INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
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INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
ROSTER OF SCHOOL OFFICIALS
June 30, 2025

Ryan Walseth	Chairman
Misty Hempel	Vice-Chairman
Mike Spears	Clerk
John Syvertson	Treasurer
Lindsay Gregory	Director
Michelle Westerman	Director
Jared Kainz	Director
Tanya Monson-Ek	District Business Manager
Chris Mills	Superintendent

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 564
Thief River Falls, 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 information of the Independent School District No. 564, 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 Independent School District No. 564, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

As described in Note 2 to the financial statements, the District has adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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,

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implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules, and notes as listed in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained

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during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of school officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Brady Martz

BRADY MARTZ
Grand Forks, North Dakota

December 17, 2025

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This section of Independent School District No. 564's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

For the year ending June 30, 2025, the District's unassigned fund balance increased from $2,554,408 to $2,734,334 or an increase of $179,926.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, 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.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year, and supplementary information that is presented for additional analysis.

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, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

- *Governmental activities*: All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. 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 (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has two kinds of funds:

Governmental funds: The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you 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, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities (consisting of an OPEB Trust Fund) are reported in a separate Statement of 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 $4,674,980 on June 30, 2025 (see details in Table A-1). This was a decrease of 27.2 percent from the prior year. The decrease in net position is due to the implementation of GASB Statement No. 101, *Compensated Absences*, which resulted in a restatement of 2024 net position in the amount of $3,826,972.

Table A-1
Statement of Net Position

	2025	2024	Total Percentage Change
Current and Other Assets	$ 18,890,881	$ 16,716,483	13.0 %
Capital Assets	48,964,196	51,972,336	(5.8)
Total Assets	67,855,077	68,688,819	(1.2)
Deferred Outflows of Resources	3,546,040	4,354,994	(18.6)
Long-term Liabilities	45,671,438	50,254,928	(9.1)
Other Liabilities	6,378,981	6,008,764	6.2
Total Liabilities	52,050,419	56,263,692	(7.5)
Deferred Inflows of Resources	14,675,718	10,357,190	41.7
Net Position			
Net Investment in Capital Assets	17,112,228	16,483,903	3.8
Restricted	3,398,508	2,931,689	15.9
Unrestricted	(15,835,756)	(12,992,661)	(21.9)
Total Net Position	$ 4,674,980	$ 6,422,931	(27.2) %

Change in Net Position

Table A-2 presents the change in net position of the District.

Table A-2
Change in Net Position

	2025	2024	Total Percentage Change
Revenues			
Program Revenues			
Charges for Services	$ 1,237,777	$ 1,097,276	12.8 %
Operating Grants and Contributions	8,285,111	8,597,504	(3.6)
Capital Grants and Contributions	585,764	650,323	(9.9)
General Revenues			
Property Taxes	6,534,871	6,148,687	6.3
Unrestricted State Aid	15,044,864	15,107,893	(0.4)
Other Sources	1,036,400	845,059	22.6
Total Revenues	32,724,787	32,446,742	0.9
Expenses			
Administration	1,500,463	1,752,697	(14.4)
District Support Services	653,711	595,467	9.8
Elementary & Secondary Regular Instruction	9,329,072	8,470,554	10.1
Vocational Education Instruction	611,959	611,896	0.0
Special Education Instruction	4,738,898	4,449,102	6.5
Community Education and Services	1,088,514	1,053,349	3.3
Instructional Support Services	2,621,048	1,734,195	51.1
Pupil Support Services	3,308,672	3,581,889	(7.6)
Sites and Buildings	5,518,583	5,131,131	7.6
Fixed Costs	220,977	190,326	16.1
Interest on Long-Term Debt	599,769	650,884	(7.9)
Depreciation - Unallocated	454,100	454,300	(0.0)
Total Expenses	30,645,766	28,675,790	6.9
Change in Net Position	2,079,021	3,770,952	
Net Position - Beginning	6,422,931	2,651,979	(142.2)
Adjustment - See Note 2	(3,826,972)		
Net Position - Beginning, Restated	2,595,959	2,651,979	2.1
Net Position - Ending	$ 4,674,980	$ 6,422,931	(27.2) %

The District’s total revenues were $32,724,787 for the year ended June 30, 2025. Property taxes and state aid payments accounted for 87 percent of total revenue for the year.

The total cost of all programs and services was $30,645,766. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 4.9% of total costs.

Total revenues surpassed expenses, increasing net position $2,079,021 over last year. For the year ended June 30, 2025, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by $1,013,141. For the year ended June 30, 2024, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by $1,912,883.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Table A-3
Major Funds

	Fund Balance		Increase	Percentage Increase
	2025	2024	(Decrease)	(Decrease)
Governmental Funds				
General	$ 5,545,563	$ 5,788,918	$ (243,355)	(4.2) %
Debt Service Fund	1,116,792	995,739	121,053	12.2

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.

Table A-4 presents a summary of general fund revenue.

Table A-4
General Fund Revenue

	2025	2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	$ 2,788,406	$ 2,449,791	$ 338,615	13.8 %
Interest Earnings	233,720	183,704	50,016	27.2
Other	1,076,302	855,557	220,745	25.8
State Sources	20,344,819	19,967,199	377,620	1.9
Federal Sources	1,122,180	1,948,040	(825,860)	(42.4)
Other	(2,351)	77,171	(79,522)	(103.0)
Total General Fund Revenue	$ 25,563,076	$ 25,481,462	$ 81,614	0.3 %

Total general fund revenue increased by $81,614 or 0.3 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

Table A-5 presents a summary of general fund expenditures.

Table A-5
General Fund Expenditures

	2025	2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 15,252,803	$ 15,590,798	$ (337,995)	(2.2) %
Employee Benefits	4,316,401	4,207,348	109,053	2.6
Purchased Services	2,378,005	2,277,203	100,802	4.4
Supplies and Materials	1,517,542	1,400,552	116,990	8.4
Capital Expenditures	1,962,085	1,128,560	833,525	73.9
Debt Service	256,613	282,672	(26,059)	(9.2)
Other Expenditures	193,160	170,124	23,036	13.5
Total General Fund Expenditures	$ 25,876,609	$ 25,057,257	$ 819,352	3.3 %

General Fund Budgetary Highlights

During the year the District revised its budget to account for increases in local, state, and federal revenue.

The District's final budget for the general fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by $811,963. The actual results for the year show a deficit of $243,355 due to revenues from local, state, and federal sources being higher than budget estimates. Expenditures were greater than budgeted due to increased capital outlay and increased special education instruction.

Capital Assets and Debt Administration

Capital Assets

Note 4 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2025. Additions totaling $201,186 included a paging system, a computer server, music equipment, and a bus. An amendment was made to an existing lease agreement with Marco to lease an additional $126,922 of equipment. Construction in progress at year end totaling $183,312 comprises scoreboards and a DDC and MUI system upgrade. Disposals during the year include a milling machine, a truck, and several buses, totaling $411,362.

Long-Term Debt

At year-end, the District had $35,617,752 of long-term debt. This consisted of bonded indebtedness net of premiums and discounts of $31,202,836, financed purchases of $54,442, lease payable of $594,690, and compensated absences of $3,765,784. Note 7 to the financial statements present details and payment provisions of these items.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Results of future labor contract negotiations will affect expenditure levels. Salaries and benefits account for 79% of general fund expenditures.
- The District receives 67% of its revenue from state sources. The District is significantly impacted by the results of the financial health of the State of Minnesota. School Districts have been fortunate for the past several years to receive additional increases in the general education funding formula from the State.
- Future building repairs.
- Increased energy costs.
- Stability of student enrollment. The District has experienced lower class sizes in comparison to the past and expects this trend to continue. Until the enrollment for the District stabilizes, continued adjustments in staff will be necessary.

