INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS
VIRGINIA, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

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ROCK RIDGE SCHOOLS, MINNESOTA
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ROCK RIDGE SCHOOLS, MINNESOTA
ROSTER OF SCHOOL OFFICIALS
June 30, 2025

John Uhan	Chairperson
Lisa Westby	Vice-Chairperson
Brandi Lautigar	Treasurer
Nicole Culbert-Dahl	Clerk
Jennifer Bonner	Alternate Clerk
Jodi Westby	Director
Tim Riordan	Director
Dr. Noel Schmidt	Superintendent

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 2909
Rock Ridge Schools
Virginia, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2909, 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 Independent School District No. 2909, 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 Independent School District No. 2909, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

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

Correction of Error

As discussed in Note 3 to the financial statements, the District corrected a previously reported error in net position/fund balance as of June 30, 2025. 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 these 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 Independent School District No. 2909'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 Independent School District No. 2909's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 roster of school officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

December 23, 2025

This section of Independent School District No. 2909's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

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

- The General fund balance decreased $3,145,308 during the 2024-2025 school year.

Overview of the Financial Statements

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

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

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.

<u>District-wide Statements</u>

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was $39,613,802 on June 30, 2025 (see details in Table A-1).

Table A-1
Statement of Net Position

	2025	2024	Total Percentage Change
Current and Other Assets	$ 20,247,305	$ 31,134,341	(35.0) %
Capital Assets	220,828,455	219,952,754	0.4
Total Assets	241,075,760	251,087,095	(4.0)
Deferred Outflows of Resources	5,281,416	7,544,652	(30.0)
Long-Term Liabilities	179,438,569	191,458,006	(6.3)
Other Liabilities	13,713,739	20,027,091	(31.5)
Total Liabilities	193,152,308	211,485,097	(8.7)
Deferred Inflows of Resources	13,591,066	10,987,520	23.7
Net Position			
Net Investment in Capital Assets	57,930,451	52,692,018	9.9
Restricted	9,490,016	10,010,622	(5.2)
Unrestricted	(27,806,665)	(26,543,510)	(4.8)
Total Net Position	$ 39,613,802	$ 36,159,130	9.6 %

Change in Net Position

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

Table A-2
Change in Net Position

	2025	2024	Total Percentage Change
Revenues			
Program Revenues			
Charges for Services	$ 1,758,208	$ 1,603,327	9.7 %
Operating Grants and Contributions	8,186,571	8,443,179	(3.0)
Capital Grants and Contributions		6,700,000	(100.0)
General Revenues			
Property Taxes	13,876,927	13,171,339	5.4
Unrestricted State Aid	30,277,820	30,079,598	0.7
Other Sources	4,252,846	2,300,147	84.9
Total Revenues	58,352,372	62,297,590	(6.3)
Expenses			
Administration	1,754,189	1,819,134	(3.6)
District Support Services	1,559,865	1,202,708	29.7
Elementary & Secondary Regular Instruction	13,814,541	13,846,524	(0.2)
Vocational Education Instruction	879,234	614,796	43.0
Special Education Instruction	6,313,327	5,757,066	9.7
Community Education and Services	1,284,672	1,276,097	0.7
Instructional Support Services	3,007,259	2,472,750	21.6
Pupil Support Services	6,005,487	5,569,376	7.8
Sites and Buildings	7,659,368	17,238,942	(55.6)
Fixed Costs	420,437	415,153	1.3
Interest on Long-Term Debt	4,936,108	5,751,024	(14.2)
Depreciation - Unallocated	4,505,391	2,610,892	72.6
Total Expenses	52,139,878	58,574,462	(11.0)
Change in Net Position	6,212,494	3,723,128	66.9
Net Position - Beginning	36,159,130	34,917,935	
GASB 101 Adjustment - See Note 2	(2,408,924)		
Error Correction - See Note 3	(348,898)	(2,481,933)	
Net Position - Beginning, as restated	33,401,308	32,436,002	
Net Position - Ending	$ 39,613,802	$ 36,159,130	9.6 %

The District’s total revenues were $58,352,372 for the year ended June 30, 2025. Property taxes and state aid payments accounted for 86 percent of total revenue for the year.

The total cost of all programs and services was $52,139,878. 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. Total revenues surpassed expenses, increasing net position $6,212,494 over last year. For the year ended June 30, 2025, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by $1,158,711. For the year ended June 30, 2024, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by $1,929,394.

Table A-3 presents these net costs.

Table A-3
Net Cost of Governmental Activities

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2025	2024		2025	2024	
Expenses						
Administration	$ 1,754,189	$ 1,819,134	(3.6) %	$ 1,456,894	$ 1,604,993	(9.2) %
District Support Services	1,559,865	1,202,708	29.7	1,237,272	993,985	24.5
Elementary & Secondary Regular Instruction	13,814,541	13,846,524	(0.2)	12,709,645	11,292,034	12.6
Vocational Education Instruction	879,234	614,796	43.0	534,962	232,611	130.0
Special Education Instruction	6,313,327	5,757,066	9.7	846,250	1,307,630	(35.3)
Community Education and Services	1,284,672	1,276,097	0.7	787,658	982,134	(19.8)
Instructional Support Services	3,007,259	2,472,750	21.6	2,757,060	2,399,653	14.9
Pupil Support Services	6,005,487	5,569,376	7.8	4,644,860	4,228,785	9.8
Sites and Buildings	7,659,368	17,238,942	(55.6)	7,358,562	10,009,062	(26.5)
Fixed Costs	420,437	415,153	1.3	420,437	415,153	1.3
Interest on Long-Term Debt	4,936,108	5,751,024	(14.2)	4,936,108	5,751,024	(14.2)
Depreciation - Unallocated	4,505,391	2,610,892	72.6	4,505,391	2,610,892	72.6
	$ 52,139,878	$ 58,574,462	(11.0) %	$ 42,195,099	$ 41,827,956	0.9 %

Financial Analysis of the District's Funds

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

Table A-4
Major Funds

	Fund Balance		Increase	Percentage Increase
	6/30/25	6/30/24	(Decrease)	(Decrease)
Governmental Funds				
General	$ 2,968,798	$ 6,463,004	$ (3,494,206)	(54.1) %
Debt Service Fund	1,608,847	1,705,352	(96,505)	(5.7)
Building Construction Fund		1,379,223	(1,379,223)	(100.0)

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	$ 6,178,247	$ 5,845,036	$ 333,211	5.7 %
Other	2,307,501	9,365,476	(7,057,975)	(75.4)
State Sources	28,934,819	27,495,856	1,438,963	5.2
Federal Sources	1,706,180	3,111,413	(1,405,233)	(45.2)
Total General Fund Revenue	$ 39,126,747	$ 45,817,781	$ (6,691,034)	(14.6) %

Total general fund revenue decreased by $6,691,034 or 14.6 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. Other local revenue sources decreased in the current year mainly due to a decrease in funding from the IRRRB grant.

