

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

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WADENA, MINNESOTA
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WADENA, MINNESOTA
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FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
GOVERNING BOARD
June 30, 2025

Chairperson	Rod Huttunen	Sebeka
Vice - Chairperson	Chuck Wolf	Long Prairie-Grey Eagle
Clerk	Barb Tumberg	Wadena-Deer Creek
Treasurer	Scott Veronen	Verndale
Director	Russ VanDenheuvel	Bertha-Hewitt
Director	Katie Howard	Menahga
Director	Ryan Wright	Staples-Motley
Director	Jodi Hilmer	Browerville
Director	Rod Thalmann	Henning
Executive Director	Eric Weber	

Superintendents:

Mitch Anderson	Perham-Dent *
Shane Tappe	Staples-Motley
Jeannie Mayer	Verndale
Dave Kerkvliet	Sebeka
Dave Fjeldheim	Bertha-Hewitt
Daniel Ludvigson	Long Prairie-Grey Eagle
Mike Malmberg	Pillager *
Adam Johnson	New York Mills *
Melissa Sparks	Henning
Scott Vedbraaten	Browerville
Jason Kjos	Menahga
Lee Westrum	Wadena-Deer Creek
Terry Karger	Frazee-Vergas *

*denotes Associate Member Districts

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Freshwater Education District No. 6004
Wadena, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Freshwater Education District No. 6004, 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 remaining fund information of Freshwater Education District No. 6004, 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 Freshwater Education District No. 6004, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 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.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise a substantial doubt about the Freshwater Education District No. 6004'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 judgement 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 judgement 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 Freshwater Education District No. 6004'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Freshwater Education District No. 6004'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, schedule of changes in the District's total OPEB liability and related ratios, schedule of District contributions, schedule of District's share of net pension liability, and notes to required supplementary information 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 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 schedule of changes in fund balances, 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* (CFR) 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 schedule of changes in fund balances, 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 governing board 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 3, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
GRAND FORKS, NORTH DAKOTA

December 3, 2025

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2025**

This section of Freshwater Education District No. 6004's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

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

- The General fund balance increased by \$287,484 during the 2024-2025 school year.

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 *fiduciary fund statement* provides information about the financial relationship in which the District acts solely as an agent for the benefit of others.

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 and community service fund budgets 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 they have 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 an indicator 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 the condition of school buildings and other facilities.

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025**

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. Federal 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 accounting for capital projects) 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 two 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 community service fund, which are considered to be major funds.

- **Fiduciary funds**: The District is the trustee, or custodian, for assets that belong to others. The District is responsible for ensuring that the assets reported in the funds are used only by those to whom the assets belong. The District's custodial activities (Health Reimbursement Arrangement Fund, Scholarships Fund, and Todd County Collaborative 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.

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025**

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was \$1,471,104 on June 30, 2025 (see details in Table A-1). This was a decrease of 32.4 percent from the prior year.

**Table A-1
Statement of Net Position**

	2025	2024	Total Percentage Change
Current and Other Assets	\$ 5,090,109	\$ 4,965,662	2.5 %
Capital Assets	5,864,120	6,088,934	(3.7)
Total Assets	<u>10,954,229</u>	<u>11,054,596</u>	(0.9)
Deferred Outflows of Resources	<u>3,083,434</u>	<u>3,129,863</u>	(1.5)
Long-term Liabilities	7,855,371	9,539,186	(17.7)
Other Liabilities	2,423,738	1,923,498	26.0
Total Liabilities	<u>10,279,109</u>	<u>11,462,684</u>	(10.3)
Deferred Inflows of Resources	<u>2,287,450</u>	<u>546,285</u>	318.7
Net Position			
Net Investment in Capital Assets	5,864,120	6,088,934	(3.7)
Restricted	1,194,717	406,308	194.0
Unrestricted	(5,587,733)	(4,319,752)	(29.4)
Total Net Position	<u>\$ 1,471,104</u>	<u>\$ 2,175,490</u>	(32.4) %

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025

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	\$ 7,201,044	\$ 6,867,774	4.9 %
Operating Grants and Contributions	7,110,294	6,886,916	3.2
Capital Grants and Contributions	39,209	8,794	345.9
General Revenues			
Unrestricted State Aid	488,849	312,214	56.6
Unrestricted Investment Earnings	146,854	165,240	(11.1)
Other Sources	406,950	180,027	126.0
Total Revenues	<u>15,393,200</u>	<u>14,420,965</u>	6.7
Expenses			
Administration	253,937	469,286	(45.9)
District Support Services	1,329,003	637,496	108.5
Elementary & Secondary Regular Instruction	1,552,510	1,856,290	(16.4)
Vocational Education Instruction	361,429	493,297	(26.7)
Special Education Instruction	9,528,783	8,961,969	6.3
Community Education and Services	1,208,538	1,164,611	3.8
Instructional Support Services	208,315	320,789	(35.1)
Pupil Support Services	649,842	257,089	152.8
Sites and Buildings	460,177	289,269	59.1
Fixed Costs	33,502	39,429	(15.0)
Depreciation- Unallocated	100,584	100,583	0.0
Total Expenses	<u>15,686,620</u>	<u>14,590,108</u>	7.5
Change in Net Position	(293,420)	(169,143)	(73.5)
Net Position - Beginning	2,175,490	2,443,326	
Change in Reporting Entity		(98,693)	
GASB 101 Adjustment - See Note 2	(410,966)		
Net Position - Beginning, Restated	<u>1,764,524</u>	<u>2,344,633</u>	
Net Position - Ending	<u>\$ 1,471,104</u>	<u>\$ 2,175,490</u>	(32.4) %

The District's total revenues were \$15,393,200 for the year ended June 30, 2025.

The total cost of all programs and services was \$15,686,620. The District's expenses are predominantly related to educating and caring for students.

Total expenses surpassed revenues, decreasing net position \$293,420 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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025

related to TRA and PERA decreased net position by \$124,304. 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 \$105,880.

The net cost of governmental activities is their total costs less program revenues applicable to each category.

Table A-3 presents these net costs.