Contacting the District's Financial Management

This financial report is designed to provide the District's 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 Administration Offices, Independent School District No. 564, 230 LaBree Avenue South, Thief River Falls, MN 56701.

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2025

ASSETS		
Cash and Investments	$	11,596,416
Property Taxes Receivable, Net of Allowance		4,390,318
Accounts Receivable		69,188
Long-Term Lease Receivable		13,804
Due From Department of Education		2,234,333
Due From Federal Govt. - DOE		342,875
Prepaid Items		179,647
Inventory		64,300
Capital Assets		
Land		861,515
Construction in Progress		183,312
Other Capital Assets, Net of Depreciation		47,919,369
TOTAL ASSETS		67,855,077
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan		3,450,793
Other Postemployment Benefit Plan		95,247
TOTAL DEFERRED OUTFLOWS OF RESOURCES		3,546,040
LIABILITIES		
Accounts Payable		532,861
Due To Other MN School Districts		32,428
Due To Other Governments		164
Payroll Deductions		1,511,303
Interest Payable		282,972
Long-Term Liabilities Due Within One Year		4,019,253
Long-Term Liabilities		
Bonds, Net Unamortized Premiums		31,202,836
Financed Purchases		54,442
Lease Payable		594,690
Compensated Absences		3,765,784
Net Pension Liability		12,589,140
Net Other Postemployment Benefit Liability		1,483,799
Less Amounts Due Within One Year		(4,019,253)
Total Long-Term Liabilities		45,671,438
TOTAL LIABILITIES		52,050,419

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
June 30, 2025

DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied - Subs. Years	$	8,775,862
Leases		13,804
Cost Sharing Defined Benefit Pension Plan		5,425,816
Other Postemployment Benefit Plan		460,236
TOTAL DEFERRED INFLOWS OF RESOURCES		14,675,718
NET POSITION		
Net Investment in Capital Assets		17,112,228
Restricted for:		
Student Activities		402,585
Scholarships		29,478
Literacy Incentive Aid		50,149
Literacy Aid		72,331
Teacher Comp Read Act		616
Operating Capital		719,114
Food Service		625,023
Community Education		379,285
ECFE		73,331
School Readiness		116,739
Community Service		11,446
Debt Service		882,800
Permanent Fund - Non Expendable		25,000
Permanent Fund - Expendable		10,611
Unrestricted		(15,835,756)
TOTAL NET POSITION	$	4,674,980

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Administration	$ 1,500,463	$	$	$ 1,293	$ (1,499,170)
District Support Services	653,711			275	(653,436)
Elementary & Secondary					
Regular Instruction	9,329,072	300,481	2,411,901	42,861	(6,573,829)
Vocational Education Instruction	611,959	40	955		(610,964)
Special Education Instruction	4,738,898	25,362	3,321,498		(1,392,038)
Community Education and Services	1,088,514	691,860	313,318		(83,336)
Instructional Support Services	2,621,048	88,998	615,662	49,488	(1,866,900)
Pupil Support Services	3,308,672	114,807	1,620,896	79,293	(1,493,676)
Sites and Buildings	5,518,583	16,229	881	412,554	(5,088,919)
Fixed Costs	220,977				(220,977)
Interest on Long-Term Debt	599,769				(599,769)
Depreciation - Unallocated	454,100				(454,100)
TOTAL GOVERNMENTAL ACTIVITIES	$ 30,645,766	$ 1,237,777	$ 8,285,111	$ 585,764	(20,537,114)

GENERAL REVENUES	
Taxes	
Property Taxes, Levied for General Purposes	2,785,644
Property Taxes, Levied for Community Education and Services	117,771
Property Taxes, Levied for Debt Services	3,407,949
Property Taxes, Levied for OPEB Debt Services	223,507
Unrestricted State Aid	15,044,864
Unrestricted Investment Earnings	393,062
Other General Revenue	617,732
Gain on Sale of Capital Assets	25,606
TOTAL GENERAL REVENUES	22,616,135
Change in Net Position	2,079,021
Net Position - Beginning	6,422,931
Adjustment - See Note 2	(3,826,972)
Net Position - Beginning, Restated	2,595,959
Net Position - Ending	$ 4,674,980

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 7,077,614	$ 3,205,869	$ 1,312,933	$ 11,596,416
Current Property Taxes Receivable	1,925,097	2,337,668	55,865	4,318,630
Delinquent Property Taxes Receivable	22,500	128,029	23,159	173,688
Accounts Receivable	47,565		21,623	69,188
Long-Term Lease Receivable	13,804			13,804
Due From Department of Education	2,130,589	75,212	28,532	2,234,333
Due From Federal Govt. - DOE	305,660		37,215	342,875
Prepaid Items	179,647			179,647
Inventory			64,300	64,300
TOTAL ASSETS	$ 11,702,476	$ 5,746,778	$ 1,543,627	$ 18,992,881
LIABILITIES				
Accounts Payable	$ 512,823	$	$ 20,038	$ 532,861
Due To Other MN School Districts	32,428			32,428
Due To Other Governments	164			164
Payroll Deductions	1,434,502		76,801	1,511,303
TOTAL LIABILITIES	1,979,917		96,839	2,076,756
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	22,500	128,029	23,159	173,688
Leases	13,804			13,804
Property Taxes Levied - Subs. Years	4,140,692	4,501,957	133,213	8,775,862
TOTAL DEFERRED INFLOWS OF RESOURCES	4,176,996	4,629,986	156,372	8,963,354
FUND BALANCES				
Fund Balance:				
Nonspendable: Prepaid	179,647			179,647
Nonspendable: Inventory			64,300	64,300
Nonspendable: Scholarships			25,000	25,000
Restricted for Student Activities	402,585			402,585
Restricted for Literacy Incentive Aid	50,149			50,149
Restricted for Literacy Aid	72,331			72,331
Restricted for Teacher Comp Read Act	616			616
Restricted for Operating Capital	719,114			719,114
Restricted for Food Service			560,723	560,723
Restricted for School Readiness			116,739	116,739
Restricted for Community Education			379,285	379,285
Restricted for ECFE			73,331	73,331
Restricted for Community Service			11,446	11,446
Restricted for OPEB Debt Service			48,981	48,981
Restricted for Debt Service		1,116,792		1,116,792
Restricted for Scholarships	29,478		10,611	40,089
Committed for Severance	6,480			6,480
Assigned for Technology	646,513			646,513
Assigned for Improvements	704,316			704,316
Unassigned	2,734,334			2,734,334
TOTAL FUND BALANCES	5,545,563	1,116,792	1,290,416	7,952,771
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 11,702,476	$ 5,746,778	$ 1,543,627	$ 18,992,881

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2025

Total fund balances - governmental funds	$ 7,952,771
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	96,114,672
Less accumulated depreciation/amortization	(47,150,476)
Deferred outflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,546,040
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Bonds	(30,965,000)
Financed purchases	(54,442)
Unamortized premiums	(237,836)
Compensated Absences	(3,765,784)
Lease payable	(594,690)
Net Pension Liability	(12,589,140)
Net other postemployment benefit liability	(1,483,799)
Deferred inflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(5,886,052)
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.	173,688
An allowance has been set up for taxes receivable in the government-wide financial statements.	(102,000)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	(282,972)
Net position - governmental activities	$ 4,674,980

