
721,019	744,923	789,612	850,181	965,538
$ 740,522	$ 721,019	$ 744,923	$ 789,612	$ 850,181
$ (453,917)	$ (388,394)	$ (411,560)	$ (516,688)	$ (528,694)
258.38%	216.77%	223.46%	289.32%	264.45%
$ 3,138,255	$ 3,323,007	$ 3,447,693	$ 3,564,119	$ 3,428,386
-14.46%	-11.69%	-11.94%	-14.50%	-15.42%

See accompanying Notes to Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 93
SCHEDULE OF MONEY WEIGHTED RATE OF RETURN ON OPEB PLAN ASSETS
LAST TEN MEASUREMENT PERIODS

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2025	5.31%
2024	5.67%
2023	1.03%
2022	-3.67%
2021	5.19%
2020	1.49%
2019	-0.34%
2018	1.21%
2017	1.20%

The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

See accompanying Notes to Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 93
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN MEASUREMENT PERIODS

Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
PERA - General Employees Fund				
District's Proportion of the Net Pension Liability	0.0104%	0.0109%	0.0113%	0.0118%
District's Proportionate Share of the Net Pension Liability	$ 382,771	$ 609,516	$ 894,964	$ 503,913
State's Proportionate Share of the Net Pension Liability Associated with the District	9,898	16,802	26,167	15,439
Total of District's and State's Proportionate Share of the Net Pension Liability	$ 392,669	$ 626,318	$ 921,131	$ 519,352
District's Covered Payroll	$ 869,413	$ 863,613	$ 842,840	$ 851,800
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	44.03%	70.58%	106.18%	59.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.08%	83.10%	76.70%	87.00%

*The Amounts Presented for Each Fiscal Year were Determined as of 6/30.

Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
TRA				
District's Proportion of the Net Pension Liability	0.0308%	0.0345%	0.0384%	0.0359%
District's Proportionate Share of the Net Pension Liability	$ 1,957,131	$ 2,848,397	$ 3,074,869	$ 1,571,091
State's Proportionate Share of the Net Pension Liability Associated with the District	127,948	199,436	227,745	132,409
Total of District's and State's Proportionate Share of the Net Pension Liability	$ 2,085,079	$ 3,047,833	$ 3,302,614	$ 1,703,500
District's Covered Payroll	$ 2,000,846	$ 2,194,316	$ 2,370,659	$ 2,148,954
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	97.82%	129.81%	129.71%	73.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.07%	76.42%	76.17%	86.63%

See accompanying Notes to Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 93
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)
LAST TEN MEASUREMENT PERIODS

June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
0.0124%	0.0138%	0.0166%	0.0177%	0.0171%	0.0161%
$ 743,437	$ 762,971	$ 920,900	$ 1,129,956	$ 1,388,435	$ 834,386
22,777	23,832	30,129	14,215	18,109	-
$ 766,214	$ 786,803	$ 951,029	$ 1,144,171	$ 1,406,544	$ 834,386
$ 881,640	$ 979,373	$ 1,115,813	$ 1,137,493	$ 1,061,747	$ 932,987
84.32%	77.90%	82.53%	99.34%	130.77%	89.43%
79.06%	80.20%	79.53%	75.90%	68.91%	78.20%
0.0389%	0.0413%	0.0400%	0.0403%	0.0425%	0.0427%
$ 2,873,984	$ 2,632,471	$ 2,511,239	$ 8,044,611	$ 10,137,264	$ 2,641,417
241,077	233,199	235,731	777,723	1,018,259	323,741
$ 3,115,061	$ 2,865,670	$ 2,746,970	$ 8,822,334	$ 11,155,523	$ 2,965,158
$ 2,259,104	$ 2,343,722	$ 2,208,960	$ 2,168,747	$ 2,212,307	$ 2,164,840
127.22%	112.32%	113.68%	370.93%	458.22%	122.01%
75.48%	78.07%	78.07%	51.57%	44.88%	76.80%

See accompanying Notes to Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 93
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2024	2024	2023	2022
PERA - General Employees Fund				
Contractually Required Contribution	$ 67,198	$ 65,206	$ 64,771	$ 63,213
Contributions in Relation to the Contractually Required Contribution	(67,198)	(65,206)	(64,771)	(63,213)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 895,973	$ 869,413	$ 863,613	$ 842,840
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%
TRA				
Contractually Required Contribution	$ 160,196	$ 175,074	$ 187,614	$ 197,713
Contributions in Relation to the Contractually Required Contribution	(160,196)	(175,074)	(187,614)	(197,713)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 1,830,811	$ 2,000,846	$ 2,194,316	$ 2,370,659
Contributions as a Percentage of Covered Payroll	8.75%	8.75%	8.55%	8.34%

See accompanying Notes to Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 93
SCHEDULE OF DISTRICT CONTRIBUTIONS (CONTINUED)
LAST TEN FISCAL YEARS

2021	2020	2019	2018	2017	2016
$ 63,885	$ 66,123	$ 73,453	$ 83,686	$ 85,312	$ 79,631
(63,885)	(66,123)	(73,453)	(83,686)	(85,312)	(79,631)
$ -	$ -	$ -	$ -	$ -	$ -
$ 851,800	$ 881,640	$ 979,373	$ 1,115,813	$ 1,137,493	$ 1,061,747
7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
$ 174,710	$ 178,921	$ 180,701	$ 165,672	$ 162,656	$ 165,923
(174,710)	(178,921)	(180,701)	(165,672)	(162,656)	(165,923)
$ -	$ -	$ -	$ -	$ -	$ -
$ 2,148,954	$ 2,259,104	$ 2,343,722	$ 2,208,960	$ 2,168,747	$ 2,212,307
8.13%	7.92%	7.71%	7.50%	7.50%	7.50%

See accompanying Notes to Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 93
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 1 COMPLIANCE – BUDGETS

The budget and actual amounts are both prepared on the modified accrual basis of accounting in accordance with GAAP.

In the following funds, expenditures exceeded the appropriations during the year ended June 30, 2025:

	Budget	Expenditures	Excess
General Fund	$ 5,664,034	$ 5,926,453	$ 262,419

The overages above were considered by District management to be the result of necessary expenditures critical to operations.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2024

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2023

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreased 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.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018

Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.

Changes in Plan Provisions

- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.
- 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% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

Changes in Plan Provisions

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

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2016

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- 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% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions

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

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

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.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2024 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2023

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2022

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years.
- Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending 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% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2017

Changes in Actuarial Assumptions

- The cost-of-living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group’s behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2016 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of $14.377 million until the System becomes fully funded.

NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

June 30, 2025

- The discount rate was changed from 3.25% to 3.75%.
- The long-term investment return assumption was changed from 3.25% to 3.75% based on updated capital market assumptions.
- The percent of future retirees assumed to elect coverage at retirement changed from 30% to 20% to reflect recent plan experience.

June 30, 2024

- The index rate for 20-year tax-exempt municipal bonds used in discount calculation was changed from 3.86% to 3.97%.

June 30, 2023

- The discount rate was changed from 2.31% to 3.25%.
- Long term expected rate of return on OPEB plan investments was changed from 3.25% to 2.00%.
- The index rate for 20-year tax-exempt municipal bonds used in discount calculation was changed from 3.69% to 3.86%.
- General inflation rate was changed from 2.25% to 2.50%.

June 30, 2022

- The discount rate was changed from 1.99% to 2.31%.
- The index rate for 20-year tax-exempt municipal bonds used in discount calculation was changed from 1.92% to 3.69%.

NOTE 3 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

June 30, 2021

- The discount rate was changed from 3.00% to 1.99%.
- Long term expected rate of return on OPEB plan investments was changed from 3.00% to 2.00%.
- The index rate for 20-year tax-exempt municipal bonds used in discount calculation was changed from 2.45% to 1.92%.
- General inflation rate was changed from 2.50% to 2.25%.
- Payroll growth rate was changed from 3.50% to 3.00%.