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	$ 20,380,965	$ 19,667,839	$ 713,126	3.6 %
Employee Benefits	6,719,329	6,479,172	240,157	3.7
Purchased Services	8,658,030	7,979,143	678,887	8.5
Supplies and Materials	1,494,622	2,240,666	(746,044)	(33.3)
Capital Expenditures	5,252,482	13,510,301	(8,257,819)	(61.1)
Debt Service	368,617		368,617	100.0
Other Expenditures	128,575	120,090	8,485	7.1
Total General Fund Expenditures	$ 43,002,620	$ 49,997,211	$ (6,994,591)	(14.0) %

Total general fund expenditures decreased $6,994,591 or 14.0 percent from the previous year.

General Fund Budgetary Highlights

The District's original and final budget for the general fund anticipated that expenditures would exceed revenues by $958,653, the actual results for the year show a $3,145,308 deficit. The decrease in fund balance was mainly due to coding some construction project costs to the general fund.

Capital Assets and Debt Administration

Capital Assets

Note 5 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2025. Additions totaling $6,669,600 included four buses, a saw, land, the North Star Elementary and Administration Building renovations, and construction in progress on the 1404 Building and solar panels. There were many disposals of land, buildings, and equipment in the current year with the destruction of various buildings.

Long-Term Debt

At year-end, the District had $171,294,988 of long-term debt. This consisted of bonded indebtedness net of related premiums of $166,399,710, lease payable of $36,617, financed purchases of $1,356,677, and compensated absences payable of $3,501,984. Note 8 to the financial statements presents details and payment provisions of these items.

Factors Bearing on the District's Future

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

- The District expects enrollment to remain constant for the upcoming year. Declining enrollment coupled with inflation could have a negative impact on the District's financial outlook.
- Interest earnings are expected to continue to be significantly lower.
- Weakening economic conditions in local economy.
- The political environment at the State level will have a significant effect on future finances. The State legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive.

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 District's Business Manager, Andrea Lintula, Independent School District #2909, 411 5th Ave South, Virginia, MN 55792.

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2025

GOVERNMENTAL ACTIVITIES	
ASSETS	
Cash and Investments	$ 4,800,097
Property Taxes Receivable	2,611,740
Accounts Receivable	13,909
Due From MN School Districts	633,714
Due From Department of Education	3,470,678
Due From Federal Govt. - DOE	1,017,730
Due From Federal Govt.	47,148
Due From Other Governmental Units	1,325,442
Inventory	41,819
Net Other Postemployment Benefit Asset	6,285,028
Capital Assets	
Land, Construction in Process	3,588,491
Other Capital Assets, Net of Depreciation/Amortization	217,239,964
TOTAL ASSETS	241,075,760
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan	4,929,280
Other Postemployment Benefit	352,136
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,281,416
LIABILITIES	
Accounts Payable	720,869
Salaries Payable	1,776,422
Payroll Deductions	237,548
Due to Other MN School Districts	454,966
Due to Other Governmental Units	180,997
Unearned Revenue	116,769
Interest Payable	2,406,529
Long-Term Liabilities Due Within One Year	7,819,639
Long-Term Liabilities	
Bonds, Net	166,399,710
Financed Purchase	1,356,677
Lease Payable	36,617
Compensated Absences	3,501,984
Net Pension Liability	15,963,220
Less Amounts Due Within One Year	(7,819,639)
Total Long-Term Liabilities	179,438,569
TOTAL LIABILITIES	193,152,308
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied - Subs. Years	4,491,621
Cost Sharing Defined Benefit Pension Plan	7,909,413
Other Postemployment Benefit Liability	1,190,032
TOTAL DEFERRED INFLOWS OF RESOURCES	13,591,066

See Notes to the Basic Financial Statements

NET POSITION	
Net Investment in Capital Assets	57,930,451
Restricted	
Student Activity	75,326
Staff Development	41,495
Literacy Incentive Aid	127,260
Taconite Building Maintenance	10
Operating Capital	374,804
Learning and Development	14,166
Gifted and Talented	4,636
English Learner	25,526
Safe Schools	31,126
Literacy Aid	50,091
LTFM	622,284
Basic Skills Programs	180,397
Public Access	35,641
Student Support Personnel	82,734
Medical Assistance	224,682
OPEB Asset	6,285,028
Food Service	748,617
Community Education	274,723
OPEB Debt Service	291,470
Unrestricted	(27,806,665)
TOTAL NET POSITION	$ 39,613,802

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Administration	$ 1,754,189	$ 297,295	$	$	$ (1,456,894)
District Support Services	1,559,865		322,593		(1,237,272)
Elementary & Secondary					
Regular Instruction	13,814,541	397,020	707,876		(12,709,645)
Vocational Education Instruction	879,234		344,272		(534,962)
Special Education Instruction	6,313,327		5,467,077		(846,250)
Community Education and Services	1,284,672	420,765	76,249		(787,658)
Instructional Support Services	3,007,259	25,895	224,304		(2,757,060)
Pupil Support Services	6,005,487	316,427	1,044,200		(4,644,860)
Sites and Buildings	7,659,368	300,806			(7,358,562)
Fixed Costs	420,437				(420,437)
Interest on Long-Term Debt	4,936,108				(4,936,108)
Depreciation - Unallocated	4,505,391				(4,505,391)
TOTAL GOVERNMENTAL ACTIVITIES	$ 52,139,878	$ 1,758,208	$ 8,186,571	$	(42,195,099)

General Revenues	
Taxes	
Property Taxes, Levied for General Purposes	6,742,124
Property Taxes, Levied for Community Education and Services	156,558
Property Taxes, Levied for Debt Services	6,937,679
Property Taxes, Levied for OPEB Debt Services	40,566
Unrestricted State Aid	30,277,820
Unrestricted Investment Earnings	399,479
Other General Revenue	3,853,367
TOTAL GENERAL REVENUES	48,407,593
Change in Net Position	6,212,494
Net Position - Beginning	36,159,130
GASB 101 Adjustment - See Note 2	(2,408,924)
Error Correction - See Note 3	(348,898)
Net Position - Beginning, as restated	33,401,308
Net Position - Ending	$ 39,613,802