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Property Tax Levies	$ 2,788,406	$ 3,392,218	$ 339,694	$ 6,520,318
Other Local & County Revenues	1,310,022	117,875	759,508	2,187,405
Revenue From State Sources	20,344,819	752,122	971,367	22,068,308
Revenue From Federal Sources	1,122,180		710,577	1,832,757
Sale/Other Conversion of Asset	(2,351)		98,346	95,995
TOTAL REVENUES	25,563,076	4,262,215	2,879,492	32,704,783
EXPENDITURES				
Current				
Administration	1,669,666			1,669,666
District Support Services	608,378			608,378
Elementary & Secondary				
Regular Instruction	10,078,552			10,078,552
Vocational Education Instruction	606,993			606,993
Special Education Instruction	4,736,400			4,736,400
Community Education and Services			1,088,514	1,088,514
Instructional Support Services	1,475,465			1,475,465
Pupil Support Services	1,763,525		1,514,298	3,277,823
Sites and Buildings	2,497,955			2,497,955
Fixed Costs	220,977			220,977
Debt Service				
Principal	225,761	3,370,000	225,000	3,820,761
Interest and Other Fees	30,852	771,162	4,838	806,852
Capital Outlay	1,962,085		17,689	1,979,774
TOTAL EXPENDITURES	25,876,609	4,141,162	2,850,339	32,868,110
Revenues Over (Under) Expenditures	(313,533)	121,053	29,153	(163,327)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Asset	38,291			38,291
Issuance of Leases	126,922			126,922
Transfers In			95,035	95,035
Transfers Out	(95,035)			(95,035)
TOTAL OTHER FINANCING SOURCES (USES)	70,178		95,035	165,213
Net Change in Fund Balances	(243,355)	121,053	124,188	1,886
Fund Balances - Beginning	5,788,918	995,739	1,166,228	7,950,885
Fund Balances - Ending	$ 5,545,563	$ 1,116,792	$ 1,290,416	$ 7,952,771

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Total net change in fund balances - governmental funds	$ 1,886
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.	
Capital outlays	511,420
Depreciation/Amortization	(3,519,560)
Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	3,820,761
The issuance of long-term debt provides current financial resources to the governmental funds, but the issuance increases long-term liabilities in the statement of net position.	(126,922)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	207,082
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	14,553
Change in net pension liability.	4,216,730
Change in deferred outflows and inflows of resources related to net pension liability.	(3,203,589)
Changes in deferred outflows and inflows of resources related to other postemployment benefit liability.	(81,958)
Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA.	
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)	
Compensated Absences	186,163
Other postemployment benefits	52,455
Change in net position - governmental activities	$ 2,079,021

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2025

	OPEB Trust Fund
ASSETS	
Investments	$ 928,460
TOTAL ASSETS	928,460
NET POSITION	
Held in Trust for OPEB	928,460
TOTAL LIABILITIES AND NET POSITION	$ 928,460

See Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2025

	OPEB Trust Fund
ADDITIONS	
Investment Earnings:	
Interest	$ 35,822
TOTAL ADDITIONS	35,822
DEDUCTIONS	
Benefits	51,892
TOTAL DEDUCTIONS	51,892
Change in Net Position	(16,070)
Net Position Held in Trust for OPEB - Beginning	944,530
Net Position Held in Trust for OPEB - Ending	$ 928,460

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 564 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. Reporting Entity

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separated entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

C. Basic Financial Statement Presentation

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.

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

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

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 district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash

flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for advance amounts recognized in accordance with a statutory "tax shift". 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:

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

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.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. Each fund is accounted for as an independent entity. A description of the major funds included in this report are as follows:

Major Governmental Funds

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds including pupil transportation and capital outlay activities, which were previously (prior to July 1, 1996) accounted for in separate special revenue funds.

Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Nonmajor Governmental Funds

Special Revenue Funds:

Food Service Fund – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

Community Service Fund – Accounts for all resources designated for programs other than those for elementary and secondary students.

OPEB Debt Service – Accounts for the accumulation of resources for, and the payment of, OPEB bond principal, interest and related costs.

Permanent Fund – Accounts for all resources designated for specified purposes, which supports the District's programs.

Fiduciary Fund

OPEB Trust Fund – Accounts used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

E. Specific Account Information

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

Investments are carried at fair value. The District considers certificates of deposit to be cash.

When fair value measurements are required, various data is used in determining those values. Assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities
Level 2: Observed market based inputs or unobservable inputs that are corroborated by market data
Level 3: Unobservable market inputs that are not corroborated by market data

Taxes Receivable – Taxes receivable represents taxes levied in 2024 which are not payable until 2025, net of the amount received prior to June 30.

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

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

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 unavailable revenue (property taxes levied for subsequent years).

The majority of the revenue in the general fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property 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."

Taxes which 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 deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. The allowance for uncollectible taxes is $102,000.

Accounts Receivable – Accounts receivable is carried at invoice amount less an estimate made for uncollectible accounts. The allowance for uncollectible accounts receivable was zero based on historical performance. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Inventory – Inventory is recorded using the consumption method of accounting and consists 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. Surplus commodities are stated at standardized costs, as determined by the Department of Agriculture.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

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 maintains a threshold level of $10,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment. Capital assets not being depreciated include land and construction in progress, if any.

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

Leases – The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonable certain to exercise.

The amortizable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The District's lease agreements do not include any material residual value guarantees or restrictive covenants.

The District is a lessor for a noncancellable lease of a building. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Compensated Absences – It is the District's policy to permit employees to accumulate earned but unused vacation. All vacation pay is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The District accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability.

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. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs will be expensed in the period incurred.

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

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Retiree Benefits Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of the purchase of one year or less, which are reported at cost. Postemployment healthcare expenditures have been funded through contributions to an irrevocable trust and on a pay as you go basis in the future.

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 and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/ expenditure) until then. The District has two items that qualify for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits* which represents actuarial differences within PERA and TRA pension plans and other postemployment benefit plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, *property taxes levied – subs. years,* is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The third item, *Cost Sharing Defined Benefit Pension Plan*, represents actuarial differences within PERA and TRA pension plans. The last item, *Other Postemployment Benefits* represents changes in OPEB.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets, consists of capital and lease assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption – Sometimes the government will fund outlays for particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – Consists of amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the Minnesota Department of Education.

Committed – Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned – Consists of amounts a government intends to use for a specific purpose. These constraints are established by the Board of Education and/or management. The Board of Education delegates the power to assign fund balances to the Business Manager.

Unassigned – Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

The District's goal is to maintain an unrestricted general fund balance, defined as the total of the committed and unassigned fund balance categories, of not less than 10 percent and not more than 25 percent with the optimal fund balance of 15 percent of the general fund's current annual operating expenditure budget.

F. Use of Estimates

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

NOTE 2 CHANGE IN ACCOUNTING PRINCIPLES

The District implemented GASB Statement No. 101, *Compensated Absences*, in the fiscal year ended June 30, 2025. GASB Statement No. 101 establishes uniform accounting and financial reporting requirements for compensated absences.

The adoption of GASB 101 resulted in the recognition of an additional compensated absence liability in the governmental activities of $3,826,972 as of July 1, 2024.

NOTE 3 DEPOSITS AND INVESTMENTS

The District maintains a cash account at its depository bank. Investments are carried at fair value. The District considers certificates of deposit to be cash.