June 30, 2020

- The discount rate was changed from 3.01% to 3.00%.

June 30, 2019

- The discount rate was changed from 2.50% to 3.01%.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 93
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2025

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total Revenues	$ 5,753,651	$ 5,753,647	$ 4
Total Expenditures	$ 5,926,453	$ 5,926,444	$ 9
Non Spendable:			
460 Non Spendable Fund Balance	$ -	$ -	$ -
Restricted/Reserve:			
401 Student Activities	$ 76,233	$ 76,236	$ (3)
402 Scholarship	$ -	$ -	$ -
403 Staff Development	$ 445	$ 445	$ -
407 Capital Project Levy	$ -	$ -	$ -
408 Cooperative Rev.	$ -	$ -	$ -
412 Literacy Incentive Aid	$ 95	$ 95	$ -
414 Operating Debt	$ -	$ -	$ -
416 Levy Reduction	$ -	$ -	$ -
419 Encumbrances	$ -	$ -	$ -
420 American Indian Education Aid	$ 3,533	$ 3,533	$ -
424 Operating Capital	$ 1,745	$ 1,745	$ -
426 $25 Taconite	$ -	$ -	$ -
427 Disabled Accessibility	$ -	$ -	$ -
428 Learning & Development	$ -	$ -	$ -
434 Area Learning Center	$ -	$ -	$ -
435 Contracted Alt. Programs	$ -	$ -	$ -
436 St. Approved Alt. Prog.	$ -	$ -	$ -
438 Gifted & Talented	$ 17,240	$ 17,240	$ -
440 Teacher Development & Eval	$ -	$ -	$ -
441 Basic Skills	$ -	$ -	$ -
443 School Library Aid	$ 10,384	$ 10,384	$ -
448 Achievement & Integration	$ -	$ -	$ -
449 Safe Schools Levy	$ 722	$ 722	$ -
450 Pre-Kindergarten	$ -	$ -	$ -
451 QZAB Payments	$ -	$ -	$ -
456 Literacy Aid	$ 11,822	$ 11,822	$ -
457 Teacher Development Read Act	$ 10,674	$ 10,674	$ -
467 Long-Term Facilities Maintenance	$ 42,607	$ 42,607	$ -
471 Student Support Personnel	$ -	$ -	$ -
472 Medical Assistance	$ 21,405	$ 21,405	$ -
Restricted:			
464 Restricted Fund Balance	$ -	$ -	$ -
475 Title VII - Impact Aid	$ -	$ -	$ -
Assigned:			
462 Assigned Fund Balance	$ 127,079	$ 127,079	$ -
Committed:			
461 Committed Fund Balance	$ -	$ -	$ -
Unassigned:			
422 Unassigned Fund Balance	$ 727,364	$ 727,353	$ 11
02 FOOD SERVICE			
Total Revenues	$ 211,489	$ 211,489	$ -
Total Expenditures	$ 216,937	$ 216,939	$ (2)
Non Spendable:			
460 Non Spendable Fund Balance	$ 3,525	$ 3,525	$ -
Restricted			
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
464 Restricted Fund Balance	$ 437	$ 436	$ 1
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -
04 COMMUNITY SERVICE			
Total Revenues	$ 259,809	$ 259,809	$ -
Total Expenditures	$ 257,578	$ 257,574	$ 4
Non Spendable:			
460 Non Spendable Fund Balance	$ -	$ -	$ -
Restricted/Reserve:			
426 $25 Taconite	$ -	$ -	$ -
431 Community Education	$ 86,520	$ 86,520	$ -
432 E.C.F.E.	$ 72,046	$ 72,046	$ -
444 School Readiness *	$ (13,629)	$ (13,629)	$ -
447 Adult Basic Education	$ -	$ -	$ -
452 OPEB Liab. Not in Trust	$ -	$ -	$ -
Restricted:			
464 Restricted Fund Balance *	$ 3,200	$ 3,201	$ (1)
Unassigned			
463 Unassigned Fund Balance	$ -	$ -	$ -

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Non Spendable:			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
407 Capital Projects Levy	$ -	$ -	$ -
409 Alternative Fac. Program	$ -	$ -	$ -
413 Project Funded by COP	$ -	$ -	$ -
467 LTFM	$ -	$ -	$ -
Restricted:			
464 Restricted Fund Balance	$ -	$ -	$ -
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -
07 DEBT SERVICE			
Total Revenues	$ 351,429	$ 351,428	$ 1
Total Expenditures	$ 334,200	$ 334,200	$ -
Non Spendable:			
460 Non Spendable Fund Balance	$ -	$ -	$ -
Restricted/Reserve:			
425 Bond Refundings	$ -	$ -	$ -
451 QZAB Payments	$ -	$ -	$ -
Restricted:			
464 Restricted Fund Balance	$ 155,268	$ 155,268	$ -
Unassigned			
463 Unassigned Fund Balance	$ -	$ -	$ -
08 TRUST			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
422 Net Position	$ -	$ -	$ -
20 INTERNAL SERVICE			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
422 Net Position	$ -	$ -	$ -
25 OPEB REVOCABLE TRUST			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
422 Net Position	$ -	$ -	$ -
45 OPEB IRREVOCABLE TRUST			
Total Revenues	$ 45,526	$ 45,526	$ -
Total Expenditures	$ 18,370	$ 18,370	$ -
422 Net Position	$ 745,960	$ 745,961	$ (1)
47 OPEB DEBT SERVICE			
Total Revenues	$ -	$ -	$ -
Total Expenditures	$ -	$ -	$ -
Non Spendable:			
460 Non Spendable Fund Balance			
Restricted:			
425 Bond Refundings	$ -	$ -	$ -
464 Restricted Fund Balance	$ -	$ -	$ -
Unassigned:			
463 Unassigned Fund Balance	$ -	$ -	$ -

*Amounts differ from those reported on the fund-level balance sheet due to the need to reclassify negative restricted fund balance to unassigned fund balance.

OTHER REQUIRED REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Independent School District No. 93
Carlton, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 93 (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated REPORT DATE.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

We consider the deficiencies described in the accompanying schedule of findings and responses as items 2025-001 through 2025-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-004 to be a significant deficiency.

Report on Compliance and Other Matters

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

The District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

CliftonLarsonAllen LLP
St. Cloud, Minnesota
REPORT DATE

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 93
Carlton, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Independent School District No. 93 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated REPORT DATE.

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP
St. Cloud, Minnesota
REPORT DATE

Material Weaknesses in Internal Control Over Financial Reporting

Finding: 2025-001 Annual Financial Reporting Under Generally Accepted Accounting Principles (GAAP)

Condition: The Board and management share the ultimate responsibility for the District's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The District engages CLA to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of U.S. generally accepted accounting principles and knowledge of the District's activities and operations.

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements including the related disclosures, in conformity with U.S. generally accepted accounting principles.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls in the normal course of business.

Cause: The District's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the District's financial statements and related disclosures. However, management has reviewed and approved the financial statements and related disclosures.

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Repeat Finding: Prior year finding identified as Finding 2024-002.

Views of Responsible Officials:
There is no disagreement with the audit finding. The District will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.

Material Weaknesses in Internal Control Over Financial Reporting (Continued)

Finding: 2025-002 Limited Segregation of Duties

Condition: Due to the limited size of the District's business office staff, the District has limited segregation of duties in several areas.

Criteria or Specific Requirement: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Effect: The District is unable to maintain segregation of incompatible duties. It is noted specifically that controls over review of the bank reconciliation, review and approval of journal entries, review of payroll after it is processed, and formal board approval of all disbursements need to be implemented. The design of internal controls over bank reconciliations, journal entries, payroll and disbursements affects the ability of the District to prevent or detect errors, fraud, or misappropriation of assets in a timely manner.

Cause: There is a limited number of staff in the business office.