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	$ 1,115,770	$ 2,239,744	$ 39,797	$ 1,404,786	$ 4,800,097
Current Property Taxes Receivable	1,038,897	1,281,991		161,305	2,482,193
Delinquent Property Taxes Receivable	61,873	51,806		15,868	129,547
Accounts Receivable				13,909	13,909
Due From MN School Districts	633,714				633,714
Due From Department of Education	2,867,291	562,116		41,271	3,470,678
Due From Federal Govt. - DOE	1,017,730				1,017,730
Due From Federal Govt.	47,148				47,148
Due From Other Governmental Units	1,325,442				1,325,442
Inventory				41,819	41,819
TOTAL ASSETS	$ 8,107,865	$ 4,135,657	$ 39,797	$ 1,678,958	$ 13,962,277
LIABILITIES					
Accounts Payable	$ 657,463	$	$ 39,797	$ 23,609	$ 720,869
Salaries Payable	1,709,210			67,212	1,776,422
Payroll Deductions	237,548				237,548
Due To Other MN School Districts	454,966				454,966
Due To Other Governmental Units	180,997				180,997
Unearned Revenue	116,769				116,769
TOTAL LIABILITIES	3,356,953		39,797	90,821	3,487,571
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	61,873	51,806		15,868	129,547
Property Taxes Levied - Subs. Years	1,720,241	2,475,004		296,376	4,491,621
TOTAL DEFERRED INFLOWS OF RESOURCES	1,782,114	2,526,810		312,244	4,621,168
FUND BALANCES					
Fund Balance:					
Nonspendable: Inventory				41,819	41,819
Restricted for Student Activity	75,326				75,326
Restricted for Staff Development	41,495				41,495
Restricted for Literacy Incentive Aid	127,260				127,260
Restricted for Taconite Building Maint	10				10
Restricted for Operating Capital	374,804				374,804
Restricted for Learning and Development	14,166				14,166
Restricted for Gifted and Talented	4,636				4,636
Restricted for English Learner	25,526				25,526
Restricted for Safe Schools	31,126				31,126
Restricted for Literacy Aid	50,091				50,091
Restricted for LTFM	622,284				622,284
Restricted for Basic Skills Programs	180,397				180,397
Restricted for Public Access	35,641				35,641
Restricted for Student Support Personnel	82,734				82,734
Restricted for Medical Assistance	224,682				224,682
Restricted for Debt Service		1,608,847			1,608,847
Restricted for Food Service				706,798	706,798
Restricted for Community Education				274,723	274,723
Restricted for OPEB Debt Service				291,470	291,470
Unassigned	1,078,620			(38,917)	1,039,703
TOTAL FUND BALANCES	2,968,798	1,608,847		1,275,893	5,853,538
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 8,107,865	$ 4,135,657	$ 39,797	$ 1,678,958	$ 13,962,277

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2025

Total fund balances - governmental funds	$ 5,853,538
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	242,660,294
Less accumulated depreciation/amortization	(21,831,839)
Deferred outflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,281,416
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Bonds	(155,160,000)
Financed Purchases	(1,356,677)
Lease Payable	(36,617)
Unamortized premiums (discounts)	(11,239,710)
Compensated Absences	(3,501,984)
Net Pension Liability	(15,963,220)
Amounts pertaining to the District's benefit plan are not current financial resources and, therefore, are not reported in governmental funds.	
Net Other Postemployment Benefit Asset	6,285,028
Deferred inflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(9,099,445)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	129,547
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	(2,406,529)
Net position - governmental activities	$ 39,613,802

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 6,178,247	$ 6,920,585	$	$ 745,919	$ 13,844,751
Other Local & County Revenues	2,307,501		2,945,374	736,213	5,989,088
Revenue From State Sources	28,934,819	5,621,160		1,347,379	35,903,358
Revenue From Federal Sources	1,706,180			853,873	2,560,053
TOTAL REVENUES	39,126,747	12,541,745	2,945,374	3,683,384	58,297,250
EXPENDITURES					
Current					
Administration	1,754,189				1,754,189
District Support Services	1,211,765				1,211,765
Elementary & Secondary Regular Instruction	15,242,321				15,242,321
Vocational Education Instruction	874,734				874,734
Special Education Instruction	6,313,327				6,313,327
Community Education and Services				1,284,673	1,284,673
Instructional Support Services	2,986,442				2,986,442
Pupil Support Services	3,901,959			1,840,593	5,742,552
Sites and Buildings	4,676,347		1,599,932		6,276,279
Fixed Costs	420,437				420,437
Debt Service					
Principal	367,286	6,370,000		598,000	7,335,286
Interest and Fees	1,331	6,268,250		93,316	6,362,897
Capital Outlay	5,252,482		2,724,665		7,977,147
TOTAL EXPENDITURES	43,002,620	12,638,250	4,324,597	3,816,582	63,782,049
Revenues Over (Under) Expenditures	(3,875,873)	(96,505)	(1,379,223)	(133,198)	(5,484,799)
OTHER FINANCING SOURCES (USES)					
Sale of Assets	505,924				505,924
Insurance Proceeds	21,968				21,968
Debt Issued	368,180				368,180
Transfer In				165,507	165,507
Transfer Out	(165,507)				(165,507)
TOTAL OTHER FINANCING SOURCES (USES)	730,565			165,507	896,072
Net Change in Fund Balances	(3,145,308)	(96,505)	(1,379,223)	32,309	(4,588,727)
Fund Balances - Beginning	6,463,004	1,705,352	1,379,223	1,243,584	10,791,163
Error Correction - See Note 3	(348,898)				(348,898)
Fund Balances - Beginning, Restated	6,114,106	1,705,352	1,379,223	1,243,584	10,442,265
Fund Balances - Ending	$ 2,968,798	$ 1,608,847	$	$ 1,275,893	$ 5,853,538

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Total net change in fund balances - governmental funds	$	(4,588,727)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.		
Capital outlays		6,669,600
Depreciation/Amortization expense		(4,960,243)
The net book value of capital assets disposed decreases net position.		(833,656)
Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.		7,335,286
The issuance of long-term debt provides current financial resources to the governmental funds, but the issuance increases long-term liabilities in the statement of net position.		(368,179)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of premiums when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		1,426,789
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).		
Other postemployment benefit obligation		287,931
Compensated Absences		(144,182)
Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA.		
Revenue in the statement of activities that does not provide current financial resources is not reported as revenues in the governmental funds.		33,155
Change in net pension liability.		6,573,329
Changes in deferred outflows and inflows of resources related to net pension liability.		(5,414,618)
Changes in deferred outflows and inflows of resources related to other postemployment benefit liability.		196,009
Change in net position - governmental activities	$	6,212,494

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2025

	Scholarships Custodial Fund	Postemployment Benefits Irrevocable Trust
ASSETS		
Cash and Investments	$ 174,780	$ 12,563,998
TOTAL ASSETS	$ 174,780	$ 12,563,998
NET POSITION		
Restricted:		
Scholarships	$ 174,780	$
Held in Trust for OPEB		12,563,998
TOTAL NET POSITION	$ 174,780	$ 12,563,998

See Notes to the Basic Financial Statements

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2025

	Scholarships Custodial Fund	Postemployment Benefits Irrevocable Trust
ADDITIONS		
Investment Earnings: Interest	$	$ 544,924
Gifts and Donations	824	
TOTAL ADDITIONS	824	544,924
DEDUCTIONS		
Scholarships	6,300	
Benefits		530,992
Fees		38,438
TOTAL DEDUCTIONS	6,300	569,430
Change in Net Position	(5,476)	(24,506)
Net Position - Beginning	180,256	12,588,504
Net Position - Ending	$ 174,780	$ 12,563,998

See Notes to the Basic Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Independent School District No. 2909 (District) was formed and operates pursuant to applicable Minnesota laws and statutes. The Governing Body consists of a seven-member Board elected by voters of the District. Members are elected for four-year terms. The financial statements of Independent School District No. 2909 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

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

C. Basic Financial Statement Presentation

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

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function, otherwise it is presented as unallocated. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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 and fiduciary funds 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 or related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for advance amounts recognized in accordance with a statutory "tax shift." Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

<u>Revenue Recognition</u> – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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.

<u>Recording of Expenditures</u> – 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.