The pooled cash and investment account is comprised of the following:

	Governmental Activities	Fiduciary Fund	Total
Cash	$ 2,216,435	$	$ 2,216,435
Investments	9,379,981	928,460	10,308,441
Total	$ 11,596,416	$ 928,460	$ 12,524,876

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

		Investment Maturities (in Years)	
Investments	Fair Value	<1	1-5
Minnesota School District Liquid Asset Fund	$ 92,953	$ 92,953	$ -
MnTrust Asset Fund	9,287,028	6,887,544	2,399,484
MnTrust Fiduciary Fund	928,460	620,223	308,237
Total Investments by Fair Value Level	$ 10,308,441	$ 7,600,720	$ 2,707,721

Investments	Fair Value Level 1	Fair Value Level 2	Total
Minnesota School District Liquid Asset Fund	$ 92,953	$	$ 92,953
MnTrust Asset Fund	9,287,028		9,287,028
MnTrust Fiduciary Fund	928,460		928,460
Total Investments by Fair Value Level	$ 10,308,441	$	$ 10,308,441

The Minnesota School District Liquid Asset Fund and the MnTrust are common law trusts organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of School District monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective.

The Minnesota School District Liquid Asset Fund and the MnTrust are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under 2a7. The fair value of the position is the same as the value of the pool shares.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The District may invest idle funds as authorized in Minnesota Statutes, as follows:

(a) Direct obligations or obligations guaranteed or insured issues by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
(b) General obligations and revenue obligations of any state or local government with taxing powers rated “A” and “AA”, respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated “A” or better.
(c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
(d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
(e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
(f) Repurchase or reverse repurchase agreements with banks that are qualified as a “depository” of public funds of the government entity, any other financial institution which is a member 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.
(g) Guaranteed investment contracts (GIC’s) issued or 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, or in the top three rating categories for long-term GIC’s issued by Minnesota banks.
(h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

The Minnesota School District Liquid Asset Fund is rated AAAm by Standard & Poor’s, while the MnTrust is rated Aaa by Moody’s Investors Services.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Deposits – The District does not have a formal custodial credit risk policy. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's board, all of which are members of the Federal Reserve System. Minnesota Statutes require that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of June 30, 2025, the District was not exposed to custodial credit risk.

Custodial Credit Risk - Investments - The investment in the Minnesota School District Liquid Asset Fund and the MnTrust are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4 CAPITAL ASSETS

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

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 861,515	$	$	$ 861,515
Construction in Process		183,312		183,312
Total Capital Assets, Not Being Depreciated	861,515	183,312		1,044,827
Capital Assets, Being Depreciated:				
Land Improvements	3,203,775			3,203,775
Buildings	83,866,062			83,866,062
Equipment	7,219,890	201,186	411,362	7,009,714
Right to Use - Leased Assets	863,372	126,922		990,294
Total Capital Assets, Being Depreciated	95,153,099	328,108	411,362	95,069,845
Less Accumulated Depreciation For:				
Land Improvements	1,341,536	128,242		1,469,778
Buildings	36,756,707	2,818,756		39,575,463
Equipment	5,727,396	398,853	411,362	5,714,887
Right to Use - Leased Assets	216,639	173,709		390,348
Total Accumulated Depreciation	44,042,278	3,519,560	411,362	47,150,476
Total Capital Assets, Being Depreciated, Net	51,110,821	(3,191,452)		47,919,369
Governmental Activities Capital Assets, Net	$ 51,972,336	$ (3,008,140)	$	$ 48,964,196

In the statement of activities, depreciation/amortization was charged to the following governmental functions:

District Support Services	$ 44,681
Elementary & Secondary Regular Instruction	38,814
Vocational Education Instruction	4,156
Special Education Instruction	2,332
Instructional Support	15,186
Pupil Support Services	187,179
Sites and Buildings	2,773,112
	3,065,460
Unallocated	454,100
Total Depreciation/Amortization Expense	$ 3,519,560

NOTE 5 DEFINED BENEFIT PENSION PLANS- STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description – 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.

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

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

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

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

Contributions – Minnesota Statutes Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50 percent for General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were $382,151. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs – At June 30, 2025, the District reported a liability of $2,161,699 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $55,911.

District's proportionate share of net pension liability	$	2,161,699
State of Minnesota's proportionate share of the net pension liability associated with the District		55,911
Total	$	2,217,610

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0585% at the end of the measurement period and 0.0584% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of $109,614 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $1,499 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

During the plan year ended June 30, 2024, the State of Minnesota contributed $170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the $170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $9,600 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 203,746	$ -
Difference between projected and actual investment earnings		643,999
Changes in actuarial assumptions	11,011	817,421
Changes in proportion	3,432	116,064
Contributions paid to PERA subsequent to the measurement date	382,151	
Total	$ 600,340	$ 1,577,484

$382,151 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2026	$ (792,818)
2027	(137,177)
2028	(263,622)
2029	(165,678)

Long-Term Expected Return on Investments – 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	33.50%	5.10%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
International Equity	16.50%	5.30%

Actuarial Methods and Assumptions - The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

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

The following changes in actuarial assumptions and plan provisions occurred in 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.

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

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:

Sensitivity Analysis - NPL at Different Discount Rates

1% Decrease (6%)	Current (7%)	1% Increase (8%)
$ 4,721,498	$ 2,161,699	$ 56,030

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

B. TEACHERS RETIREMENT ASSOCIATION

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those 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.

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

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

Tier I Benefits:

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

With these provisions:

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

or

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated members and 2.7 percent per year for Basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent for Basic members applies. An early retirement

reduction is applied to members retiring prior to age 65. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) reduction rate applied.

Tier II Benefits

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

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

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

Contribution Rate – 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 $942,760. The District's contributions were equal to the required contributions for each year as set by state statute.

Actuarial Assumptions – The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Experience Studies	August 2, 2023 (demographic and economic assumptions)*
Actuarial Cost Method	Entry Age Normal

Actuarial Assumptions:

Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1.00% for January 2019 through January 2023, then increasing by 0.10% each year up to 1.50% annually

Mortality Assumption

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

** The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary*

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%

Changes in actuarial assumptions since the 2023 valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 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.

Net Pension Liability - On June 30, 2025, the District reported a liability of $10,427,441 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.1641% at the end of the measurement period and 0.1640% for the beginning of the year.

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

District's proportionate share of net pension liability	$	10,427,441
State's proportionate share of the net pension liability associated with the District	$	682,259

For the year ended June 30, 2025, the District recognized pension expense of $586,455. It also recognized $37,504 as an increase to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed $176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the $176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $62,242 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

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

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	499,221	$	137,222
Net difference between projected and actual earnings on plan inv.				1,652,996
Changes in actuarial assumptions		1,114,412		1,243,497
Changes in proportion		294,060		814,617
District contributions subsequent to the measurement date		942,760		
Total	$	2,850,453	$	3,848,332

$942,760 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2026	$ (975,960)
2027	725,698
2028	(965,915)
2029	(561,132)
2030	(163,330)

Pension Liability Sensitivity - The following presents the net pension liability calculated using the discount rate of 7.0 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage higher (8.0 percent) than the current rate.

Sensitivity Analysis - NPL at Different Discount Rates

1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
$ 18,363,333	$ 10,427,441	$ 3,896,013

Pension Plan Fiduciary Net Position - Detailed information about the plan'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, Suite 400, St. Paul, MN, 55103-4000; or by calling (651)-296-2409 or (800)-657-3669.

The District recognized total pension expense of $696,069 for all of the pension plans in which it participates.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS

Plan Description – The District's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups.

Benefits Provided – The District provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Funding Policy – Retirees and their spouses contribute to the healthcare plan at the same rate as District employees. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. The District provides postemployment healthcare benefits to qualifying retirees.