Recommendation: We recommend that the District continue to segregate duties as best it can within the limits of what the District considers to be cost beneficial. In addition, we recommend the District implement review process over journal entries, bank reconciliation, payroll and disbursements to strengthen internal controls.

Repeat Finding: Prior year finding identified as Finding 2024-001.

Views of Responsible Officials:
There is no disagreement with the audit finding. The District reviews and makes improvements to its internal controls on an ongoing basis, and attempts to maximize the segregation of duties in all areas within the limits of the staff available. The District will implement additional controls over journal entries, bank reconciliation, payroll and disbursements to strengthen internal controls.

Material Weaknesses in Internal Control Over Financial Reporting (Continued)

Finding: 2025-003 Audit Adjustments

Condition: As part of the audit, we proposed material adjustments related to the property tax revenues, interest, and vacation payable.

Criteria or Specific Requirement: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair representation in the financial statements in accordance with U.S. GAAP. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statement to correct material misstatements and produce accurate financial statements on a timely basis.

Effect: Errors in the preparation of year-end balances increases the risk related to financial statement misstatements. The amounts were, in our judgment, material to the financial statements and therefore, we concluded that a material weakness existed in the District's control policies and procedures related to recording such adjustments, which are required to be reported under professional standards.

Cause: Limited amount of resources available to the business office.

Recommendation: We recommend that District management and financial personnel establish a process to ensure the recording of all related transactions to properly adjust financial statements at year-end.

Repeat Finding: Not applicable.

Views of Responsible Officials:
There is no disagreement with the audit finding. The District will review the prior year audit journal entries and create a process to ensure the proper and timely recording of all adjustments in order to produce accurate and timely financial statements.

Significant Deficiency in Internal Control Over Financial Reporting

Finding: 2025-004 Written Internal Control Policies and Procedures

Condition: The District does not have written internal control policies and procedures.

Criteria or Specific Requirement: Internal control that supports the District's consistent application of accounting policies and procedures.

Effect: The lack of written procedures could result in inconsistent application of accounting policies and procedures.

Cause: The District does not have written internal control policies and procedures.

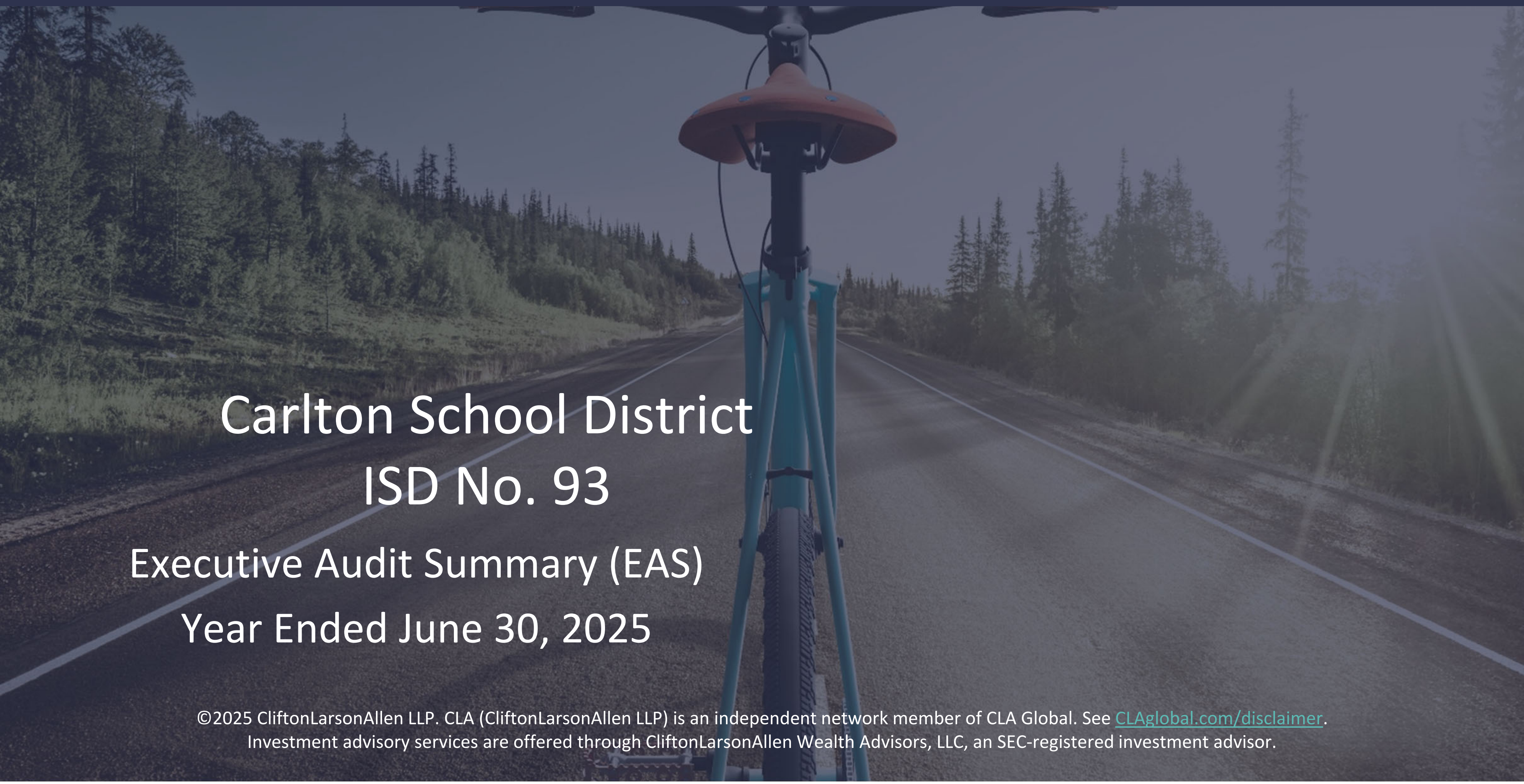
Recommendation: We recommend that District management develop written internal control policies and procedures.

Repeat Finding: Prior year finding identified as Finding 2024-002.

Views of Responsible Officials:
There is no disagreement with the audit finding. District management will develop written internal control policies and procedures.

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS



Carlton School District ISD No. 93

Executive Audit Summary (EAS)

Year Ended June 30, 2025

Required Communications

- Our Responsibility Under Generally Accepted Auditing Standards, and Government Auditing Standards
  - Primary responsibility is to provide our opinion on the fairness of presentation of the financial statements
  - Reviewed internal accounting controls
  - Risk based audit approach
  - Based on internal controls, determined scopes and tests of transactions
  - Expressed opinion based on tests
- Planned Scope and Timing of the Audit
  - Communicated during the audit preliminary work and fieldwork
- Significant Accounting Policies
  - Outlined in Note 1 to the financial statements
  - Unusual transactions – None noted
  - Implementation of GASB 101, *Compensated Absences*

Required Communications (Continued)

- Disclosures are Adequate, Clear and Complete
- Other Information in Documents Containing Audited Financial Statements
  - Required Supplementary Information - We made inquiries and evaluated the comparability – No opinion
  - Supplementary Information – We made inquiries and evaluated the content - Opinion
- Disagreements with Management
  - There have been no disagreements with management about matters that could be significant to the financial statements
- Management Representations
  - We have requested certain representations from management included in the management representation letter

Required Communications (Continued)

- Consultations with Other Accountants
  - There were no consultations with other independent accountants
- Major Issues Discussed With Management Prior to Retention
  - No issues, other than normal planning issues, were discussed prior to our retention as auditors
- Difficulties Encountered in Performing the Audit (None)
  - Management was most cooperative and helpful
  - Personnel and records were available
- Corrected and Uncorrected Misstatements
  - Corrected – None noted
  - Uncorrected – Bond Premium - PY amortized straight line, PY GASB 101 balance