Table A-3
Net Cost of Governmental Activities

	Total Cost of Services		Total	Net Cost of Services		Total
	2025	2024	Percentage Change	2025	2024	Percentage Change
Expenses						
Administration	\$ 253,937	\$ 469,286	(45.9) %	\$ (92,567)	\$ 126,786	(173.0) %
District Support Services	1,329,003	637,496	108.5	649,325	277,136	134.3
Elementary & Secondary						
Regular Instruction	1,552,510	1,856,290	(16.4)	(436,761)	(195,941)	122.9
Vocational Education Instruction	361,429	493,297	(26.7)	8,000	99,845	(92.0)
Special Education Instruction	9,528,783	8,961,969	6.3	345,423	(31,592)	(1,193.4)
Community Education and Services	1,208,538	1,164,611	3.8	40,621	(1,448)	2,905.3
Instructional Support Services	208,315	320,789	(35.1)	192,028	173,503	10.7
Pupil Support Services	649,842	257,089	152.8	84,556	(3,866)	(2,287.2)
Sites and Buildings	460,177	289,269	59.1	411,362	242,189	69.9
Fixed Costs	33,502	39,429	(15.0)	33,502	39,429	(15.0)
Depreciation- Unallocated	100,584	100,583	0.0	100,584	100,583	0.0
	<u>\$ 15,686,620</u>	<u>\$ 14,590,108</u>	7.5 %	<u>\$ 1,336,073</u>	<u>\$ 826,624</u>	61.6 %

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-4
Major Funds

	Fund Balance		Increase	Percentage
	2025	2024	(Decrease)	Increase (Decrease)
Governmental Funds				
General	\$ 2,936,026	\$ 2,648,542	\$ 287,484	10.9 %
Community Service	373,321	393,622	(20,301)	(5.2)

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025**

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-5 presents a summary of general fund revenue.

	<u>2025</u>	<u>2024</u>	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Interest Earnings	\$ 132,318	\$ 7,798	\$ 124,520	1,596.8 %
Other	6,709,010	5,984,814	724,196	12.1
State Sources	4,071,378	3,909,761	161,617	4.1
Federal Sources	3,280,442	3,259,150	21,292	0.7
Other	2,937	631	2,306	365.5
Total General Fund Revenue	<u>\$ 14,196,085</u>	<u>\$ 13,162,154</u>	<u>\$ 1,033,931</u>	7.9 %

Total general fund revenue increased by \$1,033,931 or 7.9 percent from the previous year.

Table A-6 presents a summary of general fund expenditures.

**Table A-6
General Fund Expenditures**

	<u>2025</u>	<u>2024</u>	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 8,699,344	\$ 8,455,011	\$ 244,333	2.9 %
Employee Benefits	2,244,099	2,202,827	41,272	1.9
Purchased Services	1,983,885	2,109,472	(125,587)	(6.0)
Supplies and Materials	316,334	290,676	25,658	8.8
Capital Expenditures	332,998	146,812	186,186	126.8
Other Expenditures	343,793	183,482	160,311	87.4
Total General Fund Expenditures	<u>\$ 13,920,453</u>	<u>\$ 13,388,280</u>	<u>\$ 532,173</u>	4.0 %

Total general fund expenditures increased by \$532,173 or 4.0 percent from the previous year.

General Fund Budgetary Highlights

The District adopted its original budget in June 2024. During the year ended June 30, 2025, the District revised its budget.

The District's budget for the general fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$296,611 and the actual results for the year show a surplus of \$287,484.

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2025**

Capital Assets

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 \$28,066 consisted of computer hardware, grounds equipment, and site improvements. During the year ended June 30, 2025, the District disposed of communication equipment.

Factors Bearing on the District's Future

The District has been serving nine (9) member districts and four (4) associate districts in a variety of capacities with a student enrollment of 11,448.

Freshwater Education District No. 6004's member districts, for the most part, are seeing their enrollment levels remain consistent.

The District's special education programs will continue to increase as the response to member school district needs. Nationally, the special student needs population is increasing annually due to environmental, social, chemical, and behavioral trends. The ALC programs are seeing consistent student attendance. For the past several years the Freshwater ALC department has been remotely supporting greater Minnesota school districts by providing opportunities for these non-member districts to access credit recovery (grades 9-12) and targeted services (K-8) extended time revenue. The Freshwater adult basic education (ABE) program funds continue to flow through the St. Cloud School District No. 742 so as to enhance the allocation. Freshwater has and will continue to host and coordinate many other cooperative programs like ABE, Vocational Rehabilitation, Carl Perkins, Todd/Otter Tail/Wadena County Collaboratives, etc.

Currently, Freshwater is paying about \$49,712 annually to lease space for our ALC's. Freshwater owns one of its buildings that have an ALC and special education level IV classrooms and office areas with a single location for centralized administrative services.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Freshwater Education District No. 6004, 2222 Industrial Dr., Wadena, MN 56482.

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2025

GOVERNMENTAL ACTIVITIES	
ASSETS	
Cash and Investments	\$ 1,788,173
Accounts Receivable	96,820
Due From MN School Districts	1,020,773
Due From Department of Education	814,683
Due From Federal Govt. - DOE	1,344,919
Due From Federal Govt.	22,334
Due from Other Governments	1,063
Prepaid Expense	1,344
Capital Assets	
Land	102,320
Capital Assets, Net of Accumulated Depreciation	<u>5,761,800</u>
TOTAL ASSETS	<u>10,954,229</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan	2,860,364
Other Postemployment Benefit	<u>223,070</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,083,434</u>
LIABILITIES	
Accounts Payable	28,970
Salaries Payable	785,812
Payroll Deductions	620,494
Due to Other Govt Units	16,267
Due to Other MN Districts	327,519
Unearned Revenue	1,700
Long-Term Liabilities Due Within One Year	642,976
Long-Term Liabilities	
Compensated Absences	642,976
Total Other Postemployment Benefit Liability	586,290
Net Pension Liability	7,269,081
Less Amounts Due Within One Year	<u>(642,976)</u>
Total Long-Term Liabilities	<u>7,855,371</u>
TOTAL LIABILITIES	<u>10,279,109</u>
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan	2,277,419
Other Postemployment Benefit	<u>10,031</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,287,450</u>
NET POSITION	
Net Investment in Capital Assets	5,864,120
Restricted	
ALC	762,473
Basic Skills	35,614
Literacy Aid	4,171
Teachers Comp READ Act	25
Medical Assistance	19,113
Community Education	63,599
ECFE	218,591
School Readiness	64,034
Community Service	25,315
Adult Basic Ed	1,782
Unrestricted	<u>(5,587,733)</u>
TOTAL NET POSITION	<u>\$ 1,471,104</u>

See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Administration	\$ 253,937	\$ 346,504	\$	\$	\$ 92,567
District Support Services	1,329,003	324,195	319,394	36,089	(649,325)
Elementary & Secondary					
Regular Instruction	1,552,510	1,565,204	424,067		436,761
Vocational Education Instruction	361,429		353,429		(8,000)
Special Education Instruction	9,528,783	3,472,639	5,707,601	3,120	(345,423)
Community Education and Services	1,208,538	881,384	286,533		(40,621)
Instructional Support Services	208,315	1,989	14,298		(192,028)
Pupil Support Services	649,842	560,314	4,972		(84,556)
Sites and Buildings	460,177	48,815			(411,362)
Fixed Costs	33,502				(33,502)
Depreciation- Unallocated	100,584				(100,584)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 15,686,620	\$ 7,201,044	\$ 7,110,294	\$ 39,209	(1,336,073)