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The District's internal service fund is used to account for the revocable trust fund established to provide funds needed for future OPEB obligations for employees and retirees.

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

Description of Funds

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

Major Governmental Funds

<u>General Fund</u> – 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.

<u>Debt Service Fund</u> – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs other than OPEB bonds.

Building Construction Fund – Accounts for financial resources used in the acquisition and construction of major capital facilities.

Nonmajor Governmental Funds

Special Revenue Funds – Accounts for proceeds of specific revenue sources (other than permanent fund and major capital projects) that are legally restricted to expenditures for specified purposes. The District's special revenue funds and its purpose is as follows:

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 designated for programs other than those for elementary and secondary students.

Postemployment Debt Service Fund – Accounts for resources set aside and held in a revocable trust arrangement for postemployment benefits. District contributions to this fund must be expensed to an operating fund.

Fiduciary Funds

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

Scholarship Fund – Accounts for money held by the District in the capacity of trustee for others. This fund is used for the activity of a scholarship program.

E. Specific Account Information

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

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

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

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

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

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

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

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

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

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.

<u>Accounts Receivable</u> – Accounts receivable are shown net of any allowance for uncollectible amounts. No allowances for amounts uncollectible have been recorded. The only receivables not expected to be collected within one year are delinquent property taxes receivable.

<u>Inventory</u> – 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.

<u>Capital Assets</u> – Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of $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 equipment.

Capital assets not being depreciated include land and construction in process, if any.

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

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

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

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

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

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

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

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

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs will be expensed in the period incurred.

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

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

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

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

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three 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 governmental funds report unavailable revenues from one source, lease revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The item, *property taxes levied – subs. years,* is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The third and fourth items, *Cost Sharing Defined Benefit Pension Plan*, and *Other Postemployment Benefits*, represents actuarial differences within PERA and TRA pension plans and other postemployment benefits.

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

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

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

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

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

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

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

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

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

The District has a minimum fund balance policy. The goal is to maintain a minimum of 15 percent or a maximum of 25 percent of the prior fiscal year's expenditures.

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 $2,408,924 as of July 1, 2024.

NOTE 3 CORRECTION OF AN ERROR

During fiscal year 2025, the District determined that the due from other MN districts receivable was misstated in the prior year. A correction was made to fix the error reducing net position and fund balance by $348,898.

NOTE 4 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 $399,479.

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

	Governmental Activities	Fiduciary Funds	Total
Cash	$ 3,777,039	$ 82,702	$ 3,859,741
Investments	1,023,058	12,656,076	13,679,134
Total	$ 4,800,097	$ 12,738,778	$ 17,538,875

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

Investments	Fair Value	Investment Maturities (in Years) < 1	1 - 5	6-10	> 10	Credit Rating	Rating Agency
MN School District Liquid Asset Fund	$ 357,825	$ 357,825	$	$	$	N/A	N/A
MN Trust	8,040,822	8,040,822				N/A	N/A
Guaranteed Investment Contract	5,280,487	5,280,487				N/A	N/A
Total Investments by Fair Value	$ 13,679,134	$ 13,679,134	$	$	$		

Investments	Fair Value Level 1	Fair Value Level 2	Total
MN School District Liquid Asset Fund	$ 357,825	$	$ 357,825
MN Trust	8,040,822		8,040,822
Guaranteed Investment Contract		5,280,487	5,280,487
Total Investments by Fair Value	$ 8,398,647	$ 5,280,487	$ 13,679,134

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

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

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

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

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

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

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

Custodial Credit Risk - Investments – None of the District’s investments are subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 5 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 2,769,299	$ 95,915	$ 68,138	$ 2,797,076
Construction in Process	44,979,498	791,415	44,979,498	791,415
Total Capital Assets, Not Being Depreciated	47,748,797	887,330	45,047,636	3,588,491
Capital Assets, Being Depreciated:				
Land Improvements	10,347,762		218,449	10,129,313
Buildings	174,817,540	49,372,163	2,154,704	222,034,999
Equipment	5,994,808	1,333,802	476,922	6,851,688
Right to Use - Lease Building		55,803		55,803
Total Capital Assets, Being Depreciated	191,160,110	50,761,768	2,850,075	239,071,803
Less Accumulated Depreciation For:				
Land Improvements	827,878	499,429	178,162	1,149,145
Buildings	14,426,183	4,016,352	1,438,710	17,003,825
Equipment	3,702,092	425,280	467,685	3,659,687
Right to Use - Lease Building		19,182		19,182
Total Accumulated Depreciation	18,956,153	4,960,243	2,084,557	21,831,839
Total Capital Assets, Being Depreciated, Net	172,203,957	45,801,525	765,518	217,239,964
Governmental Activities Capital Assets, Net	$ 219,952,754	$ 46,688,855	$ 45,813,154	$ 220,828,455

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

Elementary & Secondary Regular Instruction	$ 62,141
Instructional Support Services	18,643
Pupil Support Services	244,535
Sites and Buildings	129,533
	454,852
Unallocated	4,505,391
Total Depreciation/Amortization Expense	$ 4,960,243

NOTE 6 DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

Disclosures relating to these plans follow:

A. Public Employees Retirement Association

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

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

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

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

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

Contributions – *Minnesota Statutes* chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50 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 $477,570. The District's contributions were equal to the required contributions for each year as set by state statute.

Pension Costs – At June 30, 2025, the District reported a liability of $2,682,689 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 $69,369.

District's proportionate share of net pension liability	$	2,682,689
State of Minnesota's proportionate share of the net pension liability associated with the District		69,369
Total	$	2,752,058

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0726% at the end of the measurement period and 0.0782% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of $100,589 for its proportionate share of the General Employee Plan's pension expense. In addition, the District recognized $(1,332) as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

During the plan year ended June 30, 2024, the State of Minnesota contributed $170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the $170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $11,904 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 259,559	$
Net difference between projected and actual earnings on pension plan inv.		732,390
Changes in actuarial assumptions	14,729	1,073,059
Changes in proportion	32,026	366,597
Employer contributions subsequent to the measurement date	477,570	
Total	$ 783,884	$ 2,172,046

The $477,570 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	$ (982,772)
2027	(253,641)
2028	(423,605)
2029	(205,714)

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

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

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

Inflation is assumed to be 2.25 percent. Benefit increases after retirement are assumed to be 1.25 precent.

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

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

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

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Discount Rate – The discount rate used to measure the total pension liability in 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity Analysis - NPL at Different Discount Rates		
1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
$ 5,859,424	$ 2,682,689	$ 69,534

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

B. Teachers Retirement Association

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

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

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

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

Tier I Benefits:

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

With these provisions:

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

or

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

Tier II Benefits:

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

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

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

<u>Contribution Rate</u> - 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 $1,258,507. The District’s contributions were equal to the required contributions for each year as set by state statute.

<u>Actuarial Assumptions</u> - 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 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%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
International Equity	16.50%	5.30%

<u>Changes in actuarial assumptions since the 2023 valuation:</u>

- 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.

<u>Discount Rate</u> - The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected

rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability - On June 30, 2025, the District reported a liability of $13,280,531 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.2090% at the end of the measurement period and 0.2200% for the beginning of the year.

