

**INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

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INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
OFFICIAL DIRECTORY
JUNE 30, 2025

Dave Wall	Chairman
Todd Haugen	Vice-Chairperson
Jenny Frenzel	Clerk
Ann Long Voelkner	Treasurer
Jack Aakus	Director
Anna Manecke	Director
Jeremy Olson	Superintendent
Ashley Eastridge	Director of Business Services

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 31
Bemidji, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bemidji Area Schools, Bemidji, Minnesota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bemidji Area Schools, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America,

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements, schedule of changes in fund balances and compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, schedule of changes in fund balances, 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 official directory and other information section 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 4, 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 4, 2025

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

This section of Independent School District No. 31's annual financial report presents our 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 includes the following:

- Net position revenues surpassed expenses by \$933,901 in the current year.
- Overall, actual revenues in the Statement of Activities were \$88,566,885 and expenses were \$87,632,984.
- General Fund revenues and other financing sources were less than General Fund expenditures by \$6,530,083.

Overview of the Financial Statements

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

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

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

District-wide Statements

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

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

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 changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

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

The District has two types of funds:

- **Governmental funds**: The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.
- The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

- **Fiduciary Funds** – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that only those to whom the assets belong use the assets reported in these funds. The District's fiduciary activities (consisting of an irrevocable trust fund) are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was \$12,580,035 on June 30, 2025 (see details in Table A-1). This was a decrease of 36.6 percent from the prior year.

Table A-1
Statement of Net Position

	<u>2025</u>	<u>2024</u>	Total Percentage Change
Current and Other Assets	\$ 39,676,428	\$ 43,434,238	(8.7) %
Capital Assets	<u>87,628,615</u>	<u>84,299,548</u>	3.9
Total Assets	<u>127,305,043</u>	<u>127,733,786</u>	(0.3)
Deferred Outflows of Resources	<u>9,699,686</u>	<u>11,903,178</u>	(18.5)
Long-Term Liabilities	75,703,094	88,559,713	(14.5)
Other Liabilities	<u>20,152,239</u>	<u>11,400,585</u>	76.8
Total Liabilities	<u>95,855,333</u>	<u>99,960,298</u>	(4.1)
Deferred Inflows of Resources	<u>28,569,361</u>	<u>19,837,412</u>	44.0
Net Position			
Net Investment in Capital Assets	53,783,409	50,029,005	7.5
Restricted	8,552,006	12,166,197	(29.7)
Unrestricted	<u>(49,755,380)</u>	<u>(42,355,948)</u>	17.5
Total Net Position	<u>\$ 12,580,035</u>	<u>\$ 19,839,254</u>	(36.6) %

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, 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			
	<u>2025</u>	<u>2024</u>	<u>% Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 3,160,789	\$ 3,709,119	(14.8) %
Operating Grants and Contributions	25,873,917	29,542,233	(12.4)
Capital Grants and Contributions	539,493	527,599	2.3
General Revenues			
Property Taxes	11,006,056	10,555,299	4.3
Unrestricted State Aid	45,734,477	45,252,820	1.1
Other Sources	2,252,153	2,521,387	(10.7)
Total Revenues	<u>88,566,885</u>	<u>92,108,457</u>	(3.8)
Expenses			
Administration	3,327,870	3,295,281	1.0
District Support Services	1,537,884	1,385,853	11.0
Elementary and Secondary Regular Instruction	29,013,068	25,842,644	12.3
Vocational Education Instruction	782,923	606,359	29.1
Special Education Instruction	18,896,535	18,040,620	4.7
Community Education and Services	2,459,090	2,377,759	3.4
Instructional Support Services	5,386,853	3,924,516	37.3
Pupil Support Services	13,076,566	12,474,325	4.8
Sites and Buildings	11,233,695	11,663,300	(3.7)
Fixed Costs	137,712	39,530	248.4
Interest Fees on Long-Term Debt	1,780,788	1,743,748	2.1
Total Expenses	<u>87,632,984</u>	<u>81,393,935</u>	7.7
Change in Net Position	<u>933,901</u>	<u>10,714,522</u>	(91.3) %
Net Position - Beginning	19,839,254	9,124,732	
GASB 101 Adjustment- See Note 2	<u>(8,193,120)</u>	<u>-</u>	
Net Position - Beginning, Restated	<u>11,646,134</u>	<u>9,124,732</u>	
Net Position - Ending	<u>\$ 12,580,035</u>	<u>\$ 19,839,254</u>	(36.6)

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

The District's total revenues were \$88,566,885 for the year ended June 30, 2025. Property taxes and unrestricted aid payments accounted for 64 percent of total revenue for the year.

The total cost of all programs and services was \$87,632,984. The District's expenses are predominantly related to educating and caring for students.

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 Percentage	Net Cost of Services			Total Percentage
	2025	2024		Change	2025	2024		Change
Expenses								
Administration	\$ 3,327,870	\$ 3,295,281	1.0	%	\$ 3,327,870	\$ 3,295,281	1.0	%
District Support Services	1,537,884	1,385,853	11.0		1,537,884	1,385,853	11.0	
Elementary and Secondary								
Regular Instruction	29,013,068	25,842,644	12.3		24,968,383	16,321,749	53.0	
Vocational Education Instruction	782,923	606,359	29.1		(83,247)	245,455	(133.9)	
Special Education Instruction	18,896,535	18,040,620	4.7		3,661,613	4,084,866	(10.4)	
Community Education and Services	2,459,090	2,377,759	3.4		(562,625)	(1,186,910)	(52.6)	
Instructional Support Services	5,386,853	3,924,516	37.3		4,172,599	2,800,829	49.0	
Pupil Support Services	13,076,566	12,474,325	4.8		8,441,696	7,768,545	8.7	
Sites and Buildings	11,233,695	11,663,300	(3.7)		10,676,112	11,116,038	(4.0)	
Fixed Costs	137,712	39,530	248.4		137,712	39,530	248.4	
Interest Fees on Long-Term Debt	1,780,788	1,743,748	2.1		1,780,788	1,743,748	2.1	
	<u>\$87,632,984</u>	<u>\$81,393,935</u>	<u>7.7</u>	<u>%</u>	<u>\$58,058,785</u>	<u>\$47,614,984</u>	<u>21.9</u>	<u>%</u>

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.

A summary of the fund balance is as follows:

Table A-4
Major Funds

	Fund Balance		Percentage	
	2025	2024	Increase (Decrease)	Increase (Decrease)
Governmental Funds				
General	\$ 14,882,225	\$ 21,412,308	\$ (6,530,083)	(30.5) %
Debt Service	825,965	797,775	28,190	3.5

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, 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.

Table A-5
General Fund Revenue

	2025	2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 7,030,727	\$ 6,423,077	\$ 607,650	9.5 %
Other	3,457,888	4,009,581	(551,693)	(13.8)
State Sources	62,544,576	60,403,634	2,140,942	3.5
Federal Sources	4,258,538	9,653,706	(5,395,168)	(55.9)
Other	32,071	63,083	(31,012)	(49.2)
Total General Fund Revenue	<u>\$ 77,323,800</u>	<u>\$ 80,553,081</u>	<u>\$ (3,229,281)</u>	(4.0) %

Total general fund revenue decreased by \$3,229,281 or (4.0) percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue. The District has also had decreased federal dollars due to education stabilization funds expiring in fiscal year 2024.

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

Table A-6
General Fund Expenditures

	2025	2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 47,772,531	\$ 44,785,892	\$ 2,986,639	6.7 %
Employee Benefits	17,395,924	16,434,566	961,358	5.8
Purchased Services	7,256,815	6,844,506	412,309	6.0
Supplies and Materials	3,637,129	3,922,810	(285,681)	(7.3)
Debt Service	657,058	297,466	359,592	120.9
Capital Expenditures	7,283,068	3,034,427	4,248,641	140.0
Other Expenditures	264,256	442,625	(178,369)	(40.3)
Total General Fund Expenditures	<u>\$ 84,266,781</u>	<u>\$ 75,762,292</u>	<u>\$ 8,504,489</u>	11.2 %

Total general fund expenditures increased \$8,504,489 or 11.2 percent from the previous year.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

General Fund Budgetary Highlights

During the course of the year, the District did not revise the annual operating budget.

- Although the District's final budget for the general fund anticipated that expenditures would exceed revenues by \$1,625,609, the actual results show expenditures and other financing uses exceeded revenues and other financing sources by \$6,530,083.
- Revenues were \$1,173,694 more than projections. This was driven by funding sources (unemployment, READ Act teacher compensation and literacy aid and GASB 68) that have corresponding expenses that are also more than projections. This has no effect on fund balance because revenues equal expenditures. State SPED and Gen Ed aid were also slightly more than projections.
- The actual expenditures were \$6,491,066 more than the budgeted figure, largely due to BHS Chiller Replacement project being budgeted for in the Building Construction Fund. Due to how the project was funded, the expenses were split between the Building Construction Fund (bond funded) and the General Fund (restricted operating capital reserves funded). There were also two SPED buses that experienced delays in manufacturing which resulted in them being delivered in FY25 instead of FY24. These buses were funded with restricted medical assistance (MA) reserves. The regular instruction and instructional support services were more than projected due to payroll costs being higher than anticipated.

Capital Assets and Debt Administration

Capital Assets

Note 4 to the financial statements presents an analysis of capital asset transactions that occurred during the year ended June 30, 2025. Major capital asset events during the year included purchasing 4 SPED buses, 1 General Ed Bus, re-tiling middle school pool, projects at the high school including resurfacing the track, LED lighting project, remodeling for the DCD classroom and the chiller replacement project.

Long-Term Debt

At year-end, the District had \$44,281,206 of long-term debt. This consisted of bonds payable of \$31,060,000, finance purchase obligation of \$83,099, lease liabilities of \$1,737,904, SBITA liabilities of \$23,530, compensated absences payable of \$9,430,850, unamortized discount and unamortized premium of \$1,945,823. Note 7 to the financial statements present details and payment provisions of these items.