The District may contribute the actuarially determined contribution (ADC), an amount actuarially determined in accordance with parameters of GASB Statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The pay as you go cost for OPEB benefits is $131,084. The annual employer contributions were $69,335 and $61,749 was the implicit subsidy. These costs are recognized as an expense when claims or premiums are paid. The General Fund paid for $79,192 of 24-25 cost and transferred $51,892 from the OPEB trust fund.

Employees Covered by Benefit Term – At June 30, 2025, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	11
Active plan members	286
	297

Net OPEB Liability – The District's net OPEB liability of $1,483,799 was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2024.

Actuarial Assumptions – The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary increases	service graded table
Investment rate	5.0 percent (net of investment expenses)
Healthcare cost trend rates	6.25 percent in 2024 grading to 5 percent over 6 years and then 4 percent over 48 years

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

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 ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Cash	5%	4.00%
Fixed Income	95%	5.00%
Total	100%	5.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 4.9 percent. The projection of cash flows that was used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at Beginning of Year	$ 2,480,784	$ 944,530	$ 1,536,254
Changes for the year:			
Service Cost	115,562		115,562
Interest Cost	108,854		108,854
Assumption Changes	(32,429)		(32,429)
Plan Changes	547		547
Employer Contributions		79,192	(79,192)
Projected Investment Return		47,227	(47,227)
Differences between Expected and Actual Experience	(129,975)	(11,155)	(118,820)
Benefit Payments	(131,084)	(131,084)	
Administrative Expenses		(250)	250
Net changes	(68,525)	(16,070)	(52,455)
Balances at End of Year	$ 2,412,259	$ 928,460	$ 1,483,799

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.9 percent) or one percentage point higher (5.9 percent) than the current rate:

District Total OPEB Liability		
1% Decrease (3.9%)	Current (4.9%)	1% Increase (5.9%)
$ 1,607,764	$ 1,483,799	$ 1,361,805

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.25 percent decreasing to 4.0 percent over 6 years) or one percentage point higher (7.25 percent decreasing to 6.0 percent over 6 years) than the current healthcare cost trend rates:

District Healthcare Cost Trend Rates		
(5.25% decreasing to 4.00% then 3.00%)	(6.25% decreasing to 5.00% then 4.00%)	(7.25% decreasing to 6.00% then 5.00%)
$ 1,294,781	$ 1,483,799	$ 1,698,839

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2025, the District recognized OPEB expense of $185,561. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	$ 51,493	$ 332,749
Investment Losses/Gains	42,876	
Changes in Assumptions	878	127,487
Total	$ 95,247	$ 460,236

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

Year Ending June 30	OPEB Expense Amount
2026	$ (81,325)
2027	(127,459)
2028	(100,626)
2029	(28,514)
2030	(27,065)

NOTE 7 LONG-TERM LIABILITIES

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

Summary of Long-Term Debt

Primary Government:	Beginning Balance (restated)	Additions	Retired	Ending Balance	Due Within One Year
GO Refunding Bonds	$ 34,560,000	$	$ 3,595,000	$ 30,965,000	$ 3,795,000
Unamortized Premium	405,462		167,626	237,836	
Total Bonds	34,965,462		3,762,626	31,202,836	3,795,000
Financed Purchases	118,224		63,782	54,442	54,443
Lease Payable	629,747	126,922	161,979	594,690	169,810
Compensated Absences	3,847,345		81,561	3,765,784	
Total Long-Term Liabilities	$ 39,560,778	$ 126,922	$ 4,069,948	$ 35,617,752	$ 4,019,253

Compensated absences are presented net of additions and retirements. The District's interest expense for the year ended June 30, 2025, was $599,769.

General Obligation Bonds

Description	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 6/30/2025
GO Crossover Refunding	2016	2.0-2.5%	2026/33	$ 9,965,000	$ 75,000	$ 9,745,000
GO Crossover Refunding	2020	2.08-3.00%	2026/30	9,665,000	170,000	9,060,000
GO Refunding	2020			12,675,000	1,815,000	
GO Refunding	2021	0.86-1.57%	2026/31	9,110,000		9,110,000
GO Refunding	2021	4.0%	2026	4,440,000	1,310,000	3,050,000
GO OPEB Refunding	2016			1,300,000	225,000	
						$ 30,965,000

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2026	$ 3,795,000	$ 679,131
2027	4,040,000	548,799
2028	4,190,000	463,125
2029	4,290,000	390,614
2030	4,370,000	313,354
2031-2033	10,280,000	449,817
	$ 30,965,000	$ 2,844,840

Financed Purchases

In FY23, the District entered into financed purchase agreements to finance the purchase of buses. In FY24, the District entered into a financed purchase agreement to finance the purchase of a Bobcat.

The future obligations as of June 30, 2025, are as follows:

Year Ending June 30	Principal	Interest
2026	$ 54,442	$ 1,356

Lease Payable

The District is a lessee for noncancellable leases of buildings and equipment. The District leases copy machines at its school locations in Thief River Falls. The term of the lease is for a period of 60 months, terminating on September 30, 2029, with a monthly payment of $3,999. The District also leases for use of the Ralph Englestad Arena facilities within the City of Thief River Falls. The term of the lease is for a period of five years, terminating on August 31, 2028, with annual payments increasing each year.

The following is a schedule by years of future minimum payments required under the leases:

Year Ending June 30,	Principal	Interest
2026	$ 169,810	$ 21,159
2027	178,385	14,729
2028	187,346	7,944
2029	47,195	790
2030	11,954	42
Total	$ 594,690	$ 44,664

NOTE 8 COMPENSATED ABSENCES

The District has several compensated absence plans for various groups of employees. The plans call for employees to be paid for unused portions of their sick leave and vacation leave upon termination of employment. At June 30, 2025, the estimated liability under these plans was $3,765,784.

NOTE 9 INTERFUND TRANSFERS

Transfer In	Transfer Out	Amount
Nonmajor Governmental	General	$95,035

The purpose of the transfer is to cover current year operating costs in the food service and community service funds.

NOTE 10 CONTINGENCIES

The District receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2025.

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.

The District has joined together with other school districts in Minnesota in the Northwest Service Cooperative's Minimum Premium Funding Plan (Plan). The Plan is a public entity risk pool established as a health insurance purchasing pool for its members. The agreement for the formation of the Plan provides that the Plan will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $300,000. The pool and its members purchase reinsurance, currently with a $300,000 specific stop loss attachment point and 110% aggregate stop loss attachment point. If the assets of the Plan were to be exhausted, members would not be responsible for the Plan's liabilities. The Northwest Service Cooperative retains the risk of the Plan's liabilities.

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.