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

District's proportionate share of net pension liability	$	13,280,531
State's proportionate share of the net pension liability associated with the District		868,330

For the year ended June 30, 2025, the District recognized pension expense of $1,009,204. It also recognized $47,733 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 $79,218 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 650,075	$ 175,144
Net difference between projected and actual earnings on plan inv.		1,614,088
Changes in actuarial assumptions	1,234,364	1,583,739
Changes in proportion	1,002,450	2,364,396
District contributions subsequent to the measurement date	1,258,507	
Total	$ 4,145,396	$ 5,737,367

$1,258,507 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year Ending June 30		Pension Expense Amount
2026	$	(1,095,716)
2027		425,373
2028		(919,496)
2029		(916,060)
2030		(344,579)

Pension Liability Sensitivity - The following presents the net pension liability calculated using the discount rate of 7.00 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage higher (8.00 percent) than the current rate.

Sensitivity Analysis - NPL at Different Discount Rates		
1% Decrease (6.0%)	Current (7.0%)	1% Increase (8.0%)
$ 23,387,792	$ 13,280,531	$ 4,962,015

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling (651)-296-2409 or (800)-657-3669.

The District recognized total pension expense of $1,109,793 for all of the pension plans in which it participates.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The District's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions, and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups. The District has established a Postemployment Benefits Revocable Trust (Trust) to account for the accumulation plan assets available to pay for current and future postemployment health care costs. The Trust does not issue a standalone financial report, but is included in this report of the District.

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

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

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

Active employees electing coverage	155
Active employees waiving coverage	66
Retirees electing coverage	125
Total Members	346

Total OPEB Liability – The District's net OPEB liability (asset) of $(6,285,028) was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024.

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

Inflation	2.5 percent
Healthcare Cost Trend Rates	7.6 percent, gradually decreasing over several decades to an ultimate rate of 3.9 percent in 2076 and later years.

The discount rate is based on the estimated yield of 20-year AA-rated municipal bonds. The overall single discount rate is 3.5%.

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

Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at Beginning of Year	$ 6,591,407	$ 12,588,504	$ (5,997,097)
Changes for the year:			
Service Cost	9,006		9,006
Interest Cost	220,382		220,382
Employer Contributions		76,566	(76,566)
Projected Investment Return		476,486	(476,486)
Differences between Expected and Actual Experience	35,733		35,733
Benefit Payments	(607,558)	(607,558)	
Net changes	(342,437)	(54,506)	(287,931)
Balances at End of Year	$ 6,248,970	$ 12,533,998	$ (6,285,028)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50 percent) or one percentage point higher (4.50 percent) than the current rate:

District Total OPEB Liability		
1% Decrease (2.50%)	Current (3.50%)	1% Increase (4.50%)
$ (5,735,224)	$ (6,285,028)	$ (6,762,059)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.6 percent decreasing to 2.9 percent) or one percentage point higher (8.6 percent decreasing to 4.9 percent) than the current healthcare cost trend rates:

District Healthcare Cost Trend Rates		
(6.6% decreasing to 2.9%)	(7.6% decreasing to 3.9%)	(8.6% decreasing to 4.9%)
$ (6,809,583)	$ (6,285,028)	$ (5,690,405)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2025, the District recognized OPEB expense of $(407,376). At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 352,136	$
Net Investment Income - Asset Gain (Loss)		241,753
Changes in assumptions		948,279
Total	$ 352,136	$ 1,190,032

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

Year Ending June 30	OPEB Expense Amount
2026	$ (205,329)
2027	(221,691)
2028	(193,246)
2029	(143,930)
2030	(77,289)
Thereafter	3,589

NOTE 8 LONG-TERM LIABILITIES

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

Summary of Long-Term Debt

	Beginning Balance (restated)	Additions	Retired	Ending Balance	Due Within One Year
General Obligation Bonds Payable					
2017 Taxable OPEB Refunding Bonds	$ 5,265,000	$	$ 370,000	$ 4,895,000	$ 380,000
2017 Taxable OPEB Bonds	228,000		228,000		
2019 School Building Bonds	118,430,000		5,220,000	113,210,000	5,480,000
2019A School Building Bonds	24,635,000		1,150,000	23,485,000	1,155,000
2023A GO School Building Bonds	13,570,000			13,570,000	230,000
Unamortized Premium on Bonds	12,004,960		765,250	11,239,710	
Total Bonds	174,132,960		7,733,250	166,399,710	7,245,000
Lease Payable		55,803	19,186	36,617	17,967
Financed Purchases	1,392,401	312,376	348,100	1,356,677	359,861
Compensated Absences	3,357,802	144,182		3,501,984	196,811
Total Long-Term Liabilities	$ 178,883,163	$ 512,361	$ 8,100,536	$ 171,294,988	$ 7,819,639

Compensated absences payable are presented net of additions and retirements. The District's interest expense for the year ended June 30, 2025 was $4,936,108.

A. G.O. School Building Bond and OPEB Refunding Bond

Date of Issue	Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 6/30/25	Amounts Due in 2025-2026 Principal	Amounts Due in 2025-2026 Interest
2017	3.0 - 4.0	2036	$ 7,400,000	$ 370,000	$ 4,895,000	$ 380,000	$ 162,270
2017	3.0 - 4.0		1,280,000	228,000			
2019	3.0 - 5.0	2040	136,355,000	5,220,000	113,210,000	5,480,000	4,142,200
2019	3.0 - 5.0	2040	28,550,000	1,150,000	23,485,000	1,155,000	861,850
2023	4.0 - 5.0	2042	13,570,000		13,570,000	230,000	609,350
				$ 6,968,000	$ 155,160,000	$ 7,245,000	$ 5,775,670

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2026	$ 7,245,000	$ 5,775,670
2027	7,555,000	5,421,020
2028	7,930,000	5,051,070
2029	8,425,000	4,662,570
2030	8,945,000	4,249,620
2031-2035	51,250,000	15,284,305
2036-2040	60,725,000	6,426,100
2041-2042	3,085,000	187,000
	$ 155,160,000	$ 47,057,355

B. Lease Payable

In fiscal year 2025, the District entered into a lease agreement for the lease of hockey facilities at the City of Virginia's Iron Trail Motors Event Center Building. The contract commenced on August 26, 2024 and terminates on March 31, 2027, with an annual lease payment of $19,360.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025, are as follows:

Year Ending June 30	Principal	Interest
2026	$ 17,967	$ 1,393
2027	18,650	710
	$ 36,617	$ 2,103

C. Financed Purchase

The District entered into financed purchase agreements to finance the purchase of Ipads and solar panels. Both agreements have a 0% interest rate.

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

Year Ending June 30	Principal
2026	$ 359,861
2027	360,029
2028	360,392
2029	12,664
2030	13,049
2031-2035	71,427
2036-2040	82,943
2041-2045	96,312
	$ 1,356,677

NOTE 9 COMPENSATED ABSENCES

The District has compensated absences consisting of severance plans, vacation plans, and sick leave. The District accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability. At June 30, 2025, the estimated liability under this plan was $3,501,984.