Factors Bearing on the District's Future

- The State of Minnesota has historically provided minimal increases to the funding formula for K-12 education. For fiscal year 2025-2026 the State has provided an increase of 2.74% in the basic funding formula. The District is anticipating a financial strain due to anticipated increased costs for operations.
- Costs of operations are expected to rise, namely increases in energy and transportation costs and with employee bargaining outcomes.
- The District has been experiencing a decrease in enrollment. To offset the financial impact of these enrollment losses, the District has been and will continue to reduce expenses.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Business Services at the District Office in the District Office, 502 Minnesota Ave NW, Bemidji, Minnesota 56601.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STATEMENT OF NET POSITION
JUNE 30, 2025

GOVERNMENTAL ACTIVITIES

ASSETS

Cash and Investments	\$ 24,405,727
Property Taxes Receivable	5,851,328
Accounts Receivable	99,146
Due From Other MN School Districts	316,726
Due From Department of Education	7,141,255
Due From Federal Govt. - DOE	1,169,476
Due From Federal Govt.	111,822
Due From Other Governmental Units	42,109
Inventory	380,368
Prepaid Items	158,471
Non Depreciable Capital Assets:	
Land	3,472,119
Construction in Progress	5,667,238
Depreciable Capital Assets:	
Land Improvements	7,243,594
Buildings	127,610,629
Machinery and Equipment	16,191,263
Lease Assets	2,183,999
Subscription Based Information Technology Arrangements	617,289
Less Accumulated Depreciation and Amortization	<u>(75,357,516)</u>
Total Capital Assets, Net of Depreciation and Amortization	<u>87,628,615</u>

TOTAL ASSETS	<u>127,305,043</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources Related to Pensions	9,477,916
Deferred Outflows of Resources Related to OPEB	<u>221,770</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>9,699,686</u>
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LIABILITIES

Accounts Payable	1,585,864
Salaries Payable	6,613,989
Payroll Deductions and Employer Contributions	7,045
Due To Other Governmental Units	183
Due To Other MN School Districts	36,501
Unearned Revenue	188,257
Interest Payable	402,783
Long-Term Liabilities Due Within One Year	11,317,617
Long-Term Liabilities:	
Bonds and Net Unamortized Premiums	33,005,823
Compensated Absences Payable	9,430,850
Lease Liabilities	1,737,904
SBITA Liabilities	23,530
Finance Purchase Obligation	83,099
Net Pension Liability	35,839,621
Net Other Post Employment Benefits	6,899,884
Less Amounts Due Within One Year	<u>(11,317,617)</u>
Total Long-Term Liabilities	<u>75,703,094</u>

TOTAL LIABILITIES	<u>95,855,333</u>
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See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2025

DEFERRED INFLOWS OF RESOURCES

Property Taxes Levied for Subsequent Years' Expenditures	10,638,444
Deferred Inflows of Resources Related to Pensions	16,115,996
Deferred Inflows of Resources Related to OPEB	<u>1,814,921</u>

TOTAL DEFERRED INFLOWS OF RESOURCES

28,569,361

NET POSITION

Net Investment in Capital Assets	53,783,409
Restricted for:	
Student Activities	290,287
Staff Development	341,522
Literacy Incentive Aid	61,083
American Indian Ed	120,433
Operating Capital	2,067,129
Safe School	180,206
Literacy Aid	165,241
LTFM	789,329
Medical Assistance	296,792
Food Service	1,402,227
Red Lake Johnson-O'Malley	41,356
Teacher Benefits	54,889
Community Service	438,010
Debt Service	423,182
Community Education	1,034,184
ECFE	213,176
School Readiness	624,951
Adult Basic Education	8,009
Unrestricted	<u>(49,755,380)</u>

TOTAL NET POSITION

\$ 12,580,035

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Functions/Programs	Expenses	Program Revenues			Net
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Administration	\$ 3,327,870	\$ -	\$ -	\$ -	\$ (3,327,870)
District Support Services	1,537,884	-	-	-	(1,537,884)
Regular Instruction	29,013,068	451,640	3,593,045	-	(24,968,383)
Vocational Instruction	782,923	-	866,170	-	83,247
Special Education Instruction	18,896,535	-	15,234,922	-	(3,661,613)
Community Education and Services	2,459,090	2,236,424	785,291	-	562,625
Instructional Support Services	5,386,853	-	1,214,254	-	(4,172,599)
Pupil Support Services	13,076,566	454,635	4,180,235	-	(8,441,696)
Sites and Buildings	11,233,695	18,090	-	539,493	(10,676,112)
Fiscal and Other Fixed Costs	137,712	-	-	-	(137,712)
Interest on Long-Term Debt and Lease Liabilities	1,780,788	-	-	-	(1,780,788)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 87,632,984</u>	<u>\$ 3,160,789</u>	<u>\$ 25,873,917</u>	<u>\$ 539,493</u>	<u>(58,058,785)</u>
GENERAL REVENUES & EXPENSES					
Property Taxes					
Levied for General Purposes					6,746,827
Levied for Community Education and Services					644,296
Levied for Debt Service					3,134,491
Levied for OPEB					480,442
Aids and Payments from State and Federal Sources					45,734,477
Unrestricted Investment Earnings					1,048,285
Other Revenues					1,203,868
TOTAL GENERAL REVENUES					<u>58,992,686</u>
Change in Net Position					933,901
Net Position - Beginning					19,839,254
GASB 101 Adjustment - See Note 2					<u>(8,193,120)</u>
Net Position - Beginning, Restated					<u>11,646,134</u>
Net Position - Ending					\$ 12,580,035

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 16,501,129	\$ 2,650,327	\$ 5,254,271	\$ 24,405,727
Property Taxes Receivable	3,475,807	2,019,258	184,015	5,679,080
Delinquent Property Taxes Receivable	109,464	57,548	5,236	172,248
Accounts Receivable	88,924	-	10,222	99,146
Due From Other MN School Districts	316,726	-	-	316,726
Due From Department of Education	6,995,245	29,490	116,520	7,141,255
Due From Federal Govt. - DOE	1,109,647	-	59,829	1,169,476
Due From Federal Govt.	111,822	-	-	111,822
Due From Other Governmental Units	42,109	-	-	42,109
Prepaid Items	158,471	-	-	158,471
Inventory	361,212	-	19,156	380,368
TOTAL ASSETS	\$ 29,270,556	\$ 4,756,623	\$ 5,649,249	\$ 39,676,428
LIABILITIES				
Accounts Payable	\$ 1,436,060	\$ -	\$ 149,804	\$ 1,585,864
Salary Payable	6,308,043	-	305,946	6,613,989
Due To Other MN School Districts	36,501	-	-	36,501
Due to Other Governmental Units	183	-	-	183
Payroll Deductions and Employer Contributions	4,019	-	3,026	7,045
Unearned Revenue	81,928	-	106,329	188,257
TOTAL LIABILITIES	7,866,734	-	565,105	8,431,839
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	109,464	57,548	5,236	172,248
Property Taxes Levied - Subs. Years	6,412,133	3,873,110	353,201	10,638,444
TOTAL DEFERRED INFLOWS OF RESOURCES	6,521,597	3,930,658	358,437	10,810,692
FUND BALANCES				
Nonspendable	519,683	-	19,156	538,839
Restricted for:				
Student Activities	290,287	-	-	290,287
Staff Development	341,522	-	-	341,522
Literacy Incentive Aid	61,083	-	-	61,083
American Indian Ed	120,433	-	-	120,433
Operating Capital	2,067,129	-	-	2,067,129
Literacy Aid	165,241	-	-	165,241
Safe Schools	180,206	-	-	180,206
Long Term Fac. Maint.	789,329	-	-	789,329
Medical Assistance	296,792	-	-	296,792
Teacher Benefits	54,889	-	-	54,889
Red Lake Johnson-O'Malley	41,356	-	-	41,356
Debt Service	-	825,965	-	825,965
Community Education	-	-	1,034,184	1,034,184
Early Childhood and Family Education	-	-	213,176	213,176
School Readiness	-	-	624,951	624,951
Adult Basic Education	-	-	8,009	8,009
Community Service	-	-	438,010	438,010
Food Service	-	-	1,383,071	1,383,071
Building Construction	-	-	1,005,150	1,005,150
Committed for Separation and Retirement Benefits	577,793	-	-	577,793
Assigned for Writing Curriculum	50,000	-	-	50,000
Assigned for Videoboard	11,108	-	-	11,108
Unassigned	9,315,374	-	-	9,315,374
TOTAL FUND BALANCES	14,882,225	825,965	4,725,707	20,433,897
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 29,270,556	\$ 4,756,623	\$ 5,649,249	\$ 39,676,428

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balances - Governmental Funds		\$ 20,433,897
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		
Cost of capital assets	162,986,131	
Less accumulated depreciation	<u>(75,357,516)</u>	
Net Depreciation Value of Capital Assets		87,628,615
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General Obligation Bonds Payable	(31,060,000)	
Net Unamortized Bond Discount/Premium	(1,945,823)	
Finance purchase obligation	(83,099)	
Compensated Absences Payable	(9,430,850)	
Net pension liability	(35,839,621)	
Lease Payable	(1,737,904)	
SBITA Payable	<u>(23,530)</u>	(80,120,827)
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit and OPEB plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.		
Deferred Inflows of Resources	(17,930,917)	
Deferred Outflows of Resources	<u>9,699,686</u>	(8,231,231)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
		172,248
Other post-employment asset/(liability) is not a financial resource and, therefore, is not reported as an asset in the governmental funds.		
		(6,899,884)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.		
		<u>(402,783)</u>
Total Net Position - Governmental Activities		<u>\$ 12,580,035</u>

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Property Taxes	\$ 7,030,727	\$ 3,120,259	\$ 818,412	\$ 10,969,398
Other Local and County Revenues	3,457,888	65,217	1,590,184	5,113,289
Revenue From State Sources	62,544,576	291,969	2,656,774	65,493,319
Revenue From Federal Sources	4,258,538	-	2,314,700	6,573,238
Sale and Other Conversion of Asset	32,071	-	454,635	486,706
TOTAL REVENUES	77,323,800	3,477,445	7,834,705	88,635,950
EXPENDITURES				
Current:				
Administration	3,326,747	-	-	3,326,747
District Support Services	1,537,884	-	-	1,537,884
Elementary and Secondary Regular Instruction	31,485,070	-	-	31,485,070
Vocational Instruction	779,967	-	-	779,967
Special Education Instruction	18,824,796	-	-	18,824,796
Community Education and Services	8,561	-	2,449,963	2,458,524
Instructional Support Services	4,679,243	-	-	4,679,243
Pupil Support Services	8,298,743	-	4,373,797	12,672,540
Sites and Buildings	6,950,351	-	-	6,950,351
Fiscal and Other Fixed Costs	435,293	-	-	435,293
Debt Service:				
Principal Retirement	490,884	2,330,000	499,453	3,320,337
Interest and Fees	166,174	1,202,425	101,935	1,470,534
Capital Outlay	7,283,068	-	2,038,963	9,322,031
TOTAL EXPENDITURES	84,266,781	3,532,425	9,464,111	97,263,317
Excess (Deficiency) of Revenues Over Expenditures	(6,942,981)	(54,980)	(1,629,406)	(8,627,367)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Bonds	-	-	3,085,000	3,085,000
Bond Premium	-	-	350,398	350,398
Sale of Capital Assets	40,160	-	-	40,160
Issuance of Leases and SBITAS	371,738	-	-	371,738
Insurance Recovery	1,000	-	-	1,000
Transfers In	-	83,170	-	83,170
Transfers Out	-	-	(83,170)	(83,170)
TOTAL OTHER FINANCING SOURCES (USES)	412,898	83,170	3,352,228	3,848,296
Net Change in Fund Balances	(6,530,083)	28,190	1,722,822	(4,779,071)
Fund Balances - Beginning	21,412,308	797,775	3,002,885	25,212,968
Fund Balances - Ending	\$ 14,882,225	\$ 825,965	\$ 4,725,707	\$ 20,433,897

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, 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

Net change in fund balances - governmental funds \$ (4,779,071)

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

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

Capital outlays	8,217,721	
Depreciation expense	<u>(4,659,348)</u>	3,558,373

Disposal of fixed assets are only reported in the governmental funds when cash is received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (229,306)

Lease payments are reported in the governmental funds as expenditures. However, in the statement of activities, those assets are set up as lease assets and amortized over the life of the lease along with interest expenses. In the current period, this resulted in the following differences:

Issuance of Lease	(344,636)	
Modifications and Remeasurements	173,593	
Principal payments - leases	<u>291,991</u>	120,948

SBITA payments are reported in the governmental funds as expenditures. However, in the statement of activities, those assets are set up as lease assets and amortized over the life of the lease along with interest expenses. In the current period, this resulted in the following differences:

SBITA Payment		11,246
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Change in net pension liability		14,536,205
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Changes in deferred outflows and inflows of resources related to the net pension and OPEB liabilities.		(11,070,102)
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Payment of debt principal is an expenditure or other financing use in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.		3,017,100
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Issuance of long-term debt		(3,085,000)
Premium on long-term debt issuance		(350,398)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of issuance costs and premiums when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		151,129
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Payment of the following costs is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.		
Compensated Absences Payable		(943,042)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		36,658
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The change in the Other Post-Employment Benefit liability is a reduction of the Other Post-Employment Benefit expense in the statement of activities.		<u>(40,839)</u>
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Change in net position - governmental activities		<u>\$ 933,901</u>
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See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025

	OPEB Irrevocable <u>Trust Fund</u>
Assets	
Cash and Investments	<u>\$ 1,022,548</u>
Net Position	
Net Position Held in Trust	<u><u>\$ 1,022,548</u></u>

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025

	OPEB Irrevocable Trust Fund
Additions:	
Contributions	\$ -
Investment Earnings	<u>38,667</u>
Total Additions	38,667
Deductions:	
Employee Benefits	<u>42,967</u>
Change in Net Position	(4,300)
Net Position - Beginning of Year	<u>1,026,848</u>
Net Position - End of Year	<u><u>\$ 1,022,548</u></u>

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 31 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. The governing body consists of a six member board elected by the voters of the District to serve four-year terms.

B. Reporting Entity

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a six-member board elected by the voters of the District to serve four-year terms.

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

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

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

C. Basic Financial Statement Presentation

The district-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO THE 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. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

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

D. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

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

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

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

Description of Funds

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

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

Major Governmental Funds

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

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

Nonmajor Governmental Funds

Special Revenue Funds – These funds account for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for specified purposes.

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

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

Building Construction Fund – Accounts for the accumulation of resources for, and the payment related to construction projects and is considered a capital project fund.

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

Fiduciary funds

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

Post-Employment Benefits Irrevocable Trust Fund – The District is the trustee, or fiduciary, for assets set aside and held in an irrevocable trust arrangement for post-employment benefits. District contributions to this fund are expensed to the General, Food Service or Community Service Funds.

All of the District's fiduciary activities 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.

E. Specific Account Information

Cash and Investments – Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. The investments of the Capital Projects Fund are not pooled and earnings on those investments are allocated directly to that Fund.

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

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

Fair Value Measurements – The organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that 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 inputs that are not corroborated by market data.

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

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

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

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

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year.

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

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

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

Capital Assets – Capital assets are capitalized at historical cost, or estimated historical cost. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for machinery and 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 nonlease 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 amortizable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

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

Subscription-Based Information Technology Arrangements (SBITA) - Subscription-Based Information Technology Arrangements (SBITA) are contracts that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

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The determination of whether a SBITA asset and liability are to be recorded in the financial statements is made at inception by evaluating the maximum possible term of the SBITA.

A SBITA contract with an initial term of more than 12 months, or that contain an option to extend the contract more than 12 months that is reasonably expected to be exercised by the District, are recognized based on the present value of subscription payments over the contract 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 SBITA contract 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 SBITA contract commencement.

The District continues to recognize short-term SBITA subscription payments as outflows of resources (expenditure) based on the payment provision of the SBITA contract. Short-term SBITA contracts have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

The amortizable life of SBITA assets are limited to the shorter of the expected agreement term or the useful life of the underlying asset.

Unearned Revenue – Unearned revenue represents revenues, other than property taxes, collected before they are earned.

Compensated Absences – Compensated absences consists of vacation, personal leave and sick leave:

Vacation – Teachers and principals do not receive paid vacations but are paid only for the number of days they are required to work, each in accordance with their respective contracts. Superintendent, administrative and other employees are allowed vacation leave in varying amounts. In the event of termination, only superintendent and administrative employees are reimbursed for any unused accumulated leave.

Personal Leave – Only teachers receive personal leave. Accrual is 2 days per year and accumulates up to a maximum of 6 days. Days in excess of the maximum will be paid out at a rate of \$150 per day.

Sick Leave – Employees are allowed to accrue sick leave at varying amounts each year and accumulate within limits. Employees are not compensated for unused sick leave upon termination of employment. Upon completion of 15 years of service and notice of retirement for teaching staff and certain other employee groups, unused sick leave is convertible to severance pay upon an employee's retirement. Severance is not granted to an employee who is discharged by the District.

The District accounts for compensated absences under the actuarial projected method approach. This approach consists of a detailed measurement of the liability using projected pay rates and projecting future benefit accruals while discounting the liability, to the measurement date, based on actuarial assumptions.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred

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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 as 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.

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 reported on the statement of net position as deferred outflows of resources. The first is *cost sharing defined benefit pension plan*, which represents actuarial differences within the PERA and TRA pension plans as well as amounts paid to the plans after the measurement date. The second is *deferred outflows* related to OPEB, which represents the amounts paid to the plan 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 four types of items, one of which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, *property taxes levied – subs. years* is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as this amount represents property tax revenue levied for a subsequent period. The District has a third item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the PERA and TRA pension plans. The fourth item, deferred inflows of resources related to *OPEB* is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

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/amortization, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption – Sometimes the government will fund outlays for 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

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in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. Information about the fiduciary net position of the Teacher's Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by 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 Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

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

Non-spendable - consists of amounts that are not in spendable form, such as inventory and prepaid items.

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 internally imposed constraints. These constraints are established by Resolution of the Board of Education. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management. Pursuant to Board Resolution, the District's Business Manager is authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the general fund. Positive amounts are reported only in the general fund.

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

The District will strive to maintain a minimum of 10% of the General Fund operating budget in a combination of committed, assigned and unassigned fund balances. When the combination of committed, assigned and unassigned General Fund balance is projected to drop below 10%,

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the District shall initiate measures to either generate additional revenue or reduce expenditures through budget reductions, or a combination of both.

F. Use of Estimates

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

NOTE 2 CHANGE IN ACCOUNTING PRINCIPLES

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

The adoption of GASB 101 resulted in the recognition of an additional compensated absence liability of \$8,193,120 as of July 1, 2024.

NOTE 3 DEPOSITS AND INVESTMENTS

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

The District's interest income for the year ended June 30, 2025, was \$1,086,952.

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

	Governmental Activities/ Funds	OPEB Irrevocable Trust Fund
Cash	\$ 3,039,249	\$ 86,949
Investments	21,366,478	935,599
Total Cash and Investments	<u>\$ 24,405,727</u>	<u>\$ 1,022,548</u>

As of June 30, 2025, the District's investments were in the Minnesota School District Liquid Asset Fund Plus and the MN Trust fund, which are external investment pools.

	Governmental Activities/ Funds	OPEB Irrevocable Trust Fund
Investment Pool:		
MSDLAF+ - Money Market Accounts	\$ 96,381	\$ -
MNTrust - Money Market Accounts	21,270,097	935,599
Total Investments	<u>\$ 21,366,478</u>	<u>\$ 935,599</u>

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

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

Credit Risk

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

- (a) Direct obligations or obligations guaranteed or insured issues by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- (b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated "A" or better.
- (c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
- (d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
- (e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (f) Repurchase or reverse repurchase agreements with banks that are qualified as a "depository" of public funds of the government entity, any other financial institution which is a member of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.
- (h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

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

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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.

At June 30, 2025, the carrying amount of the District's deposits was \$3,126,198 and the bank balance was \$4,853,455.

Custodial Credit Risk – Investments

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

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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NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Additions	Sales and Retirements	Ending Balance
Non-depreciable Capital Assets				
Land	\$ 3,472,119	\$ -	\$ -	\$ 3,472,119
Construction in Process	482,896	5,667,238	482,896	5,667,238
Total Non-depreciable Capital Assets	<u>3,955,015</u>	<u>5,667,238</u>	<u>482,896</u>	<u>9,139,357</u>
Depreciable Capital Assets:				
Land Improvements	6,790,799	452,795	-	7,243,594
Buildings	126,528,438	1,082,191	-	127,610,629
Equipment	15,462,691	1,126,654	398,082	16,191,263
Right-to-use - Lease Building	1,812,261	-	-	1,812,261
Right-to-use - Lease Copy Machine	435,139	328,962	435,140	328,961
Right-to-use - Lease Equipment	20,814	42,777	20,814	42,777
Right-to-use Subscription Based Information Technology Arrangement Software	617,289	-	-	617,289
Total Depreciable Capital Assets	<u>151,667,431</u>	<u>3,033,379</u>	<u>854,036</u>	<u>153,846,774</u>
Less Accumulated Depreciation For:				
Land Improvements	3,989,728	270,433	-	4,260,161
Buildings	54,716,191	3,003,041	-	57,719,232
Machinery and Equipment	11,832,602	989,817	398,082	12,424,337
Right-to-use - Lease Building	271,839	120,818	-	392,657
Right-to-use - Lease Copy Machine	144,630	170,858	205,834	109,654
Right-to-use - Lease Equipment	18,275	9,248	20,814	6,709
Right-to-use Subscription Based Information Technology Arrangement Software	349,633	95,133	-	444,766
Total Accumulated Depreciation	<u>71,322,898</u>	<u>4,659,348</u>	<u>624,730</u>	<u>75,357,516</u>
Total Capital Assets, Being Depreciated, Net	<u>80,344,533</u>	<u>(1,625,969)</u>	<u>229,306</u>	<u>78,489,258</u>
Governmental Activities Capital Assets, Net	<u>\$ 84,299,548</u>	<u>\$ 4,041,269</u>	<u>\$ 712,202</u>	<u>\$ 87,628,615</u>

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

Elementary and Secondary Regular Instruction	\$ 8,864
Special Education Instruction	70,739
Pupil Support Services	351,675
Sites and Buildings	<u>4,228,070</u>
Total	<u>\$ 4,659,348</u>

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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 the 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.

Public Employees Local Government Correctional Service Retirement Plan (Correctional Plan)

Membership in the Correctional Plan includes correctional officers service in county and regional adult and juvenile corrections facilities. Participants must be responsible for security, custody, and control of the facilities and their inmates.

Benefits Provided

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

General Employees Plan 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

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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 the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

Correctional Plan Benefits

Benefits for Correctional Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increase by 10 percent each full year of service until members are 100 percent vested after ten years. Correctional Plan members receive 1.9 percent of highest average salary for each year of service. Correctional Plan members receive a full retirement benefit when they are age 55 and vested or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement begins at age 50 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be equal to 100 percent of the COLA announced by SSA, with a minimum increase of 1 percent and a maximum of 2.5 percent. The 2024 annual increase was 2.5 percent. If the plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.5 percent to 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

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 Employees Fund Contributions

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 \$1,221,987. The District's contributions were equal to the required contributions for each year as set by state statute.