NOTE 12 NEW PRONOUNCEMENTS

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Management has not yet determined the effect these Statements will have on the District's financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2025

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
REVENUES				
Local Property Tax Levies	$ 2,726,917	$ 2,748,808	$ 2,788,406	$ 39,598
Other Local & County Revenues	817,628	1,034,246	1,310,022	275,776
Revenue From State Sources	20,083,798	20,153,902	20,344,819	190,917
Revenue From Federal Sources	915,535	1,000,087	1,122,180	122,093
Sale/Other Conversion of Asset	3,000	3,000	(2,351)	(5,351)
TOTAL REVENUES	24,546,878	24,940,043	25,563,076	623,033
EXPENDITURES				
Current				
Administration	1,861,611	1,783,814	1,669,666	(114,148)
District Support Services	660,926	666,053	608,378	(57,675)
Elementary & Secondary				
Regular Instruction	9,984,937	10,321,748	10,078,552	(243,196)
Vocational Education Instruction	599,839	604,206	606,993	2,787
Special Education Instruction	4,573,099	4,566,805	4,736,400	169,595
Instructional Support Services	1,269,729	1,371,209	1,475,465	104,256
Pupil Support Services	1,697,362	1,722,382	1,763,525	41,143
Sites and Buildings	2,349,316	2,546,172	2,497,955	(48,217)
Fixed Costs	292,200	293,499	220,977	(72,522)
Debt Service				
Principal	205,782	63,782	225,761	161,979
Interest	4,487	4,487	30,852	26,365
Capital Outlay	822,119	1,679,849	1,962,085	282,236
TOTAL EXPENDITURES	24,321,407	25,624,006	25,876,609	252,603
Revenues Over (Under) Expenditures	225,471	(683,963)	(313,533)	370,430
OTHER FINANCING SOURCES (USES)				
Sale of Capital Asset			38,291	38,291
Issuance of Leases			126,922	126,922
Transfer Out	(144,589)	(128,000)	(95,035)	32,965
TOTAL OTHER FINANCING SOURCES (USES)	(144,589)	(128,000)	70,178	198,178
Net Change in Fund Balances	80,882	(811,963)	(243,355)	568,608
Fund Balances - Beginning	5,788,918	5,788,918	5,788,918	
Fund Balances - Ending	$ 5,869,800	$ 4,976,955	$ 5,545,563	$ 568,608

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB Liability									
Service Cost	$ 197,265	$ 190,780	$ 136,417	$ 157,177	$ 192,077	$ 154,028	$ 133,551	$ 133,454	$ 115,562
Interest	94,723	93,635	104,547	80,289	66,226	62,809	107,193	101,306	108,854
Assumption Changes		(67,610)	30,284	89,562	(100,437)	(207,030)	1,756	(22,072)	(32,429)
Plan Changes			34,354						547
Differences Between Expected and Actual Experience			(820,545)		308,973		(448,876)		(129,975)
Benefit Payments	(374,435)	(273,548)	(205,108)	(160,377)	(224,735)	(169,415)	(149,792)	(137,256)	(131,084)
Net Change in Total OPEB Liability	(82,447)	(56,743)	(720,051)	166,651	242,104	(159,608)	(356,168)	75,432	(68,525)
Total OPEB Liability - Beginning	3,371,614	3,289,167	3,232,424	2,512,373	2,679,024	2,921,128	2,761,520	2,405,352	2,480,784
Total OPEB Liability Ending (a)	$ 3,289,167	$ 3,232,424	$ 2,512,373	$ 2,679,024	$ 2,921,128	$ 2,761,520	$ 2,405,352	$ 2,480,784	$ 2,412,259
Plan Fiduciary Net Position									
Contributions - Employer	$ 205,581	$ 160,062	$ 133,943	$ 84,052	$ 134,689	$ 106,043	$ 85,371	$ 82,268	$ 79,192
Projected Investment Return	13,218	17,739	37,762	28,696	27,386	43,708	50,794	48,182	47,227
Differences Between Expected and Actual Experience		(9,841)	(29,409)	(6,685)	14,501	(56,902)	(38,355)	(12,056)	(11,155)
Benefit Payments	(374,435)	(273,548)	(205,108)	(160,377)	(224,735)	(169,415)	(149,792)	(137,256)	(131,084)
Administrative Expenses	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
Net Change in Plan Fiduciary Net Position	(155,886)	(105,838)	(63,062)	(54,564)	(48,409)	(76,816)	(52,232)	(19,112)	(16,070)
Plan Fiduciary Net Position - Beginning	1,520,449	1,364,563	1,258,725	1,195,663	1,141,099	1,092,690	1,015,874	963,642	944,530
Plan Fiduciary Net Position - Ending (b)	$ 1,364,563	$ 1,258,725	$ 1,195,663	$ 1,141,099	$ 1,092,690	$ 1,015,874	$ 963,642	$ 944,530	$ 928,460
District's Net OPEB Liability - Ending (a) - (b)	$ 1,924,604	$ 1,973,699	$ 1,316,710	$ 1,537,925	$ 1,828,438	$ 1,745,646	$ 1,441,710	$ 1,536,254	$ 1,483,799
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	41.49%	38.94%	47.59%	42.59%	37.41%	36.79%	40.06%	38.07%	38.49%
Covered Payroll	$ 13,281,098	$ 13,679,531	$ 13,720,751	$ 14,132,373	$ 14,360,278	$ 14,791,086	$ 14,041,880	$ 14,463,136	$ 14,797,944
District's Net OPEB Liability as a Percentage of Covered Payroll	14.49%	14.43%	9.60%	10.88%	12.73%	11.80%	10.27%	10.62%	10.03%

The District implemented GASB No. 75 for the fiscal year ended June 30, 2017. Information from prior years is not available.

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST 10 YEARS

Fiscal Year Ended June 30	Statutorily Required Contribution	Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
PERA					
2016	$ 322,973	$ 322,973		$ 4,301,849	7.51 %
2017	341,032	341,032		4,539,716	7.51
2018	346,292	346,292		4,616,820	7.50
2019	341,749	341,749		4,556,651	7.50
2020	350,599	350,599		4,674,646	7.50
2021	345,160	345,160		4,582,888	7.53
2022	345,783	345,783		4,590,798	7.53
2023	343,980	343,980		4,573,280	7.52
2024	371,188	371,188		4,949,179	7.50
2025	382,151	382,151		5,095,336	7.50
TRA					
2016	$ 699,319	$ 699,319		$ 9,324,269	7.50 %
2017	717,255	717,255		9,563,356	7.50
2018	726,547	726,547		9,685,923	7.50
2019	763,227	763,227		9,898,648	7.71
2020	801,117	801,117		10,115,011	7.92
2021	849,722	849,722		10,450,494	8.13
2022	914,205	914,205		10,932,301	8.36
2023	886,284	886,284		10,339,795	8.57
2024	956,506	956,506		10,931,520	8.75
2025	942,760	942,760		10,696,175	8.81

The amounts presented for each fiscal year were determined as of the District's year end which is June 30th.

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY
LAST 10 YEARS

Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA							
2015	0.0687 %	$ 3,560,391	$	$ 3,560,391	$ 4,038,246	88.17 %	78.19 %
2016	0.0692	5,618,697	73,378	5,692,075	4,301,849	130.61	68.90
2017	0.0705	4,500,673	56,557	4,557,230	4,539,716	99.14	75.90
2018	0.0688	3,816,742	125,272	3,942,014	4,616,820	82.67	79.53
2019	0.0645	3,566,061	110,829	3,676,890	4,556,651	78.26	80.23
2020	0.0654	3,921,029	120,881	4,041,910	4,674,646	83.88	79.06
2021	0.0637	2,720,275	83,141	2,803,416	4,582,888	59.36	87.00
2022	0.0610	4,831,220	141,663	4,972,883	4,590,798	105.24	76.67
2023	0.0584	3,265,663	90,008	3,355,671	4,573,280	71.41	83.10
2024	0.0585	2,161,699	55,911	2,217,610	4,949,179	43.68	89.10
TRA							
2015	0.1810 %	$ 11,196,640	$ 1,373,365	$ 12,570,005	$ 9,159,858	122.24 %	76.80 %
2016	0.1792	42,743,476	4,290,612	47,034,088	9,324,269	458.41	44.80
2017	0.1776	35,452,182	3,427,611	38,879,793	9,563,356	370.71	51.57
2018	0.1753	11,010,590	1,034,630	12,045,220	9,685,923	113.68	78.07
2019	0.1749	11,148,163	986,692	12,134,855	9,898,648	112.62	78.21
2020	0.1743	12,877,518	1,079,134	13,956,652	10,115,011	127.31	75.48
2021	0.1739	7,610,384	641,965	8,252,349	10,450,494	72.82	86.63
2022	0.1587	12,707,856	942,571	13,650,427	10,932,301	116.24	76.17
2023	0.1640	13,540,207	948,544	14,488,751	10,339,795	130.95	76.42
2024	0.1641	10,427,441	682,259	11,109,700	10,931,520	95.39	82.07

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

See Notes to the Required Supplementary Information

NOTE 1 BUDGETARY DATA

Budgets are prepared for District funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the District.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level. The annual appropriated budget is not legally binding on the District unless the District has a deficit fund balance which exceeds 2.5% of expenditures.

NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2025, expenditures exceeded appropriations in the general fund by $252,603.

NOTE 3 DEFINED BENEFIT PLANS

PERA

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.

TRA

Changes in Actuarial Assumptions since the 2023 Valuation:

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

- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

NOTE 4 OTHER POSTEMPLOYMENT BENEFITS

Changes since prior valuation:

- The discount rate was changed from 4.3% to 4.9%

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2025

	Special Revenue Funds		Debt Service		Total
	Food Service Fund	Community Service Fund	OPEB Debt Service	Permanent Fund	Nonmajor Governmental Funds
ASSETS					
Cash and Investments	$ 548,414	$ 680,450	$ 48,458	$ 35,611	$ 1,312,933
Current Property Taxes Receivable		55,865			55,865
Delinquent Property Taxes Receivable		9,882	13,277		23,159
Accounts Receivable	222	21,401			21,623
Due From Department of Education		28,009	523		28,532
Due From Federal Govt. - DOE	37,215				37,215
Inventory	64,300				64,300
TOTAL ASSETS	$ 650,151	$ 795,607	$ 62,258	$ 35,611	$ 1,543,627
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$ 12,248	$ 7,790	$	$	$ 20,038
Payroll Deductions	12,880	63,921			76,801
TOTAL LIABILITIES	25,128	71,711			96,839
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes		9,882	13,277		23,159
Property Taxes Levied - Subs. Years		133,213			133,213
TOTAL DEFERRED INFLOWS OF RESOURCES		143,095	13,277		156,372
FUND BALANCES					
Fund Balance:					
Nonspendable: Inventory	64,300				64,300
Nonspendable: Scholarships				25,000	25,000
Restricted for Food Service	560,723				560,723
Restricted for School Readiness		116,739			116,739
Restricted for Community Education		379,285			379,285
Restricted for ECFE		73,331			73,331
Restricted for Community Service		11,446			11,446
Restricted for OPEB Debt Service			48,981		48,981
Restricted for Scholarships				10,611	10,611
TOTAL FUND BALANCES	625,023	580,801	48,981	35,611	1,290,416
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 650,151	$ 795,607	$ 62,258	$ 35,611	$ 1,543,627

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	Special Revenue Funds		Debt Service		Total
	Food Service Fund	Community Service Fund	OPEB Debt Service	Permanent Fund	Nonmajor Governmental Funds
REVENUES					
Local Property Tax Levies	$	$ 117,457	$ 222,237	$	$ 339,694
Other Local & County Revenues	18,505	739,635		1,368	759,508
Revenue From State Sources	718,444	247,697	5,226		971,367
Revenue From Federal Sources	670,796	39,781			710,577
Sale/Other Conversion of Asset	95,960	2,386			98,346
TOTAL REVENUES	1,503,705	1,146,956	227,463	1,368	2,879,492
EXPENDITURES					
Current					
Community Education and Services		1,088,514			1,088,514
Pupil Support Services	1,514,298				1,514,298
Debt Service					
Principal			225,000		225,000
Interest and Other Fees			4,838		4,838
Capital Outlay	17,689				17,689
TOTAL EXPENDITURES	1,531,987	1,088,514	229,838		2,850,339
Revenues Over (Under) Expenditures	(28,282)	58,442	(2,375)	1,368	29,153
OTHER FINANCING SOURCES					
Transfer In	7,774	87,261			95,035
TOTAL OTHER FINANCING SOURCES	7,774	87,261			95,035
Net Change in Fund Balances	(20,508)	145,703	(2,375)	1,368	124,188
Fund Balances - Beginning	645,531	435,098	51,356	34,243	1,166,228
Fund Balances - Ending	$ 625,023	$ 580,801	$ 48,981	$ 35,611	$ 1,290,416

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION
For the Year Ended June 30, 2025

	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	Sale of Prop./ Insurance	Debt Issue, Net	UFARS Balance End of Year	Reclassify	Financial Statement Balance End of Year
Governmental Funds									
General Fund									
Nonspendable	$ 201,720	$	$	$ (22,073)	$	$	$ 179,647	$	$ 179,647
Restricted for:									
Student Activities	319,736	451,047	368,198				402,585		402,585
Scholarships	26,010	8,468	5,000				29,478		29,478
Literacy Incentive Aid		84,590	34,441				50,149		50,149
American Indian Ed	45,734	38,266	86,021	2,021					
Achievement & Integration		132,492	132,492						
Safe Schools		63,764	63,764						
Literacy Aid		72,331					72,331		72,331
Teacher Comp Read Act		65,305	64,689				616		616
Long Term Facility Maintenance	(379,151)	713,316	600,698				(266,533)	266,533	
Operating Capital	731,521	569,543	581,950				719,114		719,114
Medical Assistance	18,491	25,363	43,854						
Committed: Severance	20,373			(13,893)			6,480		6,480
Assigned for Technology	1,326,486			(679,973)			646,513		646,513
Assigned for Improvements	544,439			159,877			704,316		704,316
Unassigned	2,933,559	23,338,591	23,895,502	459,006	38,291	126,922	3,000,867	(266,533)	2,734,334
Food Service Fund									
Nonspendable	78,512			(14,212)			64,300		64,300
Restricted: Food Service	567,019	1,503,705	1,531,987	21,986			560,723		560,723
Community Service Fund									
Restricted for:									
Community Education	274,376	611,937	524,289	17,261			379,285		379,285
ECFE	40,611	133,331	100,611				73,331		73,331
School Readiness	115,933	368,779	437,973	70,000			116,739		116,739
Community Service	4,178	32,909	25,641				11,446		11,446
Debt Service Fund									
Restricted for:									
Debt Service	995,739	4,262,215	4,141,162				1,116,792		1,116,792
OPEB Debt Service Fund									
Restricted for:									
OPEB Debt Service	51,356	227,463	229,838				48,981		48,981
Permanent Fund									
Nonspendable	25,000						25,000		25,000
Restricted: Scholarships	9,243	1,368					10,611		10,611
Fiduciary Fund									
OPEB Trust Fund									
Held in Trust for OPEB	944,530	35,822	51,892				928,460		928,460

BradyMartz

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education
Independent School District No. 564
Thief River Falls, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 564 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 December 17, 2025.

Legal Compliance

In connection with our audit, nothing of came to our attention that caused us to believe that the District failed to comply with the provisions of 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 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.