Summary of Audit Results

- Financial Statements
  - Unmodified (“clean”) opinion
- Internal Control Over Financial Reporting under Government Auditing Standards
  - One significant deficiency for financial statements:
    - Lack of written internal control policies and procedures
  - Three material weaknesses for financial statements:
    - Lack of segregation of duties
    - Adjusting journal entries
    - Preparation of financial statements
- Compliance Reporting Over Financial Reporting under Government Auditing Standards
  - No issues noted
- Minnesota Legal Compliance
  - No issues noted

General Fund

For the Year Ended June 30,		2025		2024		2023
Total Revenues	$	5,753,651	$	6,270,041	$	5,741,148
Total Expenditures		5,926,453		6,147,368		5,806,966
Other Financing Sources (Uses)		-		49,716		-
Net Change in Fund Balance		(172,802)		172,389		(65,818)
Change in Accounting Principle						
Fund Balance - Beginning		1,224,150		1,051,761		1,117,579
Unassigned Fund Balance		727,364		852,688		370,356
Nonspendable Fund Balance		-		-		-
Restricted Fund Balance		196,905		238,716		556,262
Assigned Fund Balance		127,079		132,746		125,143
Fund Balance - Ending	$	1,051,348	$	1,224,150	$	1,051,761

General Fund

For the Year Ended June 30, 2025		Actual		Budget		Difference
Total Revenues	$	5,753,651	$	5,380,220		373,431
Total Expenditures		5,926,453		5,664,034	$	(262,419)
Other Financing Sources (uses)		-		500		(500)
Net Change in Fund Balance		(172,802)		(283,314)		110,512

Food Service Fund

For the Year Ended June 30,	2025	2024	2023
Total Revenues	$ 211,489	$ 267,466	$ 190,748
Total Expenditures	216,937	273,298	221,649
Other Financing Sources	-	-	-
Net Change in Fund Balance	(5,448)	(5,832)	(30,901)
Fund Balance - Beginning	9,410	15,242	46,143
Restricted Fund Balance	437	6,789	9,101
Nonspendable Fund Balance	3,525	2,621	6,141
Fund Balance - Ending	$ 3,962	$ 9,410	$ 15,242

Food Service Fund

For the Year Ended June 30, 2025	Actual	Budget	Difference
Total Revenues	$ 211,489	$ 220,550	$ (9,061)
Total Expenditures	216,937	246,639	$ 29,702
Other Financing Sources (uses)	-	-	-
Net Change in Fund Balance	(5,448)	(26,089)	20,641

Community Service Fund

For the Year Ended June 30,	2025	2024	2023
Total Revenues	$ 259,809	$ 274,311	$ 244,810
Total Expenditures	257,578	291,944	235,127
Other Financing Sources	-	-	-
Net Change in Fund Balance	2,231	(17,633)	9,683
Fund Balance - Beginning	145,906	163,539	153,856
Unassigned Fund Balance	(13,629)	-	-
Nonspendable Fund Balance		-	-
Restricted Fund Balance	161,766	145,906	163,539
Fund Balance - Ending	$ 148,137	$ 145,906	$ 163,539

Community Service Fund

For the Year Ended June 30, 2025	Actual	Budget	Difference
Total Revenues	$ 259,809	$ 252,609	$ 7,200
Total Expenditures	257,578	263,267	$ 5,689
Other Financing Sources (uses)	-	-	-
Net Change in Fund Balance	2,231	(10,658)	12,889

Capital Projects Fund

For the Year Ended June 30,	2025	2024	2023
Total Revenues	$ -	$ 4,468	$ 3,467
Total Expenditures	-	73,242	-
Other Financing Sources		-	-
Net Change in Fund Balance	-	(68,774)	3,467
Fund Balance - Beginning	-	68,774	65,307
Unassigned Fund Balance	-	-	-
Restricted Fund Balance	-	-	68,774
Fund Balance - Ending	$ -	$ -	$ 68,774

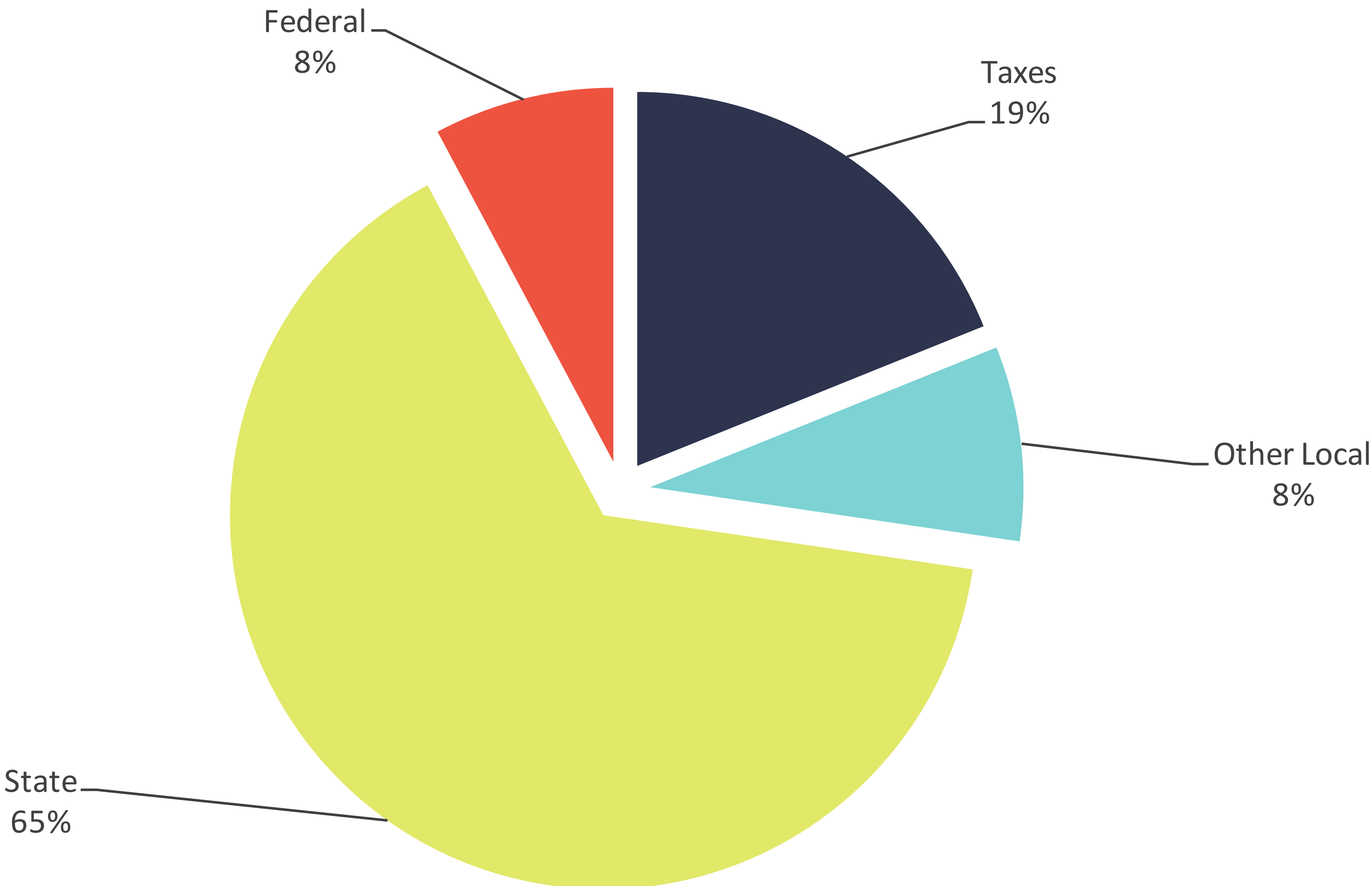
Debt Service

For the Year Ended June 30,	2025	2024	2023
Total Revenues	$ 351,429	$ 624,437	$ 735,872
Total Expenditures	334,200	657,275	699,774
Other Financing Sources	-	-	-
Net Change in Fund Balance	17,229	(32,838)	36,098
Fund Balance - Beginning	138,039	170,877	134,779
Restricted Fund Balance - June 30	$ 155,268	$ 138,039	$ 170,877