NOTE 10 INTERFUND TRANSFERS

The composition of interfund balances as of June 30, 2025 are as follows:

Interfund Transfers:

Transfer In	Transfer Out	
Nonmajor Governmental Funds	General	$ 165,507
		$ 165,507

The purpose of the transfer is to cover the school readiness deficit in the community service fund.

NOTE 11 CONTINGENCIES

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

The District has construction commitments of approximately $92,000 as of June 30, 2025. This does not include retainage, which had been accrued in these financial statements.

NOTE 12 JOINT VENTURES

Northern St. Louis County Family Services Collaborative
The Northern St. Louis County Family Services Collaborative was established pursuant to Minn. Stat. section 124S.23. The Collaborative includes St. Louis County; several St. Louis County agencies; Arrowhead Economic Opportunity Agency; Arrowhead Regional Corrections; Range Mental Health; Bois Forte Reservation; Northland Special Education Cooperative; and Independent School District Nos. 695, 696, 698, 701, 707, 712, 2142, 2909, 2711, and 6076. The purpose of the Collaborative is to support partnerships, both regionally and locally, that promote and support healthy families. The Collaborative serves children and families by encouraging collaboration of integrated family centered services, which provide education, advocacy, and support.

Control of the Northern St. Louis County Family Services Collaborative is vested in a Board of Directors appointed by its members. Independent School District No. 2142 appoints two members on the Board; all other members appoint only one. Financing is provided by state and federal grants, appropriations from the Collaborative members, and miscellaneous revenues. Independent School District No. 2142 and St. Louis

County are the fiscal agents for the Collaborative. The District receives funds from the Collaborative as reimbursement for eligible expenditures. Separate financial information can be obtained from Northern St. Louis County Family Services Collaborative, 1701 North 9th Avenue, Virginia, Minnesota 55792.

Joint Cable Television Access Board
The Joint Cable Television Access Board is a joint powers agreement between the City of Eveleth, Minnesota, the town of Fayal, Minnesota, and the District and is made pursuant to Minn. Stat. section 471.59. The general purpose of this agreement is to create a board to organize, manage, conduct, operate and facilitate community-oriented television programming on access channels set aside by cable operators for public, educational, and governmental use.

The joint board consisted of 7 members; three from the City and two members appointed by the other parties to the agreement. It is the primary responsibility of the City of Eveleth, Minnesota, and the Town of Fayal, Minnesota to adequately and properly fund the Board. The contribution of the District shall be in the form of in-kind services such as fiscal and bookkeeping services or oversight, organizational and supervisory services. The District shall be the fiscal agent for the Board with the value of its services being considered as part of its in-kind contribution.

If this joint powers agreement is terminated, all personal property equipment shall be utilized to pay off any existing or contingent liabilities with the remaining, if any, surplus monies or property to be returned to the remaining parties in a proportion commensurate with the member's representation on the board or as otherwise agreed upon by the members. Should a member decide to withdraw from this agreement, that member shall waive and forego any right or interest it shall have in and to the funds or personal property of the joint board.

The District, as the fiscal agent for the Board, accounts for the activities in a custodial fund. As of June 30, 2025, the Joint Cable Television Access Board has no assets or liabilities.

NOTE 13 RISK MANAGEMENT

The District's property and liability premiums and unemployment claims are paid by the General Fund. Worker's compensation premiums are paid by the General and Food Service Funds based on salaries. There were no significant reductions in insurance coverage from coverage in prior years and insurance settlements have not exceeded insurance coverage in any of the last three years.

The District purchases commercial insurance for property and liability, transferring the risk of loss to the insurance carrier.

The District participates in a risk pool for worker's compensation insurance. The pool in turn contracts with an insurance carrier, thereby transferring the risk from the pool members to the insurance carrier. The worker's compensation policy is retrospectively rated in that the initial premium is adjusted based on the actual experience during the coverage period of the group of entities that participate in the pool.

The District handles unemployment costs through a self-insurance plan. The District retains the risks associated with unemployment claims.

NOTE 14 NEW PRONOUNCEMENTS

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

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. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2025

	Original & Final Budgeted Amounts	Actual	Over (Under) Final Budget
REVENUES			
Local Property Tax Levies	$ 5,150,893	$ 6,178,247	$ 1,027,354
Other Local & County Revenues	1,319,349	2,307,501	988,152
Revenue From State Sources	28,145,850	28,934,819	788,969
Revenue From Federal Sources	1,231,074	1,706,180	475,106
TOTAL REVENUES	35,847,166	39,126,747	3,279,581
EXPENDITURES			
Current			
Administration	1,788,549	1,754,189	(34,360)
District Support Services	958,632	1,211,765	253,133
Elementary & Secondary			
Regular Instruction	16,274,158	15,242,321	(1,031,837)
Vocational Education Instruction	138,824	874,734	735,910
Special Education Instruction	5,409,528	6,313,327	903,799
Instructional Support Services	1,854,121	2,986,442	1,132,321
Pupil Support Services	3,400,793	3,901,959	501,166
Sites and Buildings	6,030,214	4,676,347	(1,353,867)
Fixed Costs	415,000	420,437	5,437
Debt Service			
Principal		367,286	367,286
Interest		1,331	1,331
Capital Outlay	536,000	5,252,482	4,716,482
TOTAL EXPENDITURES	36,805,819	43,002,620	6,196,801
Revenues Over (Under) Expenditures	(958,653)	(3,875,873)	(2,917,220)
OTHER FINANCING SOURCES (USES)			
Debt Issued		368,180	368,180
Sale of Assets		505,924	505,924
Insurance Proceeds		21,968	21,968
Transfer Out		(165,507)	(165,507)
TOTAL OTHER FINANCING SOURCES (USES)		730,565	730,565
Net Change in Fund Balances	(958,653)	(3,145,308)	(2,186,655)
Fund Balances - Beginning	6,463,004	6,463,004	
Error Correction - See Note 3		(348,898)	
Fund Balances - Beginning, Restated	6,463,004	6,114,106	
Fund Balances - Ending	$ 5,504,351	$ 2,968,798	$ (2,186,655)

See Notes to the Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Years

	2022	2023	2024	2025
Total OPEB Liability				
Service Cost	$ 14,152	$ 14,577	$ 15,014	$ 9,006
Interest	171,176	161,830	154,535	220,382
Assumption Changes			(1,364,189)	
Differences Between Expected and Actual Experience		85,673	395,997	35,733
Benefit Payments	(694,932)	(611,163)	(643,363)	(607,558)
Net Change in Total OPEB Liability	(509,604)	(349,083)	(1,442,006)	(342,437)
Total OPEB Liability - Beginning	8,892,100	8,382,496	8,033,413	6,591,407
Total OPEB Liability Ending (a)	$ 8,382,496	$ 8,033,413	$ 6,591,407	$ 6,248,970
Plan Fiduciary Net Position				
Contributions - Employer	$ 296,023	$ 30,760	$ 52,434	$ 76,566
Projected Investment Return	175,631	393,397	522,598	476,486
Benefit Payments	(694,932)	(611,163)	(643,363)	(607,558)
Administrative Expenses	(500)	(500)	(500)	
Net Change in Plan Fiduciary Net Position	(223,778)	(187,506)	(68,831)	(54,506)
Plan Fiduciary Net Position - Beginning	13,068,619	12,844,841	12,657,335	12,588,504
Plan Fiduciary Net Position - Ending (b)	$ 12,844,841	$ 12,657,335	$ 12,588,504	$ 12,533,998
District's Net OPEB Liability (Asset) - Ending (a) - (b)	$ (4,462,345)	$ (4,623,922)	$ (5,997,097)	$ (6,285,028)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	153.23%	157.56%	190.98%	200.58%
Covered Payroll	$ 20,369,421	$ 20,596,999	$ 20,593,751	$ 21,240,223
District's Net OPEB Liability as a Percentage of Covered Payroll	-21.91%	-22.45%	-29.12%	-29.59%