GENERAL REVENUES

Unrestricted State Aid	488,849
Unrestricted Investment Earnings	146,854
Other General Revenue	406,950

TOTAL GENERAL REVENUES 1,042,653

Change in Net Position (293,420)

Net Position - Beginning 2,175,490
 GASB 101 Adjustment - See Note 2 (410,966)
 Net Position - Beginning, Restated 1,764,524

Net Position - Ending \$ 1,471,104

See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	Community Service Fund	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 1,527,331	\$ 260,842	\$ 1,788,173
Accounts Receivable	96,820		96,820
Due From MN School Districts	815,017	205,756	1,020,773
Due From Department of Education	814,683		814,683
Due From Federal Govt. - DOE	1,344,919		1,344,919
Due From Federal Govt.	22,334		22,334
Due From Other Governments	1,063		1,063
Prepaid Items	1,344		1,344
TOTAL ASSETS	\$ 4,623,511	\$ 466,598	\$ 5,090,109
LIABILITIES			
Accounts Payable	\$ 23,841	\$ 5,129	\$ 28,970
Salaries Payable	697,893	87,919	785,812
Due to Other Govt Units	16,095	172	16,267
Due to Other MN Districts	327,462	57	327,519
Payroll Deductions	620,494		620,494
Unearned Revenue	1,700		1,700
TOTAL LIABILITIES	1,687,485	93,277	1,780,762
FUND BALANCES			
Nonspendable: Prepaid Items	1,344		1,344
Restricted for ALC	762,473		762,473
Restricted for Basic Skills	35,614		35,614
Restricted for Literacy Aid	4,171		4,171
Restricted for Teachers Comp READ Act	25		25
Restricted for Medical Assistance	19,113		19,113
Restricted for Community Education		63,599	63,599
Restricted for ECFE		218,591	218,591
Restricted for School Readiness		64,034	64,034
Restricted for Community Service		25,315	25,315
Restricted for Adult Basic Ed		1,782	1,782
Committed for Severance	231,528		231,528
Committed for Facility Improvements	266,363		266,363
Assigned for Copier Replacement	25,558		25,558
Assigned for Wellness	5,073		5,073
Unassigned	1,584,764		1,584,764
TOTAL FUND BALANCES	2,936,026	373,321	3,309,347
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,623,511	\$ 466,598	\$ 5,090,109

See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004

WADENA, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2025

Total fund balances - governmental funds \$ 3,309,347

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	7,857,592
Less accumulated depreciation	(1,993,472)

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.

3,083,434

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Compensated Absences	(642,976)
Total Other Postemployment Benefit Liability	(586,290)
Net Pension Liability	(7,269,081)

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.

(2,287,450)

Net position - governmental activities \$ 1,471,104

See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004**WADENA, MINNESOTA****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS****For the Year Ended June 30, 2025**

	General Fund	Community Service Fund	Total Governmental Funds
REVENUES			
Other Local & County Revenues	\$ 6,841,329	\$ 906,870	\$ 7,748,199
Revenue From State Sources	4,071,377	286,533	4,357,910
Revenue From Federal Sources	3,280,442		3,280,442
Sale/Other Conversion of Asset	2,937		2,937
	<u>14,196,085</u>	<u>1,193,403</u>	<u>15,389,488</u>
TOTAL REVENUES	14,196,085	1,193,403	15,389,488
EXPENDITURES			
Current			
Administration	253,391		253,391
District Support Services	1,281,032		1,281,032
Elementary & Secondary Regular Instruction	1,550,579		1,550,579
Vocational Education Instruction	361,429		361,429
Special Education Instruction	9,172,279		9,172,279
Community Education and Services	2,974	1,205,564	1,208,538
Instructional Support Services	192,933		192,933
Pupil Support Services	638,552		638,552
Sites and Buildings	150,496		150,496
Fixed Costs	33,502		33,502
Capital Outlay	283,286		283,286
	<u>13,920,453</u>	<u>1,205,564</u>	<u>15,126,017</u>
TOTAL EXPENDITURES	13,920,453	1,205,564	15,126,017
Revenues Over (Under) Expenditures	275,632	(12,161)	263,471
OTHER FINANCING SOURCES (USES)			
Insurance Proceeds	3,712		3,712
Transfer In	8,140		8,140
Transfer Out		(8,140)	(8,140)
	<u>11,852</u>	<u>(8,140)</u>	<u>3712</u>
TOTAL OTHER FINANCING SOURCES	11,852	(8,140)	3712
Net Change in Fund Balances	287,484	(20,301)	267,183
Fund Balances - Beginning	2,648,542	393,622	3,042,164
Fund Balances - Ending	\$ <u>2,936,026</u>	\$ <u>373,321</u>	\$ <u>3,309,347</u>

See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004

WADENA, 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 \$ 267,183

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	28,066
Depreciation expense	(252,163)

The net book value to capital assets disposed decreases net position. (717)

Change in net pension liability. 1,717,709

Changes in deferred outflows and inflows of resources related to net pension liability. (1,842,013)

Changes in deferred outflows and inflows of resources related to other postemployment benefit liability. 54,419

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.)

Other postemployment benefits	(73,958)
Compensated Absences	<u>(191,946)</u>

Change in net position - governmental activities \$ (293,420)

See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUNDS
June 30, 2025

	Health Reimbursement Arrangement	Todd County Collaborative	Scholarships	Total Custodial Funds
ASSETS				
Cash and Investments	\$ 979,062	\$ 122,981	\$ 13,864	\$ 1,115,907
Due from Other Government Units		23,329		23,329
TOTAL ASSETS	<u>979,062</u>	<u>146,310</u>	<u>13,864</u>	<u>1,139,236</u>
LIABILITIES				
Payroll Deductions		10,507		10,507
TOTAL LIABILITIES		<u>10,507</u>		<u>10,507</u>
NET POSITION				
Restricted For:				
Individuals, Organizations, and Other Governments	979,063	135,803	13,864	1,128,730
TOTAL NET POSITION	<u>\$ 979,063</u>	<u>\$ 135,803</u>	<u>\$ 13,864</u>	<u>\$ 1,128,730</u>

See Notes to the Financial Statements

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – CUSTODIAL FUNDS
For the Year Ended June 30, 2025

	Health Reimbursement Arrangement	Todd County Collaborative	Scholarships	Total Custodial Funds
ADDITIONS				
HRA Contributions	\$ 128,643	\$	\$	\$ 128,643
Intergovernmental Revenue		88,171		88,171
Interest Income			533	533
TOTAL ADDITIONS	<u>128,643</u>	<u>88,171</u>	<u>533</u>	<u>217,347</u>
DEDUCTIONS				
HRA Claims	138,395			138,395
Payments to Other Governments		79,571		79,571
TOTAL DEDUCTIONS	<u>138,395</u>	<u>79,571</u>		<u>217,966</u>
Change in Net Position	(9,752)	8,600	533	(619)
Net Position - Beginning	<u>988,815</u>	<u>127,203</u>	<u>13,331</u>	<u>1,129,349</u>
Net Position - End of Year	<u>\$ 979,063</u>	<u>\$ 135,803</u>	<u>\$ 13,864</u>	<u>\$ 1,128,730</u>

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Freshwater Education District No. 6004 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a nine-member board appointed by the school boards of the nine-member school districts. The financial statements of Freshwater Education District No. 6004 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. These financial statements also conform to the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota school districts.