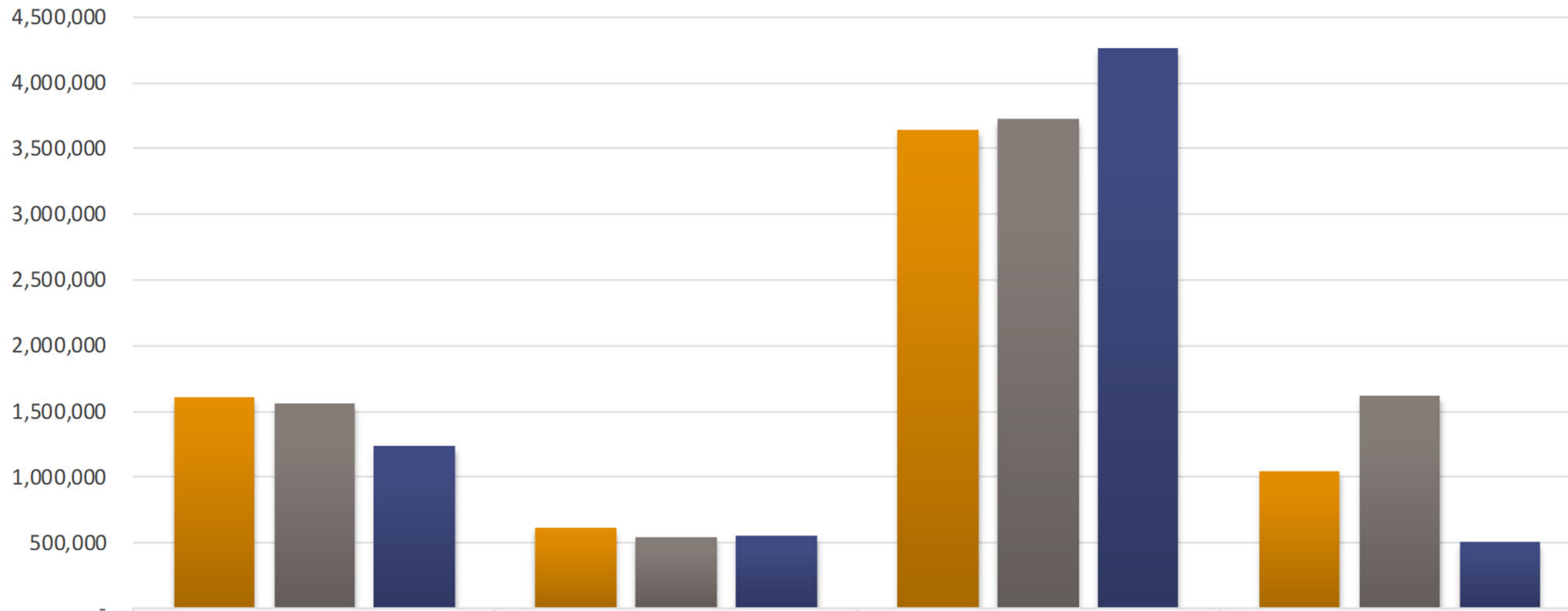
OPEB Irrevocable Trust

For the Year Ended June 30,	2025	2024	2023
Total Revenues	$ 45,526	$ 32,071	$ 7,180
Total Expenditures	18,370	8,581	6,760
Other Financing Sources	-	-	-
Net Change in Fund Balance	27,156	23,490	420
Fund Balance - Beginning	718,804	695,314	694,894
Unassigned Net Position - June 30	$ 745,960	$ 718,804	$ 695,314