The schedule is intended to show a ten year trend. Information was not presented for the fiscal years ending June 30, 2021 and prior because ISD No. 2909 had not yet been formed and combining information from the most recent actuarial reports from ISD No. 706 and ISD No. 2154 was considered unsuitable comparative information.

See Notes to the Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
SCHEDULE OF DISTRICT CONTRIBUTIONS
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
PERA					
2016	$ 413,379	$ 413,379	$	$ 3,439,720	12.02 %
2017	423,242	423,242		5,643,227	7.50
2018	426,044	426,044		5,680,587	7.50
2019	447,165	447,165		5,962,200	7.50
2020	449,904	449,904		5,998,720	7.50
2021	414,937	414,937		5,532,493	7.50
2022	456,719	456,719		6,089,587	7.50
2023	467,648	467,648		6,235,307	7.50
2024	478,918	478,918		6,385,551	7.50
2025	477,570	477,570		6,367,568	7.50
TRA					
2016	$ 899,102	$ 899,102	$	$ 7,608,533	11.82 %
2017	922,999	922,999		12,306,653	7.50
2018	930,343	930,343		12,404,573	7.50
2019	1,020,360	1,020,360		13,234,241	7.71
2020	1,058,460	1,058,460		13,364,394	7.92
2021	1,094,160	1,094,160		13,458,303	8.13
2022	1,163,682	1,163,682		13,953,022	8.34
2023	1,158,066	1,158,066		13,544,632	8.55
2024	1,215,164	1,215,164		13,887,579	8.75
2025	1,258,507	1,258,507		14,161,074	8.89

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

Information presented for the fiscal years ending June 30, 2020 and prior were completed by combining ISD #706 Virginia Schools and ISD # 2154 Eveleth-Gilbert Schools because ISD #2909 had not yet been formed.

See Notes to the Required Supplementary Information.

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
SCHEDULE OF DISTRICT SHARE OF NET PENSION LIABILITY
Last 10 Years

Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA							
2015	0.0888 %	$ 4,602,077	$	$ 4,602,077	$ 5,236,094	87.89 %	78.19 %
2016	0.0887	7,202,000	94,000	7,296,000	5,511,720	130.67	68.90
2017	0.0893	5,700,853	71,718	5,772,571	5,643,227	101.02	75.90
2018	0.0845	4,687,713	153,639	4,841,352	5,680,586	82.52	79.53
2019	0.0840	4,644,172	144,327	4,788,499	5,962,200	77.89	80.23
2020	0.0833	4,994,216	153,881	5,148,097	5,148,097	97.01	79.06
2021	0.0786	3,360,842	102,502	3,463,344	5,532,493	60.75	87.00
2022	0.0816	6,462,747	189,486	6,652,233	6,089,587	106.13	76.67
2023	0.0782	4,372,856	120,611	4,493,467	6,235,307	70.13	83.10
2024	0.0726	2,682,689	69,369	2,752,058	6,385,551	42.01	89.08
TRA							
2015	0.2312 %	$ 14,302,006	$ 1,753,879	$ 16,055,885	$ 11,784,168	121.37 %	81.50 %
2016	0.2179	51,974,349	5,217,490	57,191,839	11,988,026	433.55	76.80
2017	0.2282	45,552,859	4,402,404	49,955,263	12,306,653	370.15	44.88
2018	0.2252	14,143,779	1,329,159	15,472,938	12,404,574	114.02	51.57
2019	0.2300	14,660,248	1,297,624	15,957,872	13,604,800	107.76	78.07
2020	0.2611	19,290,417	1,616,131	20,906,548	13,728,405	140.51	78.21
2021	0.1925	8,424,375	710,041	9,134,416	11,512,325	73.18	75.48
2022	0.2179	17,448,279	1,294,170	18,742,449	13,953,022	125.05	86.63
2023	0.2200	18,163,693	1,272,283	19,435,976	13,544,632	134.10	76.17
2024	0.2090	13,280,531	868,330	14,148,861	13,887,579	95.63	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.

Information presented for the fiscal years ending June 30, 2020 and prior were completed by combining ISD #706 Virginia Schools and ISD # 2154 Eveleth-Gilbert Schools because ISD #2909 had not yet been formed.

See Notes to the Required Supplementary Information.

NOTE 1 BUDGETARY DATA

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

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

NOTE 2 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2025, expenditures exceeded appropriations in the general fund by $6,196,801.

NOTE 3 DEFINED BENEFIT PLANS

PERA

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.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

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

TRA

<u>Changes in actuarial assumptions since the 2023 valuation:</u>

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.

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

NOTE 4 OTHER POSTEMPLOYMENT BENEFITS

Plan Changes:
- None.

Assumption Changes:
- None.

Method Changes:
- None

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2025

	Special Revenue Funds			
	Food Service Fund	Community Service Fund	Postemployment Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and Investments	$ 699,132	$ 289,356	$ 416,298	$ 1,404,786
Current Property Taxes Receivable			161,305	161,305
Delinquent Property Taxes Receivable			15,868	15,868
Accounts Receivable	13,909			13,909
Due From Department of Education	3,931	27,097	10,243	41,271
Inventory	41,819			41,819
TOTAL ASSETS	$ 758,791	$ 316,453	$ 603,714	$ 1,678,958
LIABILITIES				
Accounts Payable	$ 10,174	$ 13,435	$	$ 23,609
Salaries Payable		67,212		67,212
TOTAL LIABILITIES	10,174	80,647		90,821
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes			15,868	15,868
Property Taxes Levied - Subs. Years			296,376	296,376
TOTAL DEFERRED INFLOWS OF RESOURCES			312,244	312,244
FUND BALANCES				
Fund Balance:				
Nonspendable: Inventory	41,819			41,819
Restricted for Food Service	706,798			706,798
Restricted for Community Education		274,723		274,723
Restricted for OPEB Debt Service			291,470	291,470
Unassigned		(38,917)		(38,917)
TOTAL FUND BALANCES	748,617	235,806	291,470	1,275,893
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 758,791	$ 316,453	$ 603,714	$ 1,678,958