The District provides coordination of member district and education district programs for handicapped pupils, gifted and talented pupils, secondary vocational education, improved learning, community education, early childhood family education, career education, and low incidence academic programs in 13 school districts: Bertha-Hewitt, Browerville, Frazee-Vergas, Henning, Long Prairie-Grey Eagle, Menahga, New York Mills, Perham-Dent, Pillager, Sebeka, Staples-Motley, Verndale, and Wadena-Deer Creek. Administrative offices are located in Staples and Wadena.

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 except for the custodial funds. The custodial funds are only reported in the statement of fiduciary net position at the fund financial statement level.

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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

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 and custodial funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The custodial funds are presented in the fiduciary fund financial statements. The District's only fiduciary funds are custodial funds for its health reimbursement arrangement and scholarships. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the District-wide 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. 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. 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.

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

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. Descriptions 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.

Special Revenue Fund:

Community Service Fund - Special Revenue Funds are used to account for revenues designated to finance particular activities, and the related expenditures. The purpose of the Community Service Fund is for Early Childhood Family Education, Adult Basic Education, School Readiness, Preschool Screening, and other community programs. The majority of revenues in the Community Service Fund come from other Minnesota school districts.

Fiduciary Funds

Custodial Fund – The District is the trustee, or custodian, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

All of the District's custodial activities are reported in separate statements of fiduciary net position and changes in net position. We excluded these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

E. Specific Account Information

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

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: Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable market inputs that are not corroborated by market data

Capital Assets – Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets.

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

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 25 to 50 years for buildings and 5 to 20 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 reasonably certain to exercise.

The depreciable 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.

Compensated Absences – Employees are granted vacation of five to twenty days per year depending on employment classification. Accumulated unused vacation in excess of 100 hours is forfeited at the end of the fiscal year.

Sick leave is earned up to twelve days per year. Sick leave days accumulate to a maximum of 120 days. Sick leave accumulated beyond 120 days is annually credited to a subaccount within the employee's HRA account to be used for reimbursement of expenses after their employment with Freshwater Education District No. 6004.

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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

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.

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 net 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 net 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 two types of items that qualify under this category. *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits*, which represent actuarial differences within PERA and TRA pension plans and other postemployment benefit plans.

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 assets, net of accumulated depreciation, 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 a 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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

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, but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing board delegates the authority.

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.

A majority vote of the Freshwater Education District No. 6004's board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year.

The District's board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the executive director. Assignments so made shall be reported to the District Board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the District Board. The action to assign a fund balance may be taken after the end of the fiscal year.

The District will strive to maintain a minimum unassigned general fund balance of 20% of the annual General Fund 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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

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 of \$410,966 as of July 1, 2024.

NOTE 3 DEPOSITS AND INVESTMENTS

The District maintains a cash account at its depository bank. Investments are valued at amortized costs. The District considers certificates of deposit to be cash.

The District's interest income for the year ended June 30, 2025, was \$146,854.

The pooled cash and investment accounts are comprised of the following:

	Governmental Activities	Fiduciary Funds	Total
Cash	\$ 373,641	\$ 32,719	\$ 406,360
Investments	1,414,531	1,083,188	2,497,719
Total	<u>\$ 1,788,172</u>	<u>\$ 1,115,907</u>	<u>\$ 2,904,079</u>

As of June 30, 2025, the District's investments were in the Minnesota School District Liquid Asset Fund external investment pool.

<u>Investment</u>	<u>Fair Value (Level 1)</u>
Minnesota School District Liquid Asset Fund	\$2,497,719

The Minnesota School District Liquid Asset Fund is a common law trust 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 is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under 2a7. The fair value of the position in the pool 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.

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

- (a) Direct obligations or obligations guaranteed or insured issued 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 AAA by Standard & Poor's.

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 is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

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NOTE 4 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 102,320	\$	\$	\$ 102,320
Total Capital Assets, Not Being Depreciated	<u>102,320</u>			<u>102,320</u>
Capital Assets, Being Depreciated:				
Site Improvements	549,796	6,200		555,996
Buildings	6,309,981			6,309,981
Equipment	884,003	21,866	16,574	889,295
Total Capital Assets, Being Depreciated	<u>7,743,780</u>	<u>28,066</u>	<u>16,574</u>	<u>7,755,272</u>
Less Accumulated Depreciation For:				
Site Improvements	143,135	27,645		170,780
Buildings	1,090,762	158,777		1,249,539
Equipment	523,269	65,741	15,857	573,153
Total Accumulated Depreciation	<u>1,757,166</u>	<u>252,163</u>	<u>15,857</u>	<u>1,993,472</u>
Total Capital Assets, Being Depreciated, Net	<u>5,986,614</u>	<u>(224,097)</u>	<u>717</u>	<u>5,761,800</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,088,934</u>	<u>\$ (224,097)</u>	<u>\$ 717</u>	<u>\$ 5,864,120</u>

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

Administration	\$ 546
District Support Services	3,990
Elementary & Secondary Regular Instruction	1,331
Special Education Instruction	14,111
Instructional Support Services	14,665
Pupil Support Services	11,255
Sites and Buildings	105,681
	<u>151,579</u>
Unallocated	100,584
Total Depreciation Expense	<u>\$ 252,163</u>

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.

1. General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member’s highest average salary for any 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

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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 \$160,334. 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 \$933,823 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 \$24,135.

District's proportionate share of net pension liability	\$ 933,823
State of Minnesota's proportionate share of the net pension liability associated with the District	24,135
Total	<u>\$ 957,958</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0253% at the end of the measurement period and 0.0234% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$73,736 for its proportionate share of the General Employee Plan's pension expense. In addition, the District recognized \$647 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 \$4,144 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.

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At June 30, 2025, the District reported its proportionate share of General Employees Plan's 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	\$ 85,471	\$
Net difference between projected and actual earnings on pension plan investments		277,248
Changes in actuarial assumptions	3,987	334,588
Changes in proportion	130,194	
Employer contributions subsequent to the measurement date	160,334	
Total	<u>\$ 379,986</u>	<u>\$ 611,836</u>

The \$160,334 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	\$ (224,860)
2027	(13,189)
2028	(82,447)
2029	(71,688)

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.

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- Inflation is assumed to be 2.25%.
- Benefit increases after retirement are assumed to be 1.25%.