Correctional Fund Contributions

Plan members were required to contribute 5.83 percent of their annual covered salary and the District was required to contribute 8.75 percent of pay for plan members in fiscal year 2025. The District contributions to the Correctional Fund for the year ended June 30, 2025, were \$5,398. The District's contributions were equal to the required contributions as set by state statute.

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A. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$6,613,957 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 \$170,995.

District's proportionate share of the net pension liability	\$	6,613,957
State of Minnesota's proportionate share of the net pension liability associated with the District		170,995
Total	\$	<u>6,784,952</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. At June 30, 2024, the District's proportionate share was 0.1789% at the end of the measurement period and 0.1876% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$115,017 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$4,584 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation 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 \$29,360 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At June 30, 2025, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 633,802	\$ -
Difference between projected and actual investment earnings	-	1,989,486
Changes in actuarial assumptions	35,433	2,592,112
Changes in proportion	-	825,672
Contributions paid to PERA subsequent to the measurement date	1,221,987	-
Total	<u>\$ 1,891,222</u>	<u>\$ 5,407,270</u>

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The \$1,221,987 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2026	\$ (2,719,448)
2027	(554,131)
2028	(957,553)
2029	(506,903)

Correctional Plan Pension Costs

At June 30, 2025, the District reported a liability of \$8,496 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District 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 0.0279% at the end of the measurement period and 0.0357% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$1,293 for its proportionate share of the Correctional Plan's pension expense.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$5.3 million to the Correctional Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the Correctional Plan pension allocation schedules for the \$5.3 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$1,465 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 Correctional Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 6,704	\$ -
Difference between projected and actual earnings on pension plan investments	-	12,190
Changes in actuarial assumptions	-	36,812
Changes in proportion	-	16,730
Employer contributions subsequent to the measurement date	5,398	-
Total	<u>\$ 12,102</u>	<u>\$ 65,732</u>

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The \$5,398 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	\$ (52,766)
2027	4,019
2028	(7,602)
2029	(2,679)

B. 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%

C. Actuarial Methods and Assumptions

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

- Inflation is assumed to be 2.25% for the General Employees Plan, Police & Fire Plan, and the Correctional Plan.
- Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan, 1% for the Police & Fire Plan, and 2% for the Correctional Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11% at age 20 to 3% at age 60.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police & Fire Plan and the Correctional Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

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Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 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.

Correctional Fund

Changes in Actuarial Assumptions: None

Changes in Plan Provisions:

- Employee contribution rates will increase from 5.83% of pay to 6.83% of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75% of pay to 10.25% of pay, effective July 1, 2025.
- The benefit multiplier changed from 1.9% to 2.2% for service earned after June 30, 2025.

D. Discount Rate

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

General Employees Fund

Sensitivity Analysis - NPL at Different Discount Rates

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the General Employees Fund net pension liability:	\$ 14,445,947	\$ 6,613,957	\$ 171,431

Correctional Fund

Sensitivity Analysis - NPL at Different Discount Rates

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the Correctional Fund net pension liability:	\$ 69,041	\$ 8,496	\$ (39,737)

F. 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.

Teachers Retirement Association

A. Plan Description

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

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.

B. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

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

Or

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

Tier II Benefits

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

Six different types of annuities are available to members upon retirement. The No Refund 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.

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C. 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 \$2,934,993. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Experience Study	August 2, 2023 (demographic and economic assumptions)*
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028
Cost of Living Adjustment	1.0% 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

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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%	0.75%
Fixed Income	25.00%	5.90%

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.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date 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 year 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Net Pension Liability

On June 30, 2025, Bemidji Area Schools reported a liability of \$29,217,168 for its proportionate share of the net pension liability. The net pension liability was measured as of July 01, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District proportionate share was 0.4598% at the end of the measurement period and 0.4829% for the beginning of the year.

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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	\$ 29,217,168
State's proportionate share of the net pension liability associated with the District	1,911,028

For the year ended June 30, 2025, the District recognized pension expense of \$1,972,182 . It also recognized \$105,050 as an increase to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$174,343 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,410,138	\$ 401,343
Difference between projected and actual investment earnings	-	4,268,431
Changes in actuarial assumptions	3,202,299	3,484,226
Changes in proportion	27,162	2,488,994
District contributions subsequent to the measurement date	2,934,993	-
Total	<u>\$ 7,574,592</u>	<u>\$ 10,642,994</u>

\$2,934,993 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year ending	
June 30:	<u>Pension Expense Amount</u>
2026	(2,663,393)
2027	2,235,145
2028	(2,772,931)
2029	(2,057,624)
2030	(744,592)

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G. Pension Liability Sensitivity

The following presents the net pension liability of TRA 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 point higher (8.00 percent) than the current rate.

Sensitivity Analysis - NPL at Different Discount Rates

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of NPL related to TRA	\$ 51,453,142	\$ 29,217,168	\$ 10,916,434

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That 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.

Total Pension Expense

The total pension expense for all plans recognized by the District for the year ended June 30, 2025 was \$ 2,088,492

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS

Plan Description – The District operates a single employer retiree benefit plan for both health and dental insurance in which retiring employees and their spouses may participate in at their expense. Retiring employees are eligible to participate only if they are a participant in the District's health and dental insurance at the time of retirement. The retired employees are responsible for reimbursing the District for 100% of the premium cost for their health and dental plans. If a retiree chooses to drop their participation in either plan they are not able to return to the plan. Upon the death of a retiree, the retiree's spouse can continue participation only if the spouse was covered under the plan at the time of the retiree's death.

Employees Covered by Benefit Terms – At July 1, 2024, the measurement date of the total OPEB liability, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	68
Active employees	842
	910

Total OPEB Liability

At June 30, 2025, the District reported a liability of \$6,899,884 for the defined benefit healthcare plan. The total OPEB liability was measured as of July 1, 2024, and was determined by an actuarial valuation as of July 1, 2023.

Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	2.50%
Salary increases	Salary increase rates for non-teachers were updated to reflect the latest experience study
Discount rate	4.90%
Healthcare cost trend	6.00%, gradually to 5.00% over 5 years, then 4.00%.

The discount rate was based on the 20-year AA rated municipal bond yield.

The valuation uses mortality rates based the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2023 actuarial valuation, the entry age, normal level percentage of pay actuarial cost method was used.

Retirees and their spouses contribute to the healthcare plan according to their benefit received at retirement. Since the premium is a blended rate determined on the entire active retiree population, the retirees are receiving an implicit rate subsidy for which the District has historically funded on a pay-as-you-go basis. All of the active employees who have access to healthcare and all retirees who have elected to continue coverage on the employer's medical plan after retirement have been included in this valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2024	\$ 7,755,977	\$ 896,932	\$ 6,859,045
Changes for the year:			
Service cost	423,776	-	423,776
Interest	327,827	-	327,827
Changes of benefit terms	(343,381)	-	(343,381)
Net investment income	-	31,393	(31,393)
Differences between expected and actual experience	-	9,149	(9,149)
Contributions - employer	-	328,716	(328,716)
Benefit payments	(371,683)	(371,683)	-
Administrative expenses	-	(1,875)	1,875
Net changes	36,539	(4,300)	40,839
Balance at June 30, 2025	<u>\$ 7,792,516</u>	<u>\$ 892,632</u>	<u>\$ 6,899,884</u>

Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability as of June 30, 2025, calculated using the discount rate of 4.9%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.9 percent) or 1-percentage-point higher (5.9 percent) than the current rate:

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1% Decrease (3.9%)	Discount Rate (4.9%)	1% Increase (5.9%)
\$ 7,401,835	\$ 6,899,884	\$ 6,416,695

The following presents the total OPEB liability as of June 30, 2025, calculated using the healthcare cost trend rate of 6.0% grading to 5.0%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current rate:

1% Decrease (5% decreasing to 4%)	Current Trend Rate (6% decreasing to 5%)	1% Increase (7% decreasing to 6%)
\$ 6,236,821	\$ 6,899,884	\$ 7,686,781

OPEB Liabilities, OPEB Expenses, 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 \$205,852.

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
Difference between expected and actual economic experience	\$ 134,032	\$ 995,486
Difference between projected and actual investment earnings	-	13,159
Changes in actuarial assumptions	87,738	806,276
Total	<u>\$ 221,770</u>	<u>\$ 1,814,921</u>

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

Year ending June 30:	OPEB Expense Amount
2026	(368,000)
2027	(396,036)
2028	(370,818)
2029	(208,657)
2030	(200,588)
Thereafter	(49,052)

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NOTE 7 LONG-TERM LIABILITIES

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

Summary of Long-Term Liabilities

	Beginning Balance (restated)	Additions	Modifications and Remeasurements	Retired	Ending Balance	Current Amounts	
						Principal	Interest
General Obligation Bonds:							
2015A G.O. School Building Bonds	\$28,420,000	\$ -	\$ -	\$ 1,890,000	\$ 26,530,000	\$ 1,980,000	\$ 1,010,625
2018A OPEB Refunding Bonds	495,000	-	-	495,000	-	-	-
2022A G.O. Capital Facilities Bonds	1,885,000	-	-	440,000	1,445,000	460,000	72,250
2024A General Facility Bond	-	3,085,000	-	-	3,085,000	250,000	187,242
Total General Obligation Bonds:	30,800,000	3,085,000	-	2,825,000	31,060,000	2,690,000	1,270,117
Unamortized Bond Premium	1,797,849	350,398	-	202,424	1,945,823	-	-
Unamortized Bond Discount	(1,095)	-	-	(1,095)	-	-	-
Total G.O. Bonds, Net of Unamortized Bond Discounts/Premium	32,596,754	3,435,398	-	3,026,329	33,005,823	2,690,000	1,270,117
Leases	1,858,852	371,738	(200,695)	291,991	1,737,904	332,154	45,302
Subscription Based Information Technology Arrangements	34,776	-	-	11,246	23,530	11,589	716
Total Lease/SBITA Liability	1,893,628	371,738	(200,695)	303,237	1,761,434	343,743	46,018
Finance Purchases							
John Deere Financial	120,902	-	-	37,803	83,099	40,235	4,883
Wells Fargo	154,297	-	-	154,297	-	-	-
Total Finance Purchases Liability	275,199	-	-	192,100	83,099	40,235	4,883
Compensated Absences Payable	8,487,808	943,042	-	-	9,430,850	8,243,639	-
Total Long-Term Liabilities	\$ 43,253,389	\$ 4,750,178	\$ (200,695)	\$ 3,521,666	\$ 44,281,206	\$ 11,317,617	\$ 1,321,018

Compensated absences are presented net of additions and retirements.

A. General Obligation Bonds

Description	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 2025	Amounts Due in 2025-2026	
							Principal	Interest
2015A G.O. School Building Bonds	2015	2.5-5.0%	4/1/2036	\$ 36,280,000	\$ 1,890,000	\$ 26,530,000	\$ 1,980,000	\$ 1,010,625
2018A OPEB Refunding Bonds	2019	2.95-3.45%	2/1/2025	2,725,000	495,000	-	-	-
2022A G.O. Capital Facilities Bonds	2022	5.00%	2/1/2028	2,300,000	440,000	1,445,000	460,000	72,250
2024A General Facility Bond	2025	5.00%	2/1/2034	3,435,398	-	3,085,000	250,000	187,242
					\$ 2,825,000	\$ 31,060,000	\$ 2,690,000	\$ 1,270,117

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

Annual debt service requirements to maturity on the G.O. bonds are as follows:

Fiscal Year Ending	Bond Principal	Bond Interest
2026	\$ 2,690,000	\$ 1,270,117
2027	2,855,000	1,102,625
2028	2,970,000	991,075
2029	2,565,000	864,125
2030	2,655,000	780,675
2031-2035	14,430,000	2,291,625
2036	2,895,000	101,325
Totals	\$ 31,060,000	\$ 7,401,567

General obligation bonds of the District are reflected in the Building Construction Fund and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2025.