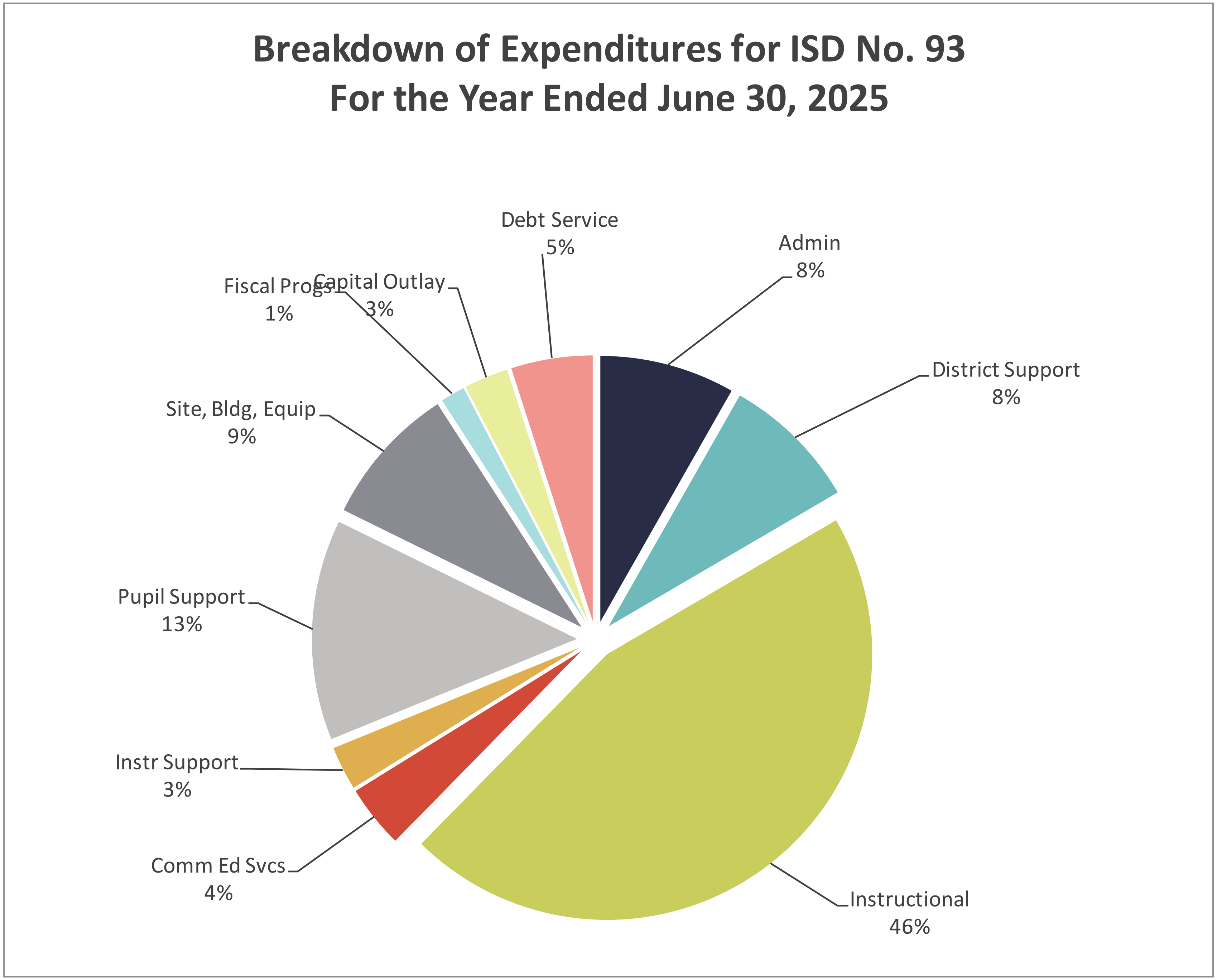
For the Year Ended June 30, 2025



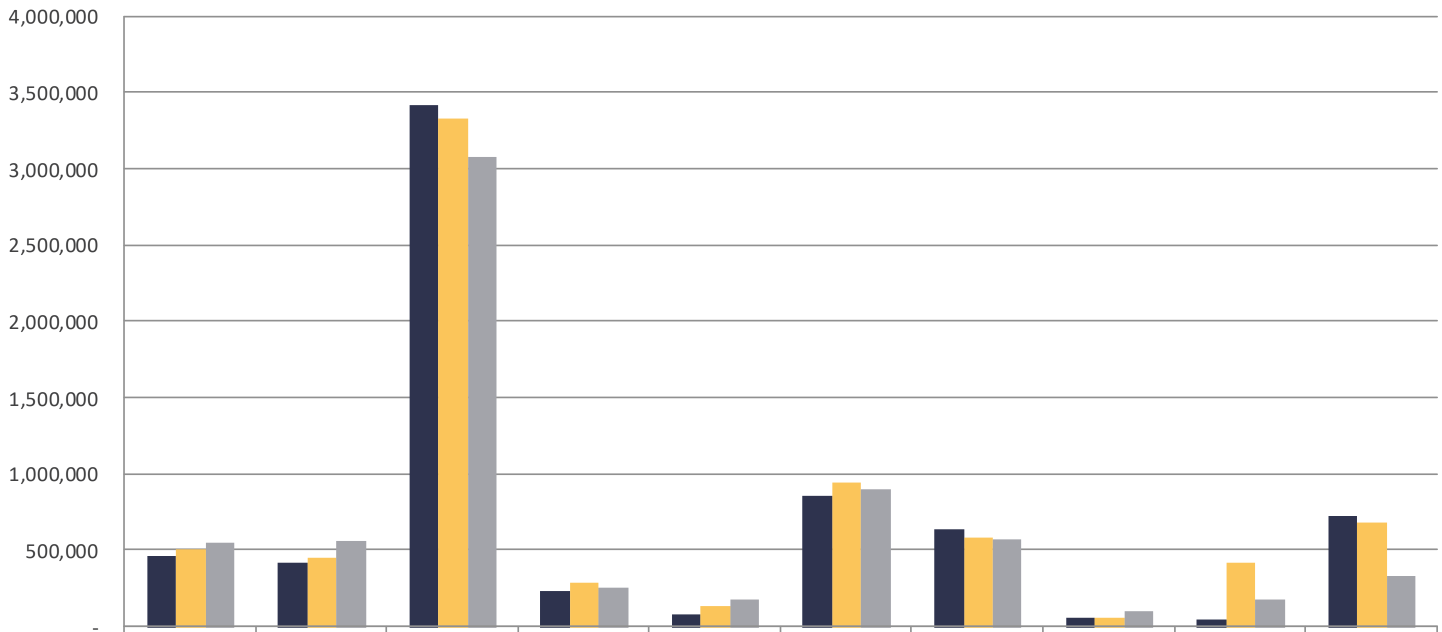
Comparative Governmental Revenues of ISD No. 93



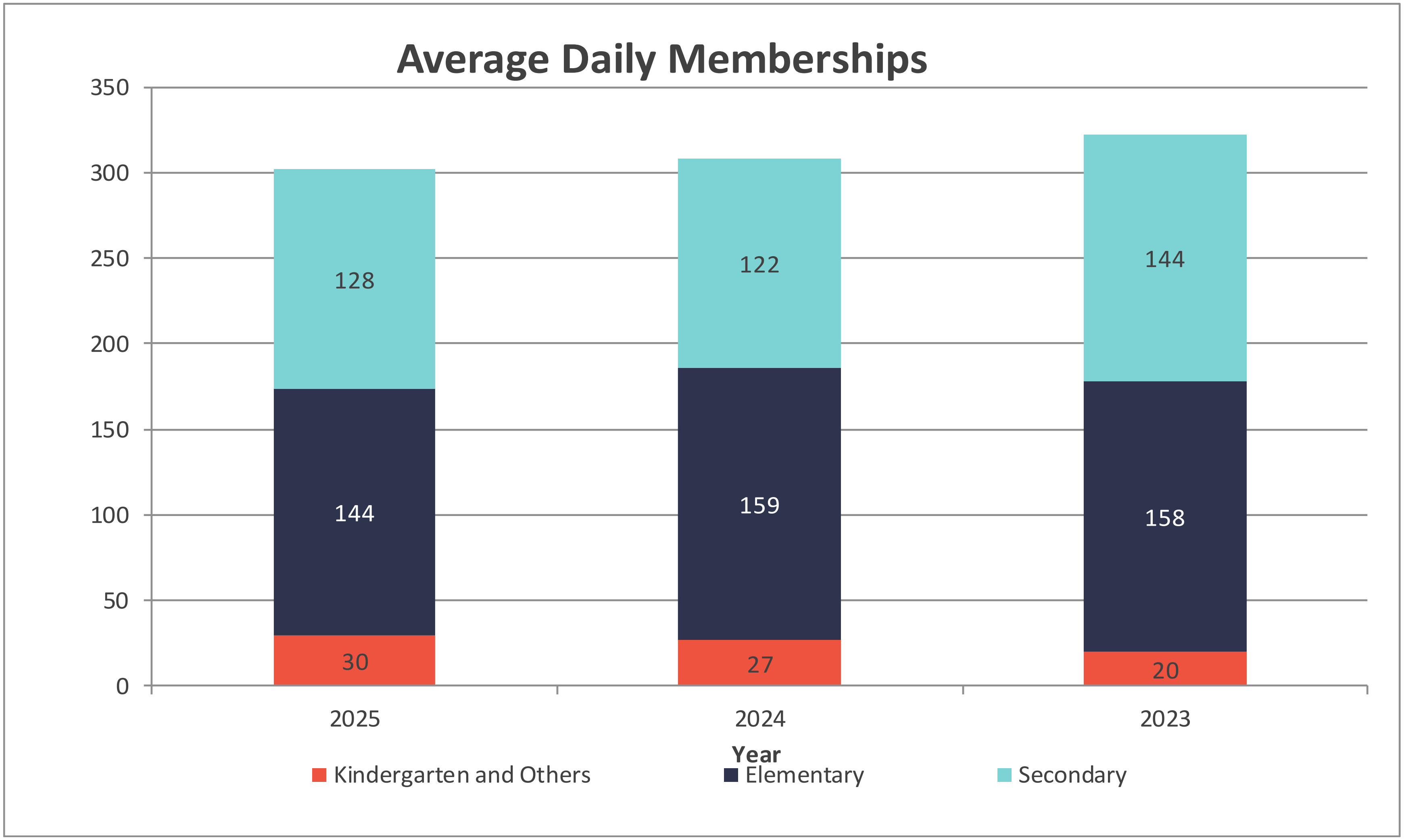
	Taxes	Other Local	State	Federal
22-23	1,609,744	617,162	3,646,366	1,042,773
23-24	1,559,616	539,424	3,722,617	1,619,066
24-25	1,243,403	552,786	4,267,401	512,788


Breakdown of Expenditures for ISD No. 93
For the Year Ended June 30, 2025
Debt Service
5%
Admin
8%
Fiscal Progs
1%
Capital Outlay
3%
District Support
8%
Site, Bldg, Equip
9%
Pupil Support
13%
Instr Support
3%
Comm Ed Svcs
4%
Instructional
46%