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 are reviewed every four years. The most recent four-year experience study was completed 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:

General Employees Fund

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.

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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	Current	1% Increase
(6.0%)	(7.0%)	(8.0%)
\$ <u>2,039,620</u> \$	<u>933,823</u> \$	<u>24,204</u>

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:

<u>Tier I</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	1 st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1 st ten years if service years are up to July 1, 2006	1.2 percent per year
	1 st 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

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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 \$633,072. 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 July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

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

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Actuarial Assumptions:

Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually

Mortality 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 (Geometric Mean)
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.

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Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. 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 \$6,335,258 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 that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.0930% at the end of the measurement period and 0.0930% 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	\$	6,335,258
State's proportionate share of the net pension liability associated with the District		414,271

For the year ended June 30, 2025, the District recognized pension expense of \$531,492. It also recognized \$22,773 as a decrease 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 \$37,794 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.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 295,209	\$ 74,876
Net difference between projected and actual earnings on plan inv.		835,213
Changes in actuarial assumptions	545,936	755,494
Changes in proportion	1,006,161	
Contributions paid to TRA subsequent to the measurement date	633,072	
Total	\$ <u>2,480,378</u>	\$ <u>1,665,583</u>

\$633,072 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:

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Year Ending June 30	Pension Expense Amount
2026	\$ (28,677)
2027	774,439
2028	(248,188)
2029	(298,091)
2030	(17,760)

Pension Liability Sensitivity - The following presents the net pension liability calculated using the discount rate of 7.00 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 (6.00 percent) or one percentage higher (8.00 percent) than the current rate.

Sensitivity Analysis - NPL at Different Discount Rates		
1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
\$ 11,156,760	\$ 6,335,258	\$ 2,367,047

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 \$605,228 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. In as much as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

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. The District provides full single coverage healthcare for a retiring principal or teacher until Medicare eligibility. All principals and teachers have a service requirement of three years.

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.

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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	8
Active plan members	137
Total Members	<u>145</u>

Total OPEB Liability – The District’s total OPEB liability of \$586,290 was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions – The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Healthcare Cost Trend Rates	8.8 percent decreasing to 3.9 percent by 2076.

Mortality rates for teachers were based on the Pub-2010 Teacher mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments. Mortality rates for non-teachers were based on the Pub-2010 general mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

The discount rate is based on the estimated yield of 20-year AA-rated municipal bonds. The overall single discount rate is 3.97%.

In the June 30, 2024 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
Balance at 6/30/2024	\$ 512,332
Changes for the year:	
Service Cost	29,073
Interest Cost	19,262
Differences Between Expected and Actual Experience	35,029
Changes in Assumptions	75,388
Benefit Payments	<u>(84,794)</u>
Net Changes	73,958
Balance at 6/30/2025	<u>\$ 586,290</u>

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

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 (2.97 percent) or one percentage point higher (4.97 percent) than the current rate:

District Total OPEB Liability		
1% Decrease (2.97%)	Current (3.97%)	1% Increase (4.97%)
\$ 610,549	\$ 586,290	\$ 562,340

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 (7.8 percent decreasing to 2.9 by 2076) or one percentage point higher (9.8 percent decreasing to 4.9 by 2076) than the current healthcare cost trend rates:

District Healthcare Cost Trend Rates		
(7.8% decreasing to 2.9% by 2076)	(8.8% decreasing to 3.9% by 2076)	(9.8% decreasing to 4.9% by 2076)
\$ 557,900	\$ 586,290	\$ 618,884

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 \$89,498. 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	\$ 84,552	\$ 6,856
Changes in actuarial assumptions	79,637	3,175
Employer contributions paid subsequent to the measurement date	58,881	
Total	\$ 223,070	\$ 10,031

\$154,026 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total other postemployment benefit liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ending June 30	OPEB Expense Amount
2026	\$ 45,191
2027	35,228
2028	22,037
2029	18,869
2030	14,278
Thereafter	18,555

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2025

NOTE 7 LONG-TERM LIABILITIES

Changes in the District’s long-term liabilities for the year ended June 30, 2025 are as follows:

Summary of Long-Term Liabilities

	As Restated Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
Compensated Absences	\$ 451,030	\$ 191,946	\$	\$ 642,976	\$ 642,976
Total Long-Term Liabilities	<u>\$ 451,030</u>	<u>\$ 191,946</u>	<u>\$</u>	<u>\$ 642,976</u>	<u>\$ 642,976</u>

Compensated absences are reported net of additions and retirements.

NOTE 8 INTERFUND TRANSFERS

Transfer In	Transfer Out	Amount
General	Community Service	\$ 8,140

The purpose of the transfer from the community service fund to the general fund was to allocate \$3,140 to the OPEB reserve to cover post-employment HRA contributions and \$5,000 to the Facility Reserve (committed) for building deferred maintenance.

NOTE 9 HEALTH REIMBURSEMENT ARRANGEMENT

The District has a health reimbursement arrangement for its contracted employees. The plan year begins January 1 and runs to December 31. The benefits payable under this plan are eligible for exclusion from the gross income of participants as provided by Sections 105(b) and 106 of the Internal Revenue Code. Only expenses that meet the definition of “medical care” within Section 213(d) of the Internal Revenue Code may be reimbursed under the plan. Claims for eligible health care expenses must first be submitted for reimbursement to the flexible spending account under the District’s cafeteria plan. If that claim is not fully reimbursed, the balance may then be submitted under this plan.

NOTE 10 FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a “cafeteria plan” under Section 125 of the Internal Revenue Code. Each employee covered by a written contract or employee policy is eligible to participate. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits. The plan provides employees the choice of participating in a dependent care expense reimbursement account or health care expense reimbursement plan. Payments are made from the plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant through a third-party administrator.

Before the beginning of the plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants’ annual contributions to the plan, whether or not such contributions have been made. Any balance remaining in the participant’s health care expense reimbursement fund or dependent care assistance fund as of the end of each plan year shall be forfeited, unless the participant had made a claim for such plan year, in writing, which has been denied or is pending.

NOTE 11 403(B) AND 457 PLANS

The District offers both a 403(b) Plan with an employer matching element and a 457 Deferred Compensation Plan. Eligibility and formulas for employer contributions are based on applicable employment agreements to which an employee is subject. Employees must have completed three years of continuous service of at least .75 FTE to the District in order to receive the District's matching contribution. Under one of the employee group contracts, the employees began to accumulate their years of eligible service starting December 31, 2005 and, in the other two groups, years of service began June 30, 2007. Fifty-nine employees were participating during the year ended June 30, 2025; the District's matching contributions totaled \$51,164.

NOTE 12 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 13 RISK MANAGEMENT

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

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

The District's workers compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience, workers compensation rates and salaries for the year are known. The final premium adjustment was recorded in the year the adjustment was made.

NOTE 14 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.

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 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 what effect these statements will have on the entity's financial statements.