B. Finance Purchase Obligations

On June 1, 2010, the District entered into a finance purchase agreement with Wells Fargo Bank for the acquisition of a building. The finance purchase obligation and corresponding equipment totaled \$1,100,000. The finance purchase agreement includes annual principal and interest payments of \$108,479 for fifteen years.

On November 29, 2022, the District entered into a finance purchase agreement with John Deere Financial for the acquisition of a Wheel Loader. The finance purchase obligation and corresponding equipment totaled \$206,382. The finance purchase agreement includes annual principal and interest payments of \$45,118 for four years.

The future minimum finance purchase obligations are as follows:

Fiscal Year Ending	Principal	Interest
2026	\$ 40,235	\$ 4,883
2027	42,864	2,295
Totals	\$ 83,099	\$ 7,178

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

C. Leases

The District leases a hockey arena in Bemidji, Minnesota. The term of the lease is for a period of 15 years, commencing in January 2022 and terminating in December 2037, with a yearly payment of \$150,000. The District also leases a postage machine. The term of the lease is for a period of 5 years and 3 months, commencing November 2023 and terminating January 2029 with an quarterly payment of \$2,037. The District also leases multiple copier machines. The term of the leases range for a period of 3 to 5 years, commencing between July 2021 and January 2025 and terminating January 2025 to June 2028 with an annual payments ranging from \$1,577 to \$20,708.

Following is a schedule by years of future minimum payments required under the lease:

<u>Maturity Analysis</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2026	\$ 332,154	\$ 45,302	\$ 377,456
2027	116,031	42,117	158,148
2028	119,312	38,836	158,148
2029	119,299	35,454	154,753
2030	118,030	31,970	150,000
2031-2035	646,232	103,768	750,000
2036-2040	286,846	13,153	299,999
	<u>\$ 1,737,904</u>	<u>\$ 310,600</u>	<u>\$ 2,048,504</u>

D. Subscription Based Information Technology Arrangements

The District entered into a subscription-based information technology arrangement (SBITA) with various vendors for the usage of curriculum and cloud storage needs. The SBITA contract commitments range from September 2019 to July 2023 and terminations range from June 2024 to June 2032. Many of the contracts were paid in full at the inception of the agreement therefore no liabilities will be set up at year end.

The District entered into a subscription-based information technology arrangement (SBITA) for the usage of cloud storage. The SBITA contract commenced in August 2022 and terminates in July 2027, with an annual payment of \$12,304.

Following is a schedule by years of future minimum payments required under the SBITA's:

<u>Maturity Analysis</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2026	\$ 11,589	\$ 716	\$ 12,305
2027	11,941	363	12,304
Total Future Payments	<u>\$ 23,530</u>	<u>\$ 1,079</u>	<u>\$ 24,609</u>

NOTE 8 COMPENSATED ABSENCES

The District has compensated absences consisting of severance plans, vacation plans, and sick leave. The District accounts for compensated absences using a detailed measurement of the liability using projected pay rates and projecting future benefit accruals while discounting the

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

liability, to the measurement date, based on actuarial assumptions. At June 30, 2025, the estimated liability under this plan was \$9,430,850.

NOTE 9 CONTINGENCIES AND COMMITMENTS

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.

The District has not finalized the secretarial and paraprofessional contract as of June 30, 2025.

The District has a remaining commitment of \$963,298 related to an LED upgrade project and Chiller Replacement project that was underway as of June 30, 2025.

NOTE 10 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.

NOTE 11 NEW PRONOUNCEMENTS

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

NOTE 12 RECLASSIFICATION

Certain reclassifications have been made to the 2024 financial statements in order to conform with the 2025 presentation.

NOTE 13 INTERFUND TRANSFERS

The composition of the interfund transfers as of June 30, 2025 is as follows:

<u>Transfer Out Fund</u>	<u>Transfer in Fund</u>	<u>Amount</u>
OPEB Debt Service	Debt Service	\$ 83,170

The purpose of the transfer was to close out the Other Post Employment Benefits Debt Service Fund.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original And Final Budget	Actual	Over (Under) Final Budget
REVENUES			
Local Property Taxes	\$ 6,998,804	\$ 7,030,727	\$ 31,923
Other Local and County Revenues	3,395,510	3,457,888	62,378
Revenue From State Sources	61,161,976	62,544,576	1,382,600
Revenue From Federal Sources	4,534,816	4,258,538	(276,278)
Sale and Other Conversion of Asset	59,000	32,071	(26,929)
TOTAL REVENUES	76,150,106	77,323,800	1,173,694
EXPENDITURES			
Current:			
Administration	3,445,434	3,326,747	(118,687)
District Support Services	1,439,760	1,537,884	98,124
Elementary and Secondary Regular Instruction	30,687,084	31,485,070	797,986
Vocational Instruction	729,123	779,967	50,844
Special Education Instruction	18,698,630	18,824,796	126,166
Community Education	1,898	8,561	6,663
Instructional Support Services	4,104,636	4,679,243	574,607
Pupil Support Services	8,058,551	8,298,743	240,192
Sites and Buildings	7,082,816	6,950,351	(132,465)
Fiscal and Other Fixed Costs	470,000	435,293	(34,707)
Debt Service:			
Principal Retirement	472,874	490,884	18,010
Interest and Fees	7,774	166,174	158,400
Capital Outlay	2,577,135	7,283,068	4,705,933
TOTAL EXPENDITURES	77,775,715	84,266,781	6,491,066
Excess (Deficiency) of Revenues Over Expenditures	(1,625,609)	(6,942,981)	(5,317,372)
OTHER FINANCING SOURCES (USES)			
Issuance of Leases and SBITAS	-	371,738	371,738
Sale of Capital Assets	-	40,160	40,160
Insurance Recovery	-	1,000	1,000
TOTAL OTHER FINANCING SOURCES	-	412,898	412,898
Net Change in Fund Balances	(1,625,609)	(6,530,083)	(4,904,474)
Fund Balances - Beginning	21,412,308	21,412,308	-
Fund Balances - Ending	<u>\$ 19,786,699</u>	<u>\$ 14,882,225</u>	<u>\$ (4,904,474)</u>

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Total OPEB Liability									
Service Cost	\$ 591,706	\$ 540,758	\$ 583,440	\$ 628,554	\$ 676,511	\$ 493,324	\$ 500,500	\$ 464,530	\$ 423,776
Interest	340,849	346,407	309,869	292,630	232,015	203,610	321,552	336,391	327,827
Changes of assumptions or other inputs	-	(352,541)	139,911	(725,403)	126,895	(713,184)	(43,672)	31,731	(343,381)
Plan Changes	-	(24,157)	-	-	60,000	51,393	-	1,712	-
Differences between expected and actual experience	-	(892,792)	-	536,146	-	(502,011)	-	(1,092,477)	-
Contributions - employer	-	(360,974)	-	-	-	-	-	-	-
Benefit payments	<u>(745,386)</u>	<u>(364,570)</u>	<u>(765,239)</u>	<u>(661,396)</u>	<u>(1,073,943)</u>	<u>(690,903)</u>	<u>(861,744)</u>	<u>(290,805)</u>	<u>(371,683)</u>
Net Change in total OPEB Liability	187,169	(1,107,869)	267,981	70,531	21,478	(1,157,771)	(83,364)	(548,918)	36,539
Total OPEB Liability - beginning	<u>10,106,740</u>	<u>10,293,909</u>	<u>9,186,040</u>	<u>9,454,021</u>	<u>9,524,552</u>	<u>9,546,030</u>	<u>8,388,259</u>	<u>8,304,895</u>	<u>7,755,977</u>
Total OPEB Liability - ending (a)	<u>\$ 10,293,909</u>	<u>\$ 9,186,040</u>	<u>\$ 9,454,021</u>	<u>\$ 9,524,552</u>	<u>\$ 9,546,030</u>	<u>\$ 8,388,259</u>	<u>\$ 8,304,895</u>	<u>\$ 7,755,977</u>	<u>\$ 7,792,516</u>
Plan Fiduciary Net Position									
Contributions - employer	\$ 374,023	\$ -	\$ 370,076	\$ 410,267	\$ 460,106	\$ 303,972	\$ 416,388	\$ 256,228	\$ 328,716
Net investment income	51,943	20,227	68,227	59,683	54,683	40,371	30,782	34,145	31,393
Differences between Expected and Actual Experience	-	-	(42,982)	(2,657)	(37,162)	(52,748)	7,779	22,129	9,149
Benefit payments	<u>(745,386)</u>	<u>(364,570)</u>	<u>(765,239)</u>	<u>(661,396)</u>	<u>(1,073,943)</u>	<u>(690,903)</u>	<u>(861,744)</u>	<u>(290,805)</u>	<u>(371,683)</u>
Administrative Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(250)</u>	<u>(250)</u>	<u>(290)</u>	<u>(1,875)</u>
Net change in plan fiduciary net position	(319,420)	(344,343)	(369,918)	(194,103)	(596,316)	(399,558)	(407,045)	21,407	(4,300)
Plan fiduciary net position - beginning	<u>3,506,562</u>	<u>3,187,142</u>	<u>2,842,799</u>	<u>2,472,881</u>	<u>2,278,902</u>	<u>1,682,128</u>	<u>1,282,570</u>	<u>875,525</u>	<u>896,932</u>
Plan fiduciary net position - ending (b)	<u>3,187,142</u>	<u>2,842,799</u>	<u>2,472,881</u>	<u>2,278,778</u>	<u>1,682,586</u>	<u>1,282,570</u>	<u>875,525</u>	<u>896,932</u>	<u>892,632</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 7,106,767</u>	<u>\$ 6,343,241</u>	<u>\$ 6,981,140</u>	<u>\$ 7,245,774</u>	<u>\$ 7,863,444</u>	<u>\$ 7,105,689</u>	<u>\$ 7,429,370</u>	<u>\$ 6,859,045</u>	<u>\$ 6,899,884</u>
Plan fiduciary net position as a percentage of the total OPEB liability	30.96%	30.95%	26.16%	23.93%	17.63%	15.29%	10.54%	11.56%	11.45%
Covered employee payroll	\$ 36,946,282	\$ 39,093,436	\$ 40,266,239	\$ 43,419,502	\$ 44,722,087	\$ 44,123,960	\$ 45,447,679	\$ 45,068,780	\$ 46,420,843
District's net OPEB Liability as a percentage of covered-employee payroll	19.24%	16.23%	17.34%	16.69%	17.58%	16.10%	16.35%	15.22%	14.86%

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

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO PERA/TRA RETIREMENT FUNDS
LAST 10 YEARS