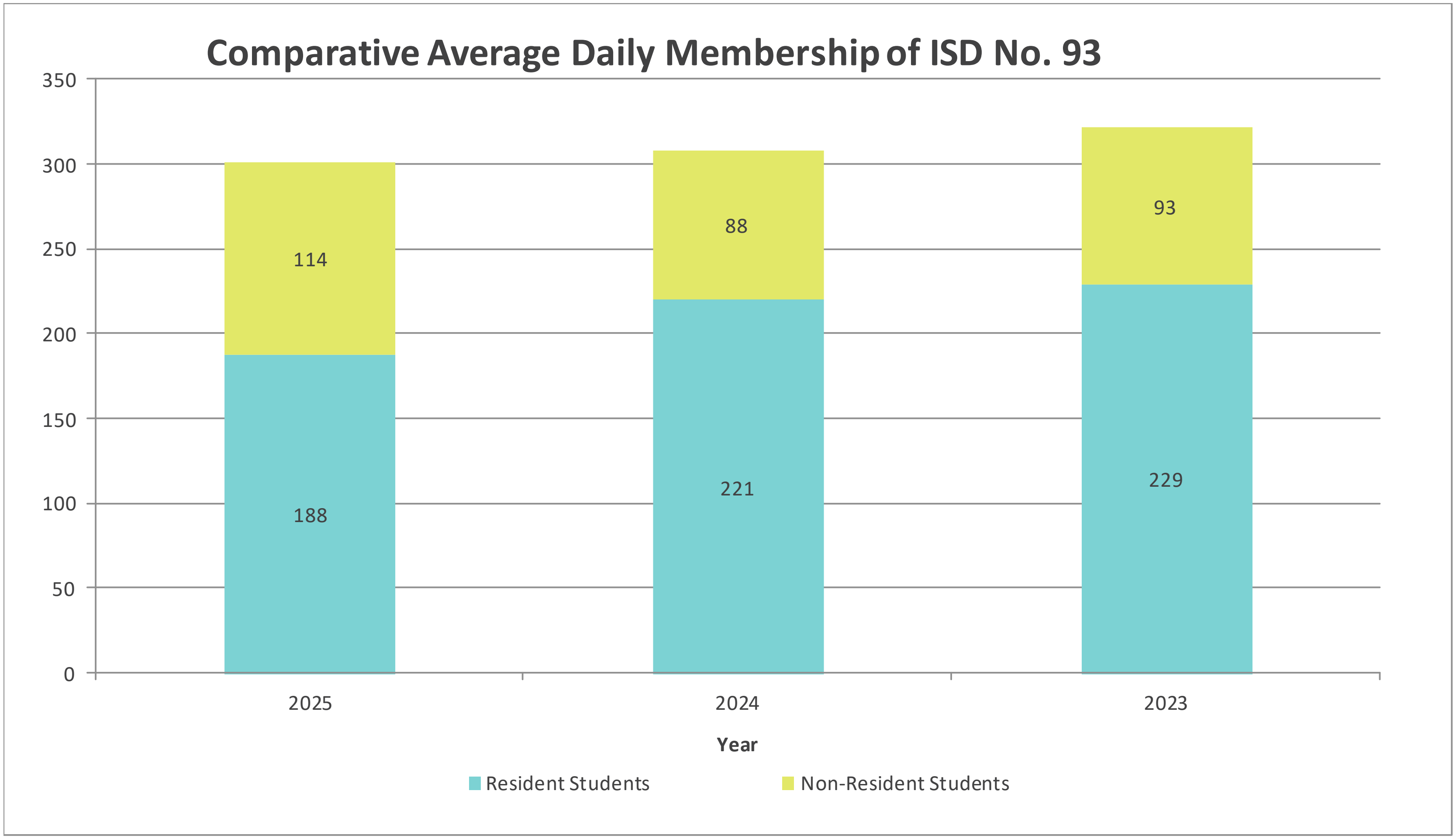
Comparative Expenditures for Governmental Funds of ISD No. 93



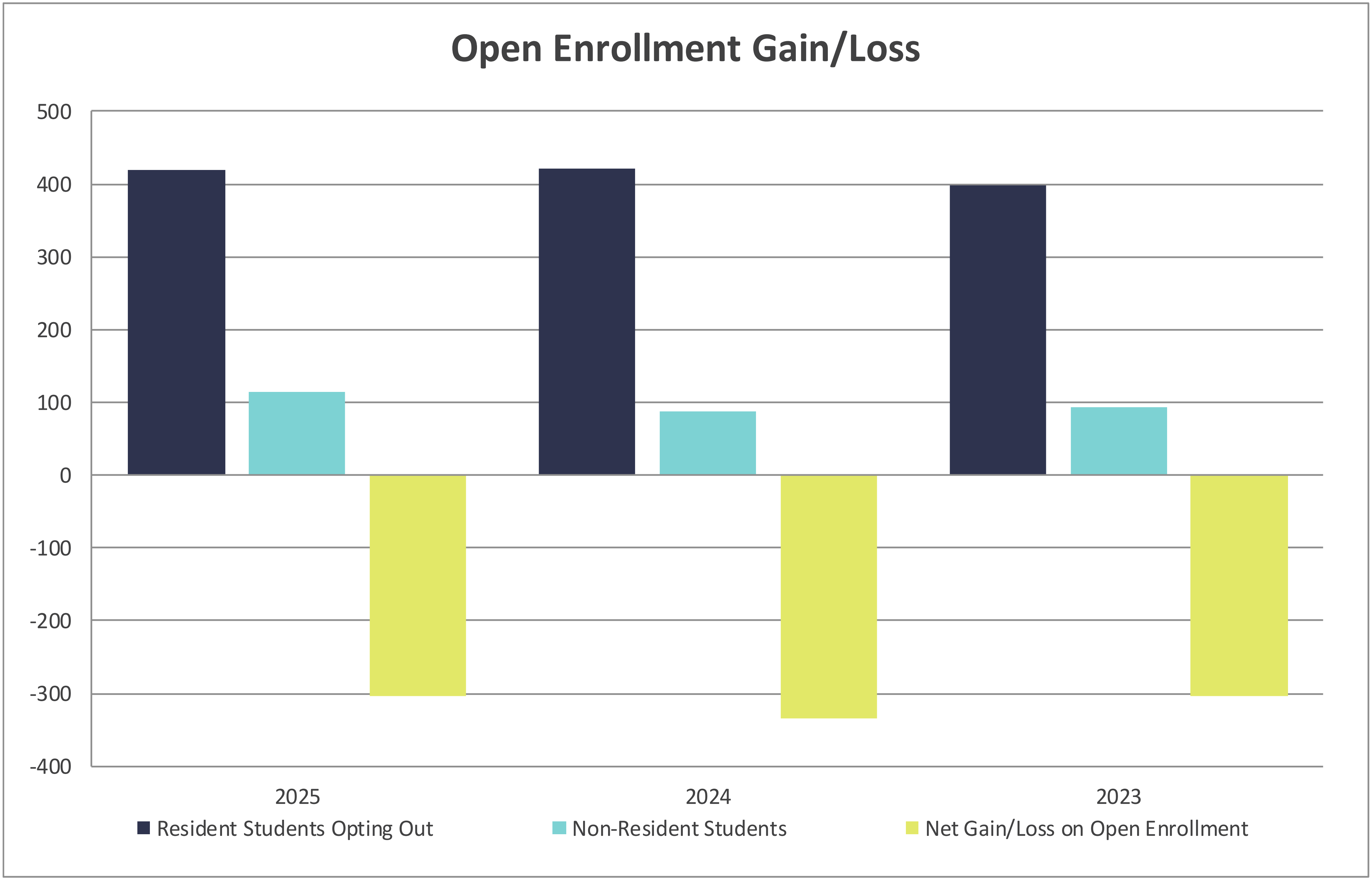
	Admin	District Support	Instructional	Comm Ed Svcs	Instr Support	Pupil Support	Site, Bldg, Equip	Fiscal Progs	Capital Outlay	Debt Service
22-23	460,371	423,748	3,415,947	233,898	84,891	864,180	640,425	57,004	51,755	731,297
23-24	513,251	457,665	3,337,313	291,944	135,683	952,100	591,088	58,989	416,543	688,551
24-25	554,868	562,583	3,082,145	257,578	179,668	903,740	578,580	100,143	181,663	334,200