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
REVENUES				
Other Local & County Revenues	\$ 6,387,214	\$ 6,787,477	\$ 6,841,329	\$ 53,852
Revenue From State Sources	3,545,969	3,773,423	4,071,377	297,954
Revenue From Federal Sources	3,158,313	3,253,921	3,280,442	26,521
Sale/Other Conversion of Asset	2,050	2,967	2,937	(30)
TOTAL REVENUES	<u>13,093,546</u>	<u>13,817,788</u>	<u>14,196,085</u>	<u>378,297</u>
EXPENDITURES				
Current				
Administration	306,285	268,453	253,391	(15,062)
District Support Services	1,071,202	1,351,991	1,281,032	(70,959)
Elementary & Secondary Regular Instruction	1,430,591	1,402,444	1,550,579	148,135
Vocational Education Instruction	332,016	371,513	361,429	(10,084)
Special Education Instruction	9,464,275	9,305,866	9,172,279	(133,587)
Community Education and Services			2,974	
Instructional Support Services	209,494	209,271	192,933	(16,338)
Pupil Support Services	141,338	665,919	638,552	(27,367)
Sites and Buildings	179,812	157,238	150,496	(6,742)
Fixed Costs	19,300	34,090	33,502	(588)
Capital Outlay	76,725	261,414	283,286	21,872
TOTAL EXPENDITURES	<u>13,231,038</u>	<u>14,028,199</u>	<u>13,920,453</u>	<u>(110,720)</u>
Revenues Over (Under) Expenditures	(137,492)	(210,411)	275,632	489,017
OTHER FINANCING SOURCES				
Insurance Proceeds	100	3,800	3,712	(88)
Transfer In	60,500	8,140	8,140	-
TOTAL OTHER FINANCING SOURCES	<u>21,100</u>	<u>(86,200)</u>	<u>11,852</u>	<u>98052</u>
Net Change in Fund Balances	(116,392)	(296,611)	287,484	587,069
Fund Balances - Beginning	<u>2,648,542</u>	<u>2,648,542</u>	<u>2,648,542</u>	
Fund Balances - Ending	<u>\$ 2,532,150</u>	<u>\$ 2,351,931</u>	<u>\$ 2,936,026</u>	<u>\$ 587,069</u>

See Notes to the Required Supplementary Information

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE COMMUNITY SERVICE FUND
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
REVENUES				
Other Local & County Revenues	\$ 969,512	\$ 896,320	\$ 906,870	\$ 10,550
Revenue From State Sources	<u>254,100</u>	<u>303,356</u>	<u>286,533</u>	<u>(16,823)</u>
TOTAL REVENUES	<u>1,223,612</u>	<u>1,199,676</u>	<u>1,193,403</u>	<u>(6,273)</u>
EXPENDITURES				
Current				
Community Education and Services	<u>1,239,826</u>	<u>1,263,692</u>	<u>1,205,564</u>	<u>(58,128)</u>
TOTAL EXPENDITURES	<u>1,239,826</u>	<u>1,263,692</u>	<u>1,205,564</u>	<u>(58,128)</u>
Revenues Over (Under) Expenditures	(16,214)	(64,016)	(12,161)	51,855
OTHER FINANCING USES				
Transfer Out	<u> </u>	<u>(8,140)</u>	<u>(8,140)</u>	<u> </u>
TOTAL OTHER FINANCING USES	<u> </u>	<u>(8,140)</u>	<u>(8,140)</u>	<u> </u>
Net Change in Fund Balances	(16,214)	(72,156)	(20,301)	51,855
Fund Balances - Beginning	<u>393,622</u>	<u>393,622</u>	<u>393,622</u>	<u> </u>
Fund Balances - Ending	<u>\$ 377,408</u>	<u>\$ 321,466</u>	<u>\$ 373,321</u>	<u>\$ 51,855</u>

See Notes to the Required Supplementary Information

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Years

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB Liability								
Service Cost	\$ 20,634	\$ 18,942	\$ 21,778	\$ 24,633	\$ 29,057	\$ 32,046	\$ 28,868	\$ 29,073
Interest Cost	15,204	17,254	14,871	12,321	12,885	9,796	19,767	19,262
Differences Between Expected and Actual Experience		(82,692)		104,994	(10,259)	53,594	(3,915)	35,029
Changes in Assumptions	(8,427)	26,233	4,123	45,991	8,460	(1,483)	(3,273)	75,388
Benefit Payments	(80,159)	(60,655)	(60,401)	(61,177)	(59,052)	(58,631)	(71,898)	(84,794)
Net Change in Total OPEB Liability	(52,748)	(80,918)	(19,629)	126,762	(18,909)	35,322	(30,451)	73,958
Total OPEB Liability - Beginning	552,903	500,155	419,237	399,608	526,370	507,461	542,783	512,332
Total OPEB Liability - Ending	\$ 500,155	\$ 419,237	\$ 399,608	\$ 526,370	\$ 507,461	\$ 542,783	\$ 512,332	\$ 586,290
Covered Payroll	\$ 4,265,960	\$ 4,327,586	\$ 5,250,322	\$ 6,760,653	\$ 5,950,865	\$ 6,314,522	\$ 6,749,380	\$ 8,434,111
District's Total OPEB Liability as a Percentage of a Covered Payroll	11.72%	9.69%	7.61%	7.79%	8.53%	8.60%	7.59%	6.95%

The District implemented GASB No. 75 for the fiscal year ended June 30, 2018. Information from prior years is not available.

See Notes to the Required Supplementary Information

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF DISTRICT CONTRIBUTIONS
Last 10 Years

	<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Statutorily Required</u> <u>Contribution</u>	<u>Contributions in</u> <u>Relation to the</u> <u>Statutorily Required</u> <u>Contributions</u>	<u>Contribution Deficiency</u> <u>(Excess)</u>	<u>District's Covered</u> <u>Payroll</u>	<u>Contributions as a</u> <u>Percentage of Covered</u> <u>Payroll</u>
PERA						
	2016	\$ 87,637	\$ 87,637	\$	1,192,818	7.35 %
	2017	93,533	93,533		1,267,876	7.38
	2018	94,724	94,724		1,265,720	7.48
	2019	104,437	104,437		1,392,543	7.50
	2020	113,536	113,536		1,518,668	7.48
	2021	119,003	119,003		1,586,702	7.50
	2022	124,661	124,661		1,662,148	7.50
	2023	134,324	134,324		1,800,281	7.46
	2024	162,063	162,063		2,160,842	7.50
	2025	160,334	160,334		2,137,761	7.50
TRA						
	2016	\$ 276,961	\$ 276,961	\$	3,692,813	7.50 %
	2017	293,950	293,950		3,919,333	7.50
	2018	311,257	311,257		4,150,098	7.50
	2019	344,604	344,604		4,454,726	7.74
	2020	381,738	381,738		4,800,138	7.95
	2021	432,120	432,120		5,293,123	8.16
	2022	481,808	481,808		5,754,964	8.37
	2023	512,135	512,135		5,975,339	8.57
	2024	581,847	581,847		6,649,667	8.75
	2025	633,072	633,072		7,111,206	8.90