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
General Employees Fund:					
2016	\$ 948,966	\$ 948,966	\$ -	\$ 12,520,729	7.58%
2017	1,006,222	1,006,222	-	13,165,946	7.64%
2018	1,063,178	1,063,178	-	13,761,475	7.73%
2019	1,126,436	1,126,436	-	15,079,330	7.47%
2020	1,159,817	1,159,817	-	15,369,382	7.55%
2021	1,112,732	1,112,732	-	14,923,178	7.46%
2022	1,102,764	1,102,764	-	14,705,656	7.50%
2023	1,125,996	1,125,996	-	15,013,280	7.50%
2024	1,136,250	1,136,250	-	15,169,968	7.49%
2025	1,221,987	1,221,987	-	16,293,160	7.50%
Correctional Fund:					
2016	10,039	10,039	-	114,425	8.77%
2017	10,042	10,042	-	118,311	8.49%
2018	10,046	10,046	-	109,863	9.14%
2019	9,228	9,228	-	88,732	10.40%
2020	6,915	6,915	-	79,030	8.75%
2021	7,466	7,466	-	85,323	8.75%
2022	6,894	6,894	-	78,786	8.75%
2023	7,180	7,180	-	82,057	8.75%
2024	5,672	5,672	-	70,768	8.01%
2025	5,398	5,398	-	61,691	8.75%
TRA:					
2016	1,863,414	1,863,414	-	25,062,546	7.44%
2017	1,995,673	1,995,673	-	26,667,063	7.48%
2018	2,046,622	2,046,622	-	26,960,076	7.59%
2019	2,228,665	2,228,665	-	28,887,020	7.72%
2020	2,343,299	2,343,299	-	29,347,403	7.98%
2021	2,431,049	2,431,049	-	29,904,084	8.13%
2022	2,484,112	2,484,112	-	29,853,284	8.32%
2023	2,608,078	2,608,078	-	30,503,836	8.55%
2024	2,695,442	2,695,442	-	30,527,747	8.83%
2025	2,934,993	2,934,993	-	33,542,777	8.75%

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

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 31

BEMIDJI, MINNESOTA

SCHEDULE OF DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST 10 YEARS (PRESENTED PROSPECTIVELY)

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable) (b)	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
General Employees Fund:							
2015	0.2073%	\$ 10,743,362	\$ -	\$ 10,743,362	\$ 12,190,581	88.13%	78.19%
2016	0.2023%	16,425,757	214,482	16,640,239	12,520,729	132.90%	68.90%
2017	0.2062%	13,163,672	165,536	13,329,208	13,165,946	101.24%	75.90%
2018	0.2079%	11,533,440	378,283	11,911,723	13,761,475	86.56%	79.53%
2019	0.2136%	11,809,466	366,984	12,176,450	15,079,330	80.75%	80.23%
2020	0.2161%	12,956,183	399,408	13,355,591	15,369,382	86.90%	79.06%
2021	0.2073%	8,852,639	270,303	9,122,942	14,923,942	61.13%	87.00%
2022	0.1963%	15,547,025	455,894	16,002,919	14,705,656	105.72%	76.67%
2023	0.1876%	10,490,382	289,226	10,779,608	15,013,280	69.87%	83.10%
2024	0.1789%	6,613,957	170,995	6,784,952	15,169,968	43.60%	89.08%
Correctional Fund:							
2015	0.0600%	9,276	-	9,276	110,916	8.36%	96.90%
2016	0.0600%	219,188	-	219,188	114,425	191.56%	58.20%
2017	0.0600%	171,001	-	171,001	118,311	144.54%	67.90%
2018	0.0520%	8,552	-	8,552	109,863	7.78%	97.60%
2019	0.0404%	5,593	-	5,593	88,732	6.30%	98.20%
2020	0.0363%	9,850	-	9,850	79,030	12.46%	96.70%
2021	0.0386%	(6,341)	-	(6,341)	85,323	-7.43%	101.60%
2022	0.0359%	119,332	-	119,332	78,786	151.46%	74.60%
2023	0.0357%	16,138	-	16,138	82,057	19.67%	95.90%
2024	0.0279%	8,496	-	8,496	70,768	12.01%	97.50%
TRA:							
2015	0.4951%	30,626,832	3,756,479	34,383,311	25,306,605	135.87%	76.80%
2016	0.4811%	114,753,829	11,518,510	126,272,339	25,062,546	503.83%	44.88%
2017	0.4935%	98,511,552	9,522,707	108,034,259	26,667,063	405.12%	51.57%
2018	0.4880%	30,648,949	2,879,479	33,528,428	26,960,076	124.36%	78.07%
2019	0.5088%	32,431,019	2,869,906	35,300,925	28,889,020	122.19%	78.07%
2020	0.5051%	37,317,465	3,127,147	40,444,612	29,347,403	137.81%	75.48%
2021	0.4997%	21,868,366	1,844,201	23,712,567	29,904,084	79.30%	86.63%
2022	0.4824%	38,628,040	2,864,201	41,492,241	29,853,284	129.39%	76.17%
2023	0.4829%	39,869,306	2,739,138	42,608,444	30,503,836	130.70%	76.42%
2024	0.4598%	29,217,168	1,911,028	31,128,196	30,527,747	95.71%	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

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2025

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. The District's actual expenditures were more than the budget in the general fund by \$6,491,066.

Legal Compliance – Budgets

The superintendent submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for all funds of the District. However, the general and special revenue funds are the only funds that are legally adopted through the budgetary process as documented below.

- The budget is legally enacted through passage of a School Board resolution by July 1.
- The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
- Formal budgetary integration is employed as a management control device during the year for the General fund.
- Budgets for the General fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 DEFINED BENEFIT PLANS

PERA

General Employees Fund
2024 Changes

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED
AS OF JUNE 30, 2025

- 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.

Correctional Plan

Changes in Actuarial Assumptions: None

Changes in Plan Provisions:

- Employee contribution rates will increase from 5.83% of pay to 6.83% of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75% of pay to 10.25% of pay, effective July 1, 2025.
- The benefit multiplier changed from 1.9% to 2.2% for service earned after June 30, 2025.

TRA

Changes in Actuarial Assumptions since the 2023 valuation:

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

NOTE 3 OTHER POSTEMPLOYMENT BENEFIT PLAN

Changes in Actuarial Assumptions:

- The long-term expected investment return was changed from 3.90% to 3.50%.
- The discount rate was changed from 4.10% to 4.90%.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2025

	Special Revenue Funds				Total Nonmajor
	Food Service	Community	Building	OPEB Debt	Governmental
	Fund	Service Fund	Construction	Service	Funds
ASSETS					
Cash and Investments	\$ 1,535,730	\$ 2,599,061	\$ 1,119,480	\$ -	\$ 5,254,271
Property Taxes Receivable	-	184,015	-	-	184,015
Delinquent Property Taxes Receivable	-	5,236	-	-	5,236
Due From Department of Education	27,184	89,336	-	-	116,520
Due From Federal Govt. - DOE	59,829	-	-	-	59,829
Other Accounts Receivable	-	10,222	-	-	10,222
Inventory	19,156	-	-	-	19,156
TOTAL ASSETS	<u>\$ 1,641,899</u>	<u>\$ 2,887,870</u>	<u>\$ 1,119,480</u>	<u>\$ -</u>	<u>\$ 5,649,249</u>
LIABILITIES					
Accounts Payable	\$ 33,793	\$ 1,681	\$ 114,330	\$ -	\$ 149,804
Salaries and Wages Payable	160,158	145,788	-	-	305,946
Payroll Deductions and Employer Contributions	-	3,026	-	-	3,026
Unearned Revenue	45,721	60,608	-	-	106,329
TOTAL LIABILITIES	<u>239,672</u>	<u>211,103</u>	<u>114,330</u>	<u>-</u>	<u>565,105</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	-	5,236	-	-	5,236
Property Taxes Levied - Subs. Years	-	353,201	-	-	353,201
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>358,437</u>	<u>-</u>	<u>-</u>	<u>358,437</u>
FUND BALANCES					
Nonspendable	19,156	-	-	-	19,156
Restricted for:					
Community Education	-	1,034,184	-	-	1,034,184
Early Childhood and Family Education	-	213,176	-	-	213,176
School Readiness	-	624,951	-	-	624,951
Adult Basic Education	-	8,009	-	-	8,009
Community Service	-	438,010	-	-	438,010
Food Service	1,383,071	-	-	-	1,383,071
Building Construction	-	-	1,005,150	-	1,005,150
TOTAL FUND BALANCES	<u>1,402,227</u>	<u>2,318,330</u>	<u>1,005,150</u>	<u>-</u>	<u>4,725,707</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,641,899</u>	<u>\$ 2,887,870</u>	<u>\$ 1,119,480</u>	<u>\$ -</u>	<u>\$ 5,649,249</u>

INDEPENDENT SCHOOL DISTRICT NO. 31

BEMIDJI, MINNESOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Special Revenue Funds				Total Nonmajor
	Food Service	Community	Building	OPEB Debt	Governmental
	Fund	Service Fund	Construction	Service	Funds
REVENUES					
Local Property Taxes	\$ -	\$ 331,599	\$ -	\$ 486,813	\$ 818,412
Other Local and County Revenues	54,348	1,481,061	54,775	-	1,590,184
Revenue From State Sources	1,743,640	910,208	-	2,926	2,656,774
Revenue From Federal Sources	2,314,700	-	-	-	2,314,700
Sale and Other Conversion of Assets	454,635	-	-	-	454,635
TOTAL REVENUES	4,567,323	2,722,868	54,775	489,739	7,834,705
EXPENDITURES					
Current:					
Community Education and Services	-	2,449,963	-	-	2,449,963
Pupil Support Services	4,357,098	16,699	-	-	4,373,797
Debt Service:					
Principal Retirement	-	4,453	-	495,000	499,453
Interest and Fiscal Fees	-	-	84,307	17,628	101,935
Capital Outlay	63,858	28,514	1,946,591	-	2,038,963
TOTAL EXPENDITURES	4,420,956	2,499,629	2,030,898	512,628	9,464,111
Excess (Deficiency) of					
Revenues Over Expenditures	146,367	223,239	(1,976,123)	(22,889)	(1,629,406)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Bonds	-	-	3,085,000	-	3,085,000
Bond Premium	-	-	350,398	-	350,398
Transfers Out	-	-	-	(83,170)	(83,170)
TOTAL OTHER FINANCING SOURCES	-	-	3,435,398	(83,170)	3,352,228
Net Change in Fund Balances	146,367	223,239	1,459,275	(106,059)	1,722,822
Fund Balances - Beginning	1,255,860	2,095,091	(454,125)	106,059	3,002,885
Fund Balances - Ending	<u>\$ 1,402,227</u>	<u>\$ 2,318,330</u>	<u>\$ 1,005,150</u>	<u>\$ -</u>	<u>\$ 4,725,707</u>