Purpose of the Report

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

Brady Martz

BRADY MARTZ
Grand Forks, North Dakota

December 17, 2025

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BradyMartz

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

To the Board of Education
Independent School District No. 564
Thief River Falls, 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. 564, 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 December 17, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and

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accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

BRADY MARTZ
Grand Forks, North Dakota

December 17, 2025

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
Independent School District No. 564
Thief River Falls, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 564's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Independent School District No. 564 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Independent School District No. 564's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

BRADY MARTZ
Grand Forks, North Dakota

December 17, 2025

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INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Amount
U.S. Department of Education		
Direct Programs:		
P.L.100-297 Indian Education	84.060	$ 23,867
Passed-Through Minnesota Department of Education:		
Title I	84.010	383,125
Title IV	84.424	14,561
Special Education - Infants and Families	84.181	9,009
COVID-19 Education Stabilization Fund	84.425U	22,948
Special Education Cluster:		
Special Education Grants to States	84.027	503,549
Preschool Incentives	84.173	23,459
Total Special Education Cluster		527,008
Passed-Through Pine to Prairie Cooperative:		
Carl Perkins	84.048	955
Total Indirect		957,606
Total U.S. Department of Education		981,473
Federal Communications Commission		
Direct Programs:		
COVID-19 Emergency Connectivity Fund Program	32.009	125,560
Total Federal Communications Commission		125,560
U.S. Department of Health and Human Services		
Passed-Through Minnesota Department of Education:		
Every Student Succeeds Act/Preschool Development Grants	93.434	3,350
CCDF Cluster		
COVID-19 Child Care and Development Block Grant	93.575	36,431
Total U.S Department of Health and Human Services		39,781
U.S. Department of Treasury		
Passed-Through Minnesota Department of Education:		
COVID-19 American Rescue Plan	21.027	15,148
Total U.S. Department of Treasury		15,148
U.S. Department of Agriculture		
Passed-Through Minnesota Department of Education:		
Child and Adult Care Food Program	10.558	3,654
Child Nutrition Cluster:		
School Breakfast Program	10.553	107,765
National School Lunch Program	10.555	3,828
National School Lunch Program	10.555	398,423
National School Lunch Program (Nonmonetary Assistance)	10.555	84,050
Summer Food Program for Children	10.559	73,075
Total Child Nutrition Cluster		667,141
Total U.S. Department of Agriculture		670,795
TOTAL FEDERAL AWARDS		$ 1,832,757

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the accompanying schedule of expenditures of federal awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The Schedule includes the federal award activity of Independent School District No. 564 under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Independent School District No. 564, it is not intended to be and does not present the financial position or changes in net position of Independent School District No. 564.

NOTE 4 COMMODITY DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE 5 PASS-THROUGH ENTITIES

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

NOTE 6 SUBRECIPIENTS

During 2025, the District did not pass any federal money to subrecipients.

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2025

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	___ yes _x_ no
Significant deficiency(s) identified?	___ yes _x_ none reported
Noncompliance material to financial statements noted?	___ yes _x_ no

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	___ yes _x_ no
Significant deficiency(s) identified?	___ yes _x_ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes _x_ no

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
10.553	Child Nutrition Cluster
10.555	Child Nutrition Cluster
10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	_x_ yes ___ no

Section II-Financial Statement Findings

There are no findings which are required to be reported under this section.

Section III- Federal Award Findings and Questioned Costs

There are no findings which are required to be reported under this section.

There were no findings in the prior year that are required to be reported under this section.

INDEPENDENT SCHOOL DISTRICT NO. 564
THIEF RIVER FALLS, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2025

District Name: INDEPENDENT SCHOOL DISTRICT NO. 564

	Audit	UFARS	Variance
01 GENERAL FUND			
Total Revenue	25,563,076	25,563,076	
Total Expenditures	25,876,609	25,876,610	(1)
Non Spendable			
460 Non Spendable Fund Balance	179,647	179,647	
Restricted/Reserved:			
401 Student Activities	402,585	402,585	
402 Scholarships	29,478	29,478	
403 Staff Development			
407 Capital Projects Levy			
408 Cooperative Revenue			
412 Literacy Incentive Aid	50,149	50,150	(1)
414 Operating Debt			
416 Levy Reduction			
417 Taconite Building Maintenance			
420 American Indian Ed			
424 Operating Capital	719,114	719,114	
426 $25 Taconite			
427 Disabled Accessibility			
428 Learning & Development			
434 Area Learning Center			
435 Contracted Alt Programs			
436 State Approved Alt Program			
438 Gifted & Talented			
440 Teacher Development and Eval.			
441 Basic Skills Programs			
448 Achievement & Integration			
449 Safe Schools Levy			
451 QZAB Payments			
452 OPEB Liab Not In Trust			
453 Unfunded Sev & Retiremt Levy			
456 Literacy Aid	72,331	72,331	
457 Teacher Comp READ Act	616	615	1
467 Long Term Facilities Maintenance	(266,533)	(266,534)	1
472 Medical Assistance			
Restricted			
464 Restricted Fund Balance			
Committed			
418 Committed for Separation	6,480	6,480	
461 Committed			
Assigned			
462 Assigned Fund Balance	1,350,829	1,350,829	
Unassigned:			
422 Unassigned Fund Balance	3,000,867	3,000,869	(2)
Reconciliation of General	56,985,248	56,985,250	(2)
02 FOOD SERVICE			
Total Revenue	1,503,705	1,503,705	
Total Expenditures	1,531,987	1,531,987	
Non Spendable			
460 Non Spendable Fund Balance	64,300	64,300	
Restricted/Reserved:			
452 OPEB Liab Not In Trust			
Restricted			
464 Restricted Fund Balance	560,723	560,722	1
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of Food Service	3,660,715	3,660,714	1
04 COMMUNITY SERVICE			
Total Revenue	1,146,956	1,146,956	
Total Expenditures	1,088,514	1,088,514	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
426 $25 Taconite			
431 Community Education	379,285	379,285	
432 E.C.F.E.	73,331	73,330	1
440 Teacher Development and Eval.			
444 School Readiness	116,739	116,739	
447 Adult Basic Education			
452 OPEB Liab Not In Trust			
Restricted			
464 Restricted Fund Balance	11,446	11,445	1
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of Community Service	2,816,271	2,816,269	2

District Number: 564

	Audit	UFARS	Variance
06 BUILDING CONSTRUCTION			
Total Revenue			
Total Expenditures			
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
407 Capital Projects Levy			
409 Alternative Facility Program			
413 Projects Funded By COP			
Restricted			
464 Restricted Fund Balance			
Unassigned:			
463 Unassigned Fund Balance			
Reconciliation of Building Construction			
07 DEBT SERVICE			
Total Revenue	4,262,215	4,262,215	
Total Expenditures	4,141,162	4,141,162	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
425 Bond Refundings			
451 QZAB Payments			
Restricted			
464 Restricted Fund Balance	1,116,792	1,116,790	2
Unassigned:			
463 Unassigned Fund Balance			
Reconciliation of Debt Service	9,520,169	9,520,167	2
08 TRUST			
Total Revenue	1,368	1,368	
Total Expenditures			
Unassigned:			
402 Scholarships	35,611	35,610	1
422 Unassigned Fund Balance			
Reconciliation of Trust	36,979	36,978	1
20 INTERNAL SERVICE			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of Internal Service			
25 OPEB REVOCABLE TRUST FUND			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of OPEB Revocable Trust			
45 OPEB IRREVOCABLE TRUST FUND			
Total Revenue	35,822	35,822	
Total Expenditures	51,892	51,892	
Unassigned:			
422 Unassigned Fund Balance	928,460	928,460	
Reconciliation of OPEB Irrevocable Trust	1,016,174	1,016,174	
47 OPEB DEBT SERVICE FUND			
Total Revenue	227,463	227,463	
Total Expenditures	229,838	229,838	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted			
425 Bond Refunding			
464 Restricted Fund Balance	48,981	48,983	(2)
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of OPEB Debt Service	506,282	506,284	(2)