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

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY
Last 10 Years

<u>Fiscal Year Ended June 30</u>	<u>District's Proportion of the Net Pension Liability</u>	<u>District's Proportionate Share of the Net Pension Liability</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)</u>	<u>Total</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
PERA							
2015	0.0202 %	\$ 1,046,869	\$	\$ 1,046,869	\$ 1,151,702	90.90 %	78.19 %
2016	0.0201	1,632,026	21,354	1,653,380	1,192,818	136.82	68.90
2017	0.0196	1,251,251	15,737	1,266,988	1,267,876	98.69	75.90
2018	0.0196	1,087,328	35,591	1,122,919	1,265,720	85.91	79.53
2019	0.0197	1,089,169	33,832	1,123,001	1,392,543	78.21	80.23
2020	0.0208	1,247,055	38,560	1,285,615	1,518,668	82.12	79.06
2021	0.0220	939,499	28,726	968,225	1,586,702	59.21	87.00
2022	0.0221	1,750,327	51,206	1,801,533	1,662,148	105.31	76.67
2023	0.0234	1,308,502	36,153	1,344,655	1,800,281	72.68	83.10
2024	0.0253	933,823	24,135	957,958	2,160,842	43.22	89.08
TRA							
2015	0.0728 %	\$ 4,503,400	\$ 552,185	\$ 5,055,585	\$ 3,266,005	137.89 %	76.80 %
2016	0.0753	17,961,847	1,803,711	19,765,558	3,692,813	486.40	44.88
2017	0.0771	15,390,559	1,488,583	16,879,142	3,919,333	392.68	51.57
2018	0.0754	4,737,373	445,030	5,182,403	4,150,098	114.15	78.07
2019	0.0791	5,041,851	446,188	5,488,039	4,454,726	113.18	78.21
2020	0.0807	5,962,224	499,864	6,462,088	4,800,138	124.21	75.48
2021	0.0852	3,728,607	314,515	4,043,122	5,293,123	70.44	86.63
2022	0.0927	7,422,926	550,616	7,973,542	5,754,964	128.98	76.17
2023	0.0930	7,678,288	538,319	8,216,607	5,975,339	128.50	76.42
2024	0.0930	6,335,258	414,271	6,749,529	6,649,667	95.27	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 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:

- 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.

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
June 30, 2025**

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

NOTE 3 OTHER POSTEMPLOYMENT BENEFITS

Changes since the prior valuation:

Plan Changes: None

Assumption Changes:

- The discount rate was changed from 3.86% to 3.97% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2022 PERA General Employees Plan and 7/1/2022 Teachers Retirement Association valuations to the rates used in the 2023 experience studies.
- The percent of all other future retirees eligible for a explicit subsidy assumed to elect coverage at retirement changed from 30% to 40% to reflect recent plan experience.
- The percent of future retirees eligible for life insurance assumed to elect life insurance coverage at retirement changed from 20% to 10% to reflect recent plan experience.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The following table provides the changes for the assumed percent electing each plan:

<u>Medical Plan</u>	<u>Fiscal 2025 Valuation</u>	<u>Fiscal 2024 Valuation</u>
Smart Plan 3	30%	30%
Smart Plan 6	5%	5%
Smart Plan 7	30%	50%
Smart Plan 8	35%	15%

Method Changes: None

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2025**

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Insurance Proceeds	Balance End of Year
Governmental Funds						
General Fund						
Nonspendable	\$	\$	\$	\$	1,344	\$ 1,344
Restricted for:						
ALC		2,149,626	2,165,328	778,175		762,473
Basic Skills	12,573	415,380	392,339			35,614
Literacy Aid		7,189	3,018			4,171
Teachers Comp READ Act		6,491	6,466			25
Medical Assistance		80,505	61,392			19,113
Restricted	113			(113)		
Committed						
Severance	206,362	64,545	39,379			231,528
Facility Improvements	194,237	204,948	218,822	86,000		266,363
Assigned for:						
Copier Replacement	22,681	179	70	2,768		25,558
Wellness	3,261	17,919	13,339	(2,768)		5,073
Unassigned	2,209,315	11,249,303	11,020,300	(857,266)	3,712	1,584,764
Community Service Fund						
Restricted for:						
Community Education	55,462	8,239	102			63,599
ECFE	223,321	336,735	333,325	(8,140)		218,591
School Readiness	85,766	551,685	573,417			64,034
Adult Basic Education	1,782	286,533	286,533			1,782
Community Service	27,291	10,211	12,187			25,315

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Directors
Freshwater Education District No. 6004
Wadena, 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 remaining fund information of Freshwater Education District No. 6004 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 3, 2025.

Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of deposits and investments, contracting and bidding, 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
GRAND FORKS, NORTH DAKOTA

December 3, 2025

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 Directors
Freshwater Education District No. 6004
Wadena, 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, and each major fund of Freshwater Education District No. 6004, 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 3, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

The District's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 3, 2025

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

To the Board of Directors
Freshwater Education District No. 6004
Wadena, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Freshwater Education District No. 6004'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 Freshwater Education District No. 6004 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 the District'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.

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 judgement 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 considered 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 charges 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 3, 2025

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2025**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Passed Through to Subrecipients	Amount
<u>U.S. Department of Education</u>			
Direct Programs:			
Rural Education	84.358	\$	\$ 28,814
Passed-Through Minnesota Department of Education:			
<i>Special Education (IDEA) Cluster:</i>			
Special Education Grants to States	84.027	534,386	2,710,578
Special Education Preschool Grants	84.173	1,288	118,269
Passed-Through MN School District - Sourcewell District No. 924:			
<i>Special Education (IDEA) Cluster:</i>			
Special Education Grants to States	84.027		16,360
<i>Total Special Education (IDEA) Cluster:</i>		535,674	2,845,207
Passed-Through Minnesota Department of Education:			
Carl Perkins Career and Technical	84.048	223,179	353,428
Special Education Grants for Infants and Families	84.181		49,873
Passed-Through Minnesota Department of Children Family Learning:			
Special Education Grants for Infants and Families	84.181		3,120
Total AL 84.181			52,993
Total U.S. Department of Education		758,853	3,280,442
TOTAL FEDERAL AWARDS		\$ 758,853	\$ 3,280,442

See Notes to the Schedule of Expenditures of Federal Awards

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on 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 the Freshwater Education District No. 6004 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 Freshwater Education District No. 6004, it is not intended to be and does not present the financial position or changes in net position of the Freshwater Education District No. 6004.