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Sale of Bonds	Sale of Capital Assets	Insurance Proceeds	Lease/SBITA Issuance	Balance End of Year
General Fund									
Restricted for:									
Student Activities	\$ 311,858	\$ 252,117	\$ 273,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290,287
Staff Development	542,633	365,663	566,774	-	-	-	-	-	341,522
Literacy Incentive Aid	94,555	208,450	241,922	-	-	-	-	-	61,083
American Indian Ed	154,228	523,272	557,067	-	-	-	-	-	120,433
Operating Capital	5,478,919	1,163,856	4,575,646	-	-	-	-	-	2,067,129
Learning and Development	-	968,208	968,208	-	-	-	-	-	-
St. Approved Alt. Program	-	897,744	1,126,707	228,963	-	-	-	-	-
Gifted and Talented	-	65,304	66,561	1,257	-	-	-	-	-
English Learner	-	25,181	85,475	60,294	-	-	-	-	-
Basic Skills Program	-	4,939,726	4,939,726	-	-	-	-	-	-
School Library Aid	-	80,959	80,959	-	-	-	-	-	-
Career Tech Programs	-	173,708	745,514	571,806	-	-	-	-	-
Safe School	308,439	170,319	298,552	-	-	-	-	-	180,206
Literacy Aid	-	192,191	26,950	-	-	-	-	-	165,241
Teacher Comp for Read Act Training	-	173,521	173,521	-	-	-	-	-	-
Long Term Fac. Maint.	548,003	1,318,528	1,077,202	-	-	-	-	-	789,329
Student Support Personnel	-	84,812	84,812	-	-	-	-	-	-
Medical Assistance	824,118	864,059	1,391,385	-	-	-	-	-	296,792
Q Comp	-	810,862	810,862	-	-	-	-	-	-
Impact Aid	-	65,738	65,738	-	-	-	-	-	-
Cooperative Revenue	-	-	8,000	8,000	-	-	-	-	-
Teacher Benefits	58,867	-	-	(3,978)	-	-	-	-	54,889
Red Lake Johnson-O'Malley	41,356	48,042	48,042	-	-	-	-	-	41,356
Nonspendable	460,425	-	-	59,258	-	-	-	-	519,683
Committed - Separation/Retirement Benefits	577,793	-	-	-	-	-	-	-	577,793
Assigned for Writing Curriculum	-	-	-	50,000	-	-	-	-	50,000
Assigned for Videoboard	-	11,108	-	-	-	-	-	-	11,108
Unassigned	12,011,114	63,920,432	66,053,470	(975,600)	-	40,160	1,000	371,738	9,315,374
Food Service Fund									
Nonspendable	23,670	-	-	(4,514)	-	-	-	-	19,156
Restricted	1,232,190	4,567,323	4,420,956	4,514	-	-	-	-	1,383,071
Community Service Fund									
Restricted for:									
Community Education	917,964	1,262,897	1,146,677	-	-	-	-	-	1,034,184
ECFE	289,150	502,027	578,001	-	-	-	-	-	213,176
School Readiness	556,213	750,246	681,508	-	-	-	-	-	624,951
Adult Basic Education	8,009	-	-	-	-	-	-	-	8,009
Community Service	323,755	207,698	93,443	-	-	-	-	-	438,010
Building Construction Fund									
Restricted for:									
Construction	(454,125)	54,775	2,030,898	-	3,435,398	-	-	-	1,005,150
Debt Service Fund									
Restricted	797,775	3,477,445	3,532,425	83,170	-	-	-	-	825,965
OPEB Irrevocable Trust Fund									
Unassigned	1,026,848	38,667	42,967	-	-	-	-	-	1,022,548
OPEB Debt Service Fund									
Restricted	106,059	489,739	512,628	(83,170)	-	-	-	-	-

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education
Independent School District No. 31
Bemidji, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bemidji Area Schools, Bemidji, Minnesota as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2025.

Legal Compliance

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

The purpose of this report is solely to describe the scope of our testing of compliance 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 4, 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 Education
Independent School District No. 31
Bemidji, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bemidji Area Schools, Bemidji, Minnesota 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 4, 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 entity'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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified 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*.

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 4, 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 Education
Independent School District No. 31
Bemidji, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bemidji Area Schools 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, Bemidji Area Schools 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 Bemidji Area Schools 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 judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we 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 charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompany schedule of findings and questioned costs as item 2025-002. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be significant deficiency.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-002, to be a significant deficiency.

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.

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

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 4, 2025

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number		Federal Expenditures
<u>U.S. Department of Education</u>			
Direct Programs:			
Indian Education Grants to Local Education Agencies	84.060		\$ 315,131
Impact Aid	84.041		65,738
Passed-Through Minnesota Department of Education:			
Title I, Grants to Local Education Agencies - Part A	84.010	1,473,219	
Title I, Grants to Local Education Agencies - Part D	84.010A	329,763	
Total Program 84.010			1,802,982
Special Education Grants for Infants and Families	84.181		32,577
Education for Homeless Children and Youth	84.196		37,000
Twenty-First Century Community Learning Centers	84.287		461,138
Supporting Effective Instruction State Grants	84.367		167,249
Comprehensive Literacy Development	84.371		14,631
Student Support and Academic Enrichment Program	84.424		69,194
Federal Grantor/Pass-Through Grantor/Program Title			
Special Education Cluster:			
Special Education Grants to States	84.027	1,162,827	
Special Education - Preschool Grants	84.173	38,727	
Total Special Education Cluster			1,201,554
Education Stabilization Fund:			
COVID-19 American Rescue Plan Homeless	84.425W		40,346
Pass-Through North Country Vocational Cooperative Center:			
Carl Perkins Career and Technical Education	84.048		2,956
Total U.S. Department of Education			4,210,496
<u>U.S. Department of Interior</u>			
Pass-Through Red Lake Band of Ojibwe Indians:			
Indian Education Assistance to Schools	15.130	22,248	
Pass-Through Leech Lake Band of Ojibwe Indians:			
Indian Education Assistance to Schools	15.130	25,794	
Total Program 15.130 and Department of Interior			48,042
<u>U.S. Department of Agriculture</u>			
Passed-Through Minnesota Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	525,096	
National School Lunch Program	10.555	1,383,060	
After School Lunch Program	10.555	18,865	
Commodity Distribution Program	10.555	244,294	
Summer Food Service Program for Children	10.559	70,489	
Fresh Fruit and Vegetables Program	10.582	72,896	
Total Child Nutrition Cluster			2,314,700
Total U.S. Department of Agriculture			
TOTAL FEDERAL AWARDS			\$ 6,573,238

See Notes to the Schedule of Expenditures of Federal Awards

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF 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 modified 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

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

NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of Bemidji Area Schools 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 Bemidji Area Schools, it is not intended to and does not present the financial position or changes in net position of Bemidji Area Schools.

NOTE 4 COMMODITY DISTRIBUTION

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

NOTE 5 PASS-THROUGH ENTITIES

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

NOTE 6 SUBRECIPIENTS

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

**INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? x yes none

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes x no
 Significant deficiency(ies) identified? x yes no

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)? x yes no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
---------------------	---

	<i>Child Nutrition Cluster:</i>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	After School Snack
10.555	Commodity Distribution (Nonmonetary Assistance)
10.559	Summer Food Service Program for Children
10.582	Fresh Fruit and Vegetable Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes no

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

Section II-Financial Statement Findings

2025-001: Proposition of Journal Entries

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

Cause

The District had errors in their client prepared worksheets.

Effect

The District's financial statements were materially misstated prior to adjustments detected as a result of audit procedures.

Recommendation

Accounting personnel will need to determine the proper balance in each general ledger account prior to the audit.

Views of Responsible Officials and Planned Corrective Action

The District will determine the proper balance in each general ledger account prior to the audit.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

Section III-Federal Award Findings and Questioned Costs

2025-002

Federal Program

Child Nutrition Cluster (10.553, 10.555, 10.559, 10.582)

Compliance Requirement

Eligibility

Criteria

Students receive a free or reduced meal by submitting an application online, or a paper application showing they are within the income threshold of the meal; or they are listed on MDE's direct certification listing. Furthermore, a system of internal controls has all applications being reviewed and approved.

Condition

During testing, we noted two students who were listed incorrect in the District's software. One student who the District could not provide support on their eligibility and one student whose application was not signed off by the district.

Cause

Management oversight

Questioned Costs

Undeterminable

Context

In a population over 250, 40 students who received either a free or reduced meal in FY25 was selected for testing. In this sample, we noted two students who were listed incorrectly in the District's software when compared to the supporting data and one student who the District could not provide support for the reduced meal, and one student whose application was not signed off on.

Effect

The District could have improperly provided free or reduced meals to a student that wasn't eligible.

Repeat Finding

No

Recommendation

The District should implement policies and procedures to ensure all students receive meals they qualify for, that all supporting documentation is retained, and that all applications are signed off as being reviewed and approved.

Views of Responsible Officials

The District will ensure all students will receive the meals they qualify for, retain all supporting documentation, and that all applications are being reviewed and approved.

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2025-001 CORRECTIVE ACTION PLAN (CAP) FOR FINDING:

1. Correcting Plan

The District has modified workpapers for the material proposed adjustments

2. Explanation of Disagreement with the Audit

Finding There is essentially no disagreement with the finding.

3. Official Responsible for Insuring CAP

The Director of Business Services, Ashley Eastridge is responsible for carrying out the corrective action plan.

4. Planned Completion Date for CAP

The Director of Business Services will review on an annual basis when audit preparation is completed.

5. Plan to Monitor Completion of CAP

The Director of Business Services will have documentation available for the Superintendent and/or School Board to review if requested.

2025-002 CORRECTIVE ACTION PLAN (CAP) FOR FINDING:

1. Correcting Plan

Food and Nutrition Service Coordinator will review applications and supporting documentation for completion and eligibility accuracy.

2. Explanation of Disagreement with the Audit

Finding There is essentially no disagreement with the finding.

3. Official Responsible for Insuring CAP

The Food and Nutrition Service Coordinator.

4. Planned Completion Date for CAP

The CAP was implemented immediately during audit fieldwork performed in October 2025.

5. Plan to Monitor Completion of CAP

The Food and Nutrition Service Coordinator will continually review applications and supporting documentation for completion and eligibility accuracy. Any issues noted will be communicated to appropriate staff and fixed immediately.

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2025

2024-001: Proposition of Journal Entries

Criteria

The District is required to maintain internal controls at a level where underlying support for general ledger accounts can be developed and a determination can be made that the general ledger accounts are properly reflected in accordance with GAAP.

Condition

During our audit, adjusting entries to the financial statements were proposed in order to properly reflect the financial statements in accordance with GAAP.