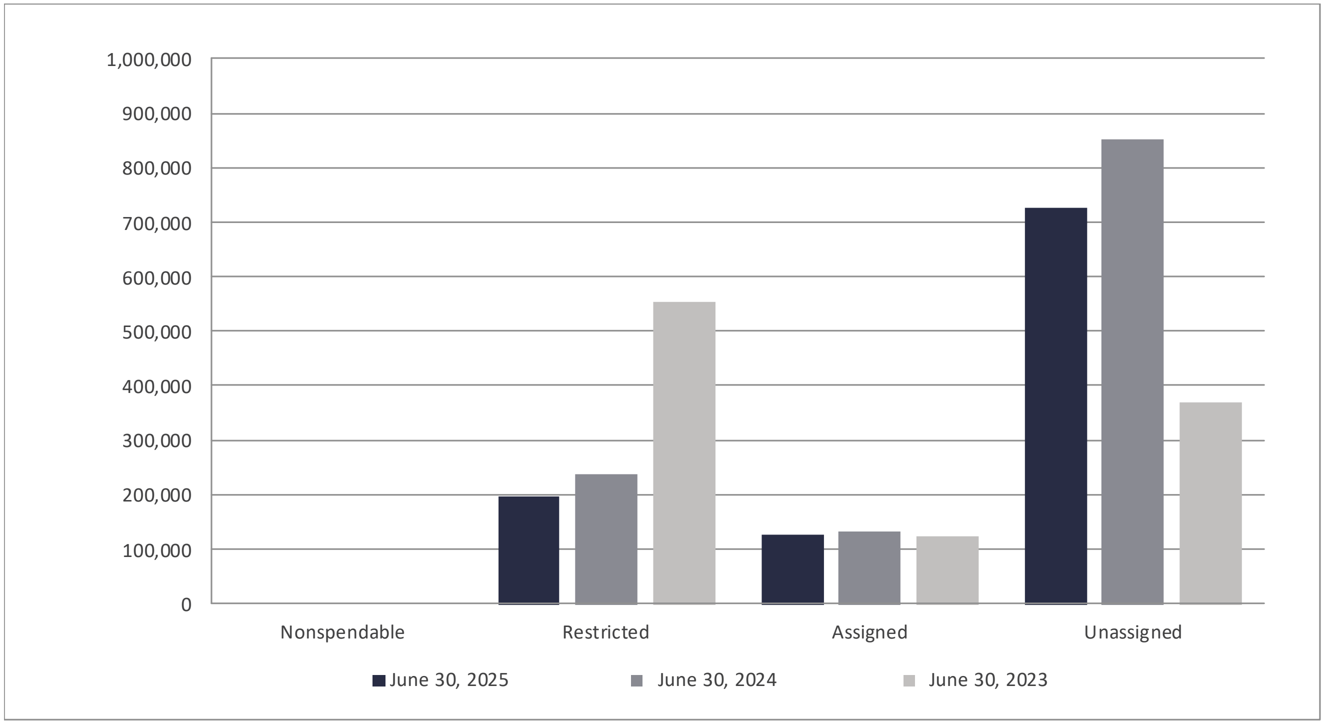
Resident Average Daily Membership (ADM)	2025	2024	2023
Kindergarten and Others	30	27	20
Elementary	144	159	158
Secondary	128	122	144
Total ADM	302	308	322
Total Weighted ADM (WADM)	327	333	351



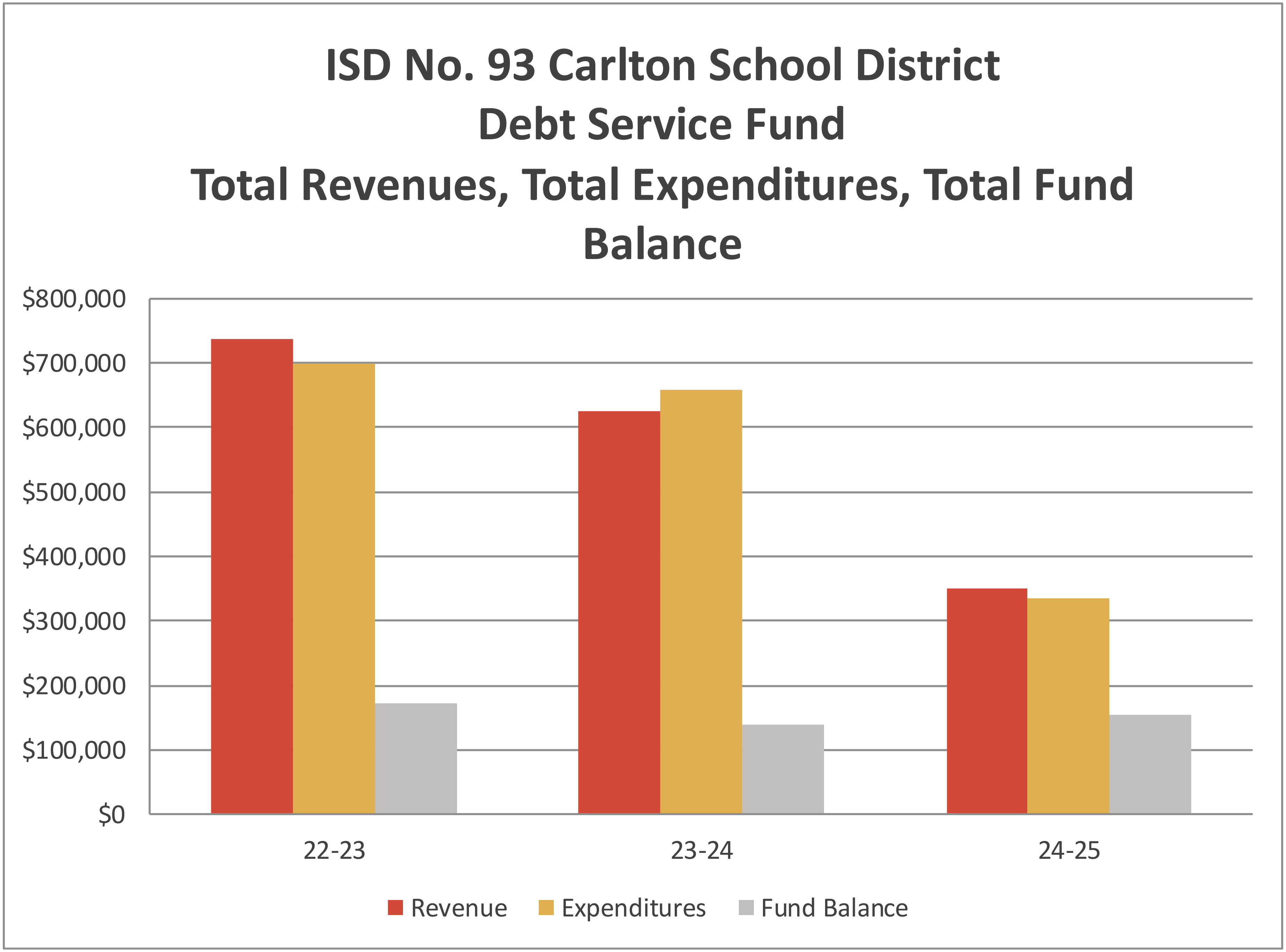
Comparative Average Daily Membership of ISD No. 93
350
300
250
200
150
100
50
0
114
188
88
221
93
229
2025
2024
2023
Year
Resident Students
Non-Resident Students


Open Enrollment Gain/Loss
500
400
300
200
100
0
-100
-200
-300
-400
2025
2024
2023
Resident Students Opting Out
Non-Resident Students
Net Gain/Loss on Open Enrollment

General Fund – Fund Balance by Category



	June 30, 2025	June 30, 2024	June 30, 2023
Fund Balance	$ 854,433	$ 990,838	$ 572,465
Expenditures	$ 4,964,365	$ 5,037,949	$ 5,288,821
SOD Calculation	17.21%	19.67%	10.82%


ISD No. 93 Carlton School District
Debt Service Fund
Total Revenues, Total Expenditures, Total Fund Balance
$800,000
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
22-23
23-24
24-25
Revenue
Expenditures
Fund Balance

Thank you for the opportunity to serve the Carlton School District.

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