NOTE 4 PASS-THROUGH ENTITIES

Pass-through entities listed above without a pass-through number use the same AL numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 5 SUBRECIPIENTS

The District passes certain federal awards received from the State of Minnesota Department of Education to other governments or not-for-profit agencies (subrecipients). The District reports expenditures of federal awards to subrecipients when incurred using the principles under the modified accrual basis of accounting. As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use the subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2025**

Section I-Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes 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 no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<i>Special Education (IDEA) Cluster:</i>
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
June 30, 2025**

Section II-Financial Statement Findings

2025-001 FINDING

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Directors. However, the District currently does not prepare the financial statements, including the accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Repeat Finding

Yes. Prior audit finding 2024-001.

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control, the District should establish an internal control policy to document the annual review of the financial statement and schedules and to review a financial statement disclosure checklist.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review on an annual basis.

Section III-Federal Award Findings and Questioned Costs - None

**FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2025**

2024-001 FINDING

Criteria

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Directors. However, the District currently does not prepare the financial statements, including the accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Corrective Action Taken

No action taken. See current year finding 2025-001 and Corrective Action Plan.

2025-001 FINDING

Contact Person – Jordan Anderson, Business Manager

Corrective Action Plan – The District will establish a policy to document review of financial statements and notes.

Completion Date – Ongoing

FRESHWATER EDUCATION DISTRICT NO. 6004
WADENA, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2025

District Name:	FRESHWATER EDUCATION DISTRICT NO. 6004			District Number:	6004		
	Audit	UFARS	Variance		Audit	UFARS	Variance
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 14,196,085	\$14,196,084	\$ 1	Total Revenue			
Total Expenditures	13,920,453	13,920,453		Total Expenditures			
<i>Non Spendable</i>				<i>Non Spendable</i>			
460 Non Spendable Fund Balance	1,344	1,344		460 Non Spendable Fund Balance			
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities				407 Capital Projects Levy			
402 Scholarships				413 Projects Funded By COP			
403 Staff Development				467 Long Term Fac. Maint. (LTFM)			
407 Capital Projects Levy				<i>Restricted</i>			
408 Cooperative Revenue				464 Restricted Fund Balance			
412 Literacy Incentive Aid				<i>Unassigned:</i>			
414 Operating Debt				463 Unassigned Fund Balance			
416 Levy Reduction				Reconciliation of Building Construction			
417 Taconite Building Maintenance							
420 American Indian Ed Aid				07 DEBT SERVICE			
424 Operating Capital				Total Revenue			
426 \$25 Taconite				Total Expenditures			
427 Disabled Accessibility				<i>Non Spendable</i>			
428 Learning & Development				460 Non Spendable Fund Balance			
434 Area Learning Center	762,473	762,473		<i>Restricted/Reserved:</i>			
435 Contracted Alt Programs				425 Bond Refundings			
436 State Approved Alt Program				433 Max Effort Loan			
437 Q Comp				451 QZAB Payments			
438 Gifted & Talented				467 LTFM			
440 Teacher Development and Eval				<i>Restricted</i>			
441 Basic Skills Programs	35,614	35,613	1	464 Restricted Fund Balance			
443 School Library Aid				<i>Unassigned:</i>			
448 Achievement and Integration				463 Unassigned Fund Balance			
449 Safe Schools Levy				Reconciliation of Debt Service			
451 QZAB Payments							
452 OPEB Liab Not In Trust				08 TRUST			
453 Unfrnded Sev & Retirem Lev				Total Revenue			
456 Literacy Aid	4,171	4,172	(1)	Total Expenditures			
457 Teacher Comp Read Act	25	25	0	<i>Unassigned:</i>			
459 Basic Skills Extended Time				422 Unassigned Fund Balance			
467 Long Term Fac. Maint. (LTFM)				Reconciliation of Trust			
471 Student Support Personnel							
472 Medical Assistance	19,113	19,113		18 CUSTODIAL			
<i>Restricted</i>				Total Revenue	217,347	217,347	
464 Restricted Fund Balance				Total Expenditures	217,966	217,966	
475 Title VII - Impact Aid				<i>Restricted</i>			
476 PILT				401 Student Activities			
<i>Committed</i>				402 Scholarships	13,864	13,864	
418 Committed for Separation	231,528	231,529	(1)	448 Achievement & Integration			
461 Committed	266,363	266,362	1	464 Restricted Fund Balance	1,114,866	1,114,864	2
<i>Assigned</i>				Reconciliation of Custodial	1,564,043	1,564,041	2
462 Assigned Fund Balance	30,631	30,630	1				
<i>Unassigned:</i>				20 INTERNAL SERVICE			
422 Unassigned Fund Balance	1,584,764	1,584,762	2	Total Revenue			
Reconciliation of General	31,052,564	31,052,560	4	Total Expenditures			
				<i>Unassigned:</i>			
02 FOOD SERVICE				422 Unassigned Fund Balance			
Total Revenue				Reconciliation of Internal Service			
Total Expenditures							
<i>Non Spendable</i>				25 OPEB REVOCABLE TRUST FUND			
460 Non Spendable Fund Balance				Total Revenue			
<i>Restricted/Reserved:</i>				Total Expenditures			
452 OPEB Liab Not In Trust				<i>Unassigned:</i>			
<i>Restricted</i>				422 Unassigned Fund Balance			
464 Restricted Fund Balance				Reconciliation of OPEB Revocable Trust			
<i>Unassigned</i>							
463 Unassigned Fund Balance				45 OPEB IRREVOCABLE TRUST FUND			
Reconciliation of Food Service				Total Revenue			
				Total Expenditures			
04 COMMUNITY SERVICE				<i>Unassigned:</i>			
Total Revenue	1,193,403	1,193,403		422 Unassigned Fund Balance			
Total Expenditures	1,205,564	1,205,564		Reconciliation of OPEB Irrevocable Trust			
<i>Non Spendable</i>							
460 Non Spendable Fund Balance				47 OPEB DEBT SERVICE FUND			
<i>Restricted/Reserved:</i>				Total Revenue			
426 \$25 Taconite				Total Expenditures			
431 Community Education	63,599	63,597	2	<i>Non Spendable</i>			
432 E.C.F.E.	218,591	218,590	1	460 Non Spendable Fund Balance			
437 Q Comp				<i>Restricted</i>			
440 Teacher Development and Eval				425 Bond Refunding			
444 School Readiness	64,034	64,035	(1)	464 Restricted Fund Balance			
447 Adult Basic Education	1,782	1,783	(1)	<i>Unassigned</i>			
452 OPEB Liab Not In Trust				463 Unassigned Fund Balance			
456 Literacy Aid				Reconciliation of OPEB Debt Service			
457 Teacher Comp Read Act							
464 Restricted Fund Balance	25,315	25,315					
<i>Unassigned</i>							
463 Unassigned Fund Balance							
Reconciliation of Community Service	2,772,288	2,772,287	1				