Current Year Status

See current year finding 2025-001

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
AS OF JUNE 30, 2025

District Name: Bemidji Public School District

District Number: 31

	Audit	UFARS	Variance		Audit	UFARS	Variance
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	77,323,800	77,323,800	-	Total Revenue	54,775	54,775	-
Total Expenditures	84,266,781	84,266,782	(1)	Total Expenditures	2,030,898	2,030,900	(2)
<i>Non Spendable</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	519,683	519,683	-	4.60 Non Spendable Fund Balance	-	-	-
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
4.01 Student Activities	290,287	290,287	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	-	-	-	4.13 Projects Funded By COP	-	-	-
4.03 Staff Development	341,522	341,522	-	4.67 Long Term Fac. Maint. (LTFM)	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Revenue	-	-	-	4.64 Restricted Fund Balance	1,005,150	1,005,150	-
4.12 Literacy Incentive Aid	61,083	61,083	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.16 Levy Reduction	-	-	-	Reconciliation of Building Construction	3,090,823	3,090,825	(2)
4.17 Taconite Building Maintenance	-	-	-				
4.20 American Indian Ed Aid	120,433	120,433	-	07 DEBT SERVICE			
4.24 Operating Capital	2,067,129	2,067,129	-	Total Revenue	3,477,445	3,477,445	-
4.26 \$25 Taconite	-	-	-	Total Expenditures	3,532,425	3,532,425	-
4.27 Disabled Accessibility	-	-	-	<i>Non Spendable</i>			
4.28 Learning & Development	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
4.34 Area Learning Center	-	-	-	<i>Restricted/Reserved:</i>			
4.35 Contracted Alt Programs	-	-	-	4.25 Bond Refundings	-	-	-
4.36 State Approved Alt Program	-	-	-	4.33 Maximum Effort Loan Aid	-	-	-
4.37 Q Comp	-	-	-	4.51 QZAB Payments	-	-	-
4.38 Gifted & Talented	-	-	-	4.67 LTFM	-	-	-
4.39 English Learner	-	-	-	<i>Restricted</i>			
4.40 Teacher Development and Eval	-	-	-	4.64 Restricted Fund Balance	825,965	825,965	-
4.41 Basic Skills Programs	-	-	-	<i>Unassigned:</i>			
4.43 School Library Aid	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.48 Achievement and Integration	-	-	-	Reconciliation of Debt Service	7,835,835	7,835,835	-
4.49 Safe Schools Levy	180,206	180,206	-				
4.51 QZAB Payments	-	-	-	08 TRUST			
4.52 OPEB Liab Not In Trust	-	-	-	Total Revenue	-	-	-
4.53 Unfunded Sev & Retirement Levy	-	-	-	Total Expenditures	-	-	-
4.56 Literacy Aid	165,241	165,241	-	<i>Restricted:</i>			
4.57 Teacher Comp Read Act	-	-	-	4.01 Student Activities	-	-	-
4.59 Basic Skills Extended Time	-	-	-	4.02 Scholarships	-	-	-
4.67 Long Term Fac. Maint. (LTFM)	789,329	789,329	-	4.22 Net Assets	-	-	-
4.71 Student Support Personnel	-	-	-	Reconciliation of Trust	-	-	-
4.72 Medical Assistance	296,792	296,792	-				
<i>Restricted</i>				18 CUSTODIAL FUND			
4.64 Restricted Fund Balance	96,245	96,245	-	Total Revenue	-	-	-
4.75 Title VII Impact Aid	-	-	-	Total Expenditures	-	-	-
4.76 Payment in Lieu of Taxes	-	-	-	<i>Restricted:</i>			
<i>Committed</i>				4.01 Student Activities	-	-	-
4.18 Committed for Separation	577,793	577,793	-	4.02 Scholarships	-	-	-
4.61 Committed Fund Balance	-	-	-	4.48 Achievement & Integration	-	-	-
<i>Assigned</i>				4.64 Restricted Fund Balance	-	-	-
4.62 Assigned Fund Balance	61,108	61,108	-	Reconciliation of Custodial Fund	-	-	-
<i>Unassigned:</i>							
4.22 Unassigned Fund Balance	9,315,374	9,315,374	-	20 INTERNAL SERVICE			
Reconciliation of General	176,472,806	176,472,807	(1)	Total Revenue	-	-	-
				Total Expenditures	-	-	-
02 FOOD SERVICE				<i>Unassigned:</i>			
Total Revenue	4,567,323	4,567,323	-	4.22 Unassigned Fund Balance	-	-	-
Total Expenditures	4,420,956	4,420,957	(1)	Reconciliation of Internal Service	-	-	-
<i>Non Spendable</i>							
4.60 Non Spendable Fund Balance	19,156	19,156	-	25 OPEB REVOCABLE TRUST FUND			
<i>Restricted/Reserve:</i>				Total Revenue	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-	Total Expenditures	-	-	-
<i>Reserve:</i>				<i>Unassigned:</i>			
4.64 Restricted Fund Balance	1,383,071	1,383,070	1	4.22 Unassigned Fund Balance	-	-	-
<i>Unassigned</i>				Reconciliation of OPEB Revocable Trust	-	-	-
4.63 Unassigned Fund Balance	-	-	-				
Reconciliation of Food Service	10,390,506	10,390,506	-				
				45 OPEB IRREVOCABLE TRUST FUND			
04 COMMUNITY SERVICE				Total Revenue	38,667	38,667	-
Total Revenue	2,722,868	2,722,868	-	Total Expenditures	42,967	42,967	-
Total Expenditures	2,499,629	2,499,628	1	<i>Unassigned:</i>			
<i>Non Spendable</i>				4.22 Unassigned Fund Balance	1,022,548	1,022,547	1
4.60 Non Spendable Fund Balance	-	-	-	Reconciliation of OPEB Irrevocable Trust	1,104,182	1,104,181	1
<i>Restricted/Reserved:</i>							
4.26 \$25 Taconite	-	-	-	47 OPEB DEBT SERVICE FUND			
4.31 Community Education	1,034,184	1,034,184	-	Total Revenue	489,739	489,739	-
4.32 E.C.F.E.	213,176	213,176	-	Total Expenditures	512,628	512,628	-
4.37 Q Comp	-	-	-	<i>Non Spendable</i>			
4.40 Teacher Development and Eval	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
4.44 School Readiness	624,951	624,951	-	<i>Restricted</i>			
4.47 Adult Basic Education	8,009	8,009	-	4.64 Restricted Fund Balance	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-	4.25 Bond Refunding	-	-	-
4.56 Literacy Aid	-	-	-	Reconciliation of OPEB Debt Service	1,002,367	1,002,367	-
4.57 Teacher Comp Read Act	-	-	-				
<i>Restricted</i>							
4.64 Restricted Fund Balance	438,010	438,011	(1)				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	-	-	-				
Reconciliation of Community Service	7,540,827	7,540,827	-				

INDEPENDENT SCHOOL DISTRICT NO. 31
BEMIDJI, MINNESOTA
TAX LEVIES, TAX RATES, AND STUDENT CENSUS
AS OF JUNE 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Property Tax Levies										
General Referendum	\$ 4,949,375	\$ 4,926,002	\$ 4,399,296	\$ 4,207,212	\$ 4,591,048	\$ 4,385,741	\$ 4,426,217	\$ 4,212,906	\$ 4,046,964	\$ 3,634,379
General Maintenance	1,829,556	2,072,802	2,022,348	2,349,852	2,628,631	2,381,177	2,523,555	2,889,584	2,635,476	2,386,415
Community Service	352,961	334,464	424,036	409,227	398,231	397,253	397,361	393,632	399,515	397,736
Debt Redemption	3,873,477	3,264,433	3,451,768	2,745,190	2,981,097	2,977,781	3,269,736	3,207,508	3,236,241	2,907,070
OPEB Pension Debt	-	491,375	507,685	539,478	455,507	497,071	419,719	531,787	540,755	540,399
Total Property Tax Levies	<u>\$ 11,005,369</u>	<u>\$ 11,089,076</u>	<u>\$ 10,805,133</u>	<u>\$ 10,250,959</u>	<u>\$ 11,054,514</u>	<u>\$ 10,639,023</u>	<u>\$ 11,036,588</u>	<u>\$ 11,235,417</u>	<u>\$ 10,858,951</u>	<u>\$ 9,865,999</u>
Taxable Net Tax Capacity										
Beltrami County	\$ 54,098,149	\$ 50,887,573	\$ 46,142,536	\$ 37,475,615	\$ 35,496,174	\$ 33,514,510	\$ 32,536,100	\$ 33,054,455	\$ 29,489,284	\$ 28,354,154
Hubbard County	6,381,397	6,280,993	5,551,117	4,557,200	4,204,662	4,044,926	3,813,556	3,671,810	3,665,525	3,490,189
Total Net Tax Capacity	<u>\$ 60,479,546</u>	<u>\$ 57,168,566</u>	<u>\$ 51,693,653</u>	<u>\$ 42,032,815</u>	<u>\$ 39,700,836</u>	<u>\$ 37,559,436</u>	<u>\$ 36,349,656</u>	<u>\$ 36,726,265</u>	<u>\$ 33,154,809</u>	<u>\$ 31,844,343</u>
Property Tax Rate	10.013%	10.782%	12.390%	14.379%	16.280%	16.649%	18.185%	19.122%	20.546%	19.569%
Referendum Market Values										
Beltrami County	\$4,062,524,633	\$3,832,718,633	\$3,462,416,545	\$2,837,101,753	\$2,696,628,550	\$2,553,449,365	\$2,452,528,803	\$2,452,315,627	\$2,227,619,509	\$2,150,115,763
Hubbard County	448,893,198	451,264,585	399,408,042	329,457,985	301,493,875	289,065,360	266,918,325	256,523,055	256,399,775	234,803,780
Total Referendum Market Values	<u>\$4,511,417,831</u>	<u>\$4,283,983,218</u>	<u>\$3,861,824,587</u>	<u>\$3,166,559,738</u>	<u>\$2,998,122,425</u>	<u>\$2,842,514,725</u>	<u>\$2,719,447,128</u>	<u>\$2,708,838,682</u>	<u>\$2,484,019,284</u>	<u>\$2,384,919,543</u>
Referendum Rate	0.10971%	0.11499%	0.11391%	0.13286%	0.15313%	0.15429%	0.16276%	0.15553%	0.16292%	0.15239%
Students Served (Weighted ADM/PUN**s)										
Residents	4,716.37	4,743.46	4,835.46	6,025.99	6,022.15	6,128.52	6,112.08	6,077.09	6,015.66	6,022.15
Nonresidents in District										
Tuition	48.99	47.93	48.99	43.38	39.33	51.08	49.76	55.24	51.73	55.68
Enrollment Options	292.27	281.27	277.92	309.80	305.15	325.38	296.26	319.31	327.21	342.88
Ineligible	2.06	8.09	1.34	1.22	1.47	2.95	1.98	1.22	1.35	0.72
Shared Aid	12.87	13.84	12.69	11.11	9.39	10.27	9.75	9.69	9.73	9.07
Residents Outside District										
Tuition	(15.38)	(16.91)	(14.19)	(9.03)	(13.60)	(16.72)	(16.01)	(17.69)	(22.99)	(21.92)
Charter	(732.37)	(716.27)	(70.08)	(661.47)	(628.21)	(443.38)	(527.49)	(504.41)	(492.69)	(475.88)
Enrollment Options	(471.93)	(553.49)	(525.81)	(539.04)	(482.48)	(441.18)	(399.68)	(394.65)	(338.23)	(351.72)
Total Students Served	<u>3,852.88</u>	<u>3,807.92</u>	<u>4,566.32</u>	<u>5,181.96</u>	<u>5,253.20</u>	<u>5,616.92</u>	<u>5,526.65</u>	<u>5,545.80</u>	<u>5,551.77</u>	<u>5,580.98</u>
Adjusted Weighted ADM/PUN*s	4,559.02	4,579.12	4,670.52	5,135.27	5,216.61	5,569.34	5,481.17	5,497.34	5,511.95	5,537.43
Resident ADMs	5,008.64	5,024.73	5,113.38	5,512.15	5,509.98	5,638.63	5,616.39	5,588.53	5,533.72	5,532.34