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

	Special Revenue Funds			
	Food Service Fund	Community Service Fund	Postemployment Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES				
Local Property Tax Levies	$	$ 157,538	$ 588,381	$ 745,919
Other Local & County Revenues	282,922	453,291		736,213
Revenue From State Sources	828,263	416,683	102,433	1,347,379
Revenue From Federal Sources	853,873			853,873
TOTAL REVENUES	1,965,058	1,027,512	690,814	3,683,384
EXPENDITURES				
Current				
Community Education and Services		1,284,673		1,284,673
Pupil Support Services	1,840,593			1,840,593
Debt Service				
Principal			598,000	598,000
Interest and Fees			93,316	93,316
TOTAL EXPENDITURES	1,840,593	1,284,673	691,316	3,816,582
Revenues Over (Under) Expenditures	124,465	(257,161)	(502)	(133,198)
OTHER FINANCING SOURCES				
Transfer In		165,507		165,507
TOTAL OTHER FINANCING SOURCES		165,507		165,507
Net Change in Fund Balances	124,465	(91,654)	(502)	32,309
Fund Balances - Beginning	624,152	327,460	291,972	1,243,584
Fund Balances - Ending	$ 748,617	$ 235,806	$ 291,470	$ 1,275,893

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2025

	Balance Beginning of Year	Revenues	Expenditures	Transfers	Insurance Proceeds	Debt Issued	Error Correction	Sale of Assets	Balance End of Year
Governmental Funds									
General Fund									
Nonspendable	$ 8,042	$	$	$ (8,042)	$	$	$	$	$
Restricted for:									
Student Activity	70,426	50,815	45,915						75,326
Staff Development	272,033	367,174	597,712						41,495
Literacy Incentive Aid	51,288	110,931	34,959						127,260
Taconite Building Maintenance	1,661,943	484,119	2,146,052						10
American Indian Ed Aid	20,956	81,660	102,616						
Operating Capital	295,586	537,490	826,452			368,180			374,804
Learning and Development		506,819	492,653						14,166
Gifted and Talented	3,352	32,779	31,495						4,636
English Learner	476	25,050							25,526
Basic Skills Programs	106,087	1,595,297	1,520,987						180,397
School Library Aid	20,473	40,671	61,144						
Safe Schools	31,126	90,318	90,318						31,126
Literacy Aid		93,100	43,009						50,091
Teacher Comp Read Act		84,056	84,056						
LTFM	(172,620)	958,876	163,972						622,284
Public Access	40,293	33,389	38,041						35,641
Student Support Personnel	40,000	42,734							82,734
Medical Assistance	155,842	256,785	187,945						224,682
Unassigned	3,857,701	33,734,684	36,535,294	(157,465)	21,968		(348,898)	505,924	1,078,620
Food Service Fund									
Nonspendable	26,968			14,851					41,819
Restricted: Food Service	597,184	1,965,058	1,840,593	(14,851)					706,798
Community Service Fund									
Restricted for:									
$25 Taconite		63,710	63,710						
Community Education	327,520	471,565	524,362						274,723
ECFE		130,252	130,252						
School Readiness		345,722	511,229	165,507					
Community Service		16,263	55,120	38,857					
Unassigned	(60)			(38,857)					(38,917)
Building Construction Fund									
Restricted: Building Construction	1,379,223	2,945,374	4,324,597						
Debt Service Fund									
Restricted: Debt Service	1,705,352	12,541,745	12,638,250						1,608,847
OPEB Debt Service Fund									
Restricted: OPEB Debt Service	291,972	690,814	691,316						291,470
Fiduciary Fund									
OPEB Irrevocable Trust	12,588,504	544,924	569,430						12,563,998
Scholarship Fund	180,256	824	6,300						174,780

BradyMartz

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education
Independent School District No. 2909
Rock Ridge Schools
Virginia, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2909 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 23, 2025.

Legal Compliance

In connection with our audit, we noted that the District failed to comply with provisions of the miscellaneous provisions section 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 as described in the schedule of findings and questioned costs as item 2025-005. Also, in connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 2909 failed to comply with provisions of the depositories of public funds and public investments, contracting – bid laws, conflicts of interest, public indebtedness, claims and disbursements, and uniform financial accounting and reporting standards of the *Minnesota Legal Compliance Audit Guide for School Districts*, 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.

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

Purpose of the Report

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

Brady Martz

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

December 23, 2025

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

To the Board of Education
Independent School District No. 2909
Rock Ridge Schools
Virgina, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2909, 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 23, 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-002, and 2025-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

The District's Response to 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 and corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

December 23, 2025

BradyMartz

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

To the Board of Education
Independent School District No. 2909
Virginia, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Independent School District No. 2909's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Independent School District No. 2909'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, Independent School District No. 2909 complied, in all material respects, with the 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 (GAAS); 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 the Independent School District No. 2909 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Independent School District No. 2909's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with 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 Independent School District No. 2909'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 Independent School District No. 2909'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 Independent School District No. 2909'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 Independent School District No. 2909'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 Independent School District No. 2909'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 internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 2909'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.

Government Auditing Standards requires the auditor to perform limited procedures on the Independent School District No. 2909's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs and corrective action plan. The Independent School District No. 2909'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. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a 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 2025-004 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 Independent School District No. 2909's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs and corrective action plan. The Independent School District No. 2909'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

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

December 23, 2025

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal AL Number	Amount
U.S. Department of Education		
Direct Programs:		
Indian Education	84.060	$ 47,148
Total Direct		47,148
Indirect Programs:		
Passed-Through State of Minnesota:		
Special Education Cluster (IDEA)		
Special Education Grants to States	84.027	289,459
Special Education on Preschool Grants	84.173	5,269
Total Special Education Cluster (IDEA)		294,728
Passed-Through Minnesota Department of Education:		
Title I Grants to Local Educational Agencies	84.010	586,031
Career and Technical Education - Basic Grants to States	84.048	339,105
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	86,182
Student Support and Academic Enrichment Program	84.424	35,662
Total Indirect		1,341,708
Total U.S. Department of Education		1,388,856
U.S. Department of Health and Human Services		
Passed-Through Minnesota Department of Education:		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	317,324
Total U.S. Department of Health and Human Services		317,324
U.S. Department of Agriculture		
Passed-Through State of Minnesota:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	151,132
National School Lunch Program (Commodities)	10.555	109,302
National School Lunch Program	10.555	578,558
Summer Food Service Program for Children	10.559	13,910
Total Child Nutrition Cluster		852,902
Child and Adult Care Food Program	10.558	971
Total U.S. Department of Agriculture		853,873
TOTAL FEDERAL AWARDS		$ 2,560,053

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 INDIRECT COST RATE

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

NOTE 3 BASIS OF PRESENTATION

The Schedule includes the federal award activity of Independent School District No. 2909 under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Independent School District No. 2909, it is not intended to be and does not present the financial position or changes in net position of Independent School District No. 2909.

NOTE 4 COMMODITY DISTRIBUTION

Non-monetary 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 on the previous page 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 the year ended June 30, 2025, the District did not pass any federal money to subrecipients.

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_x_ yes	___ no
Significant deficiency(ies) identified?	___ yes	_x_ none reported
Noncompliance material to financial statements noted?	___ yes	_x_ no

Federal Awards

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

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
	Special Education Cluster:
84.027	Special Education Grants to States
84.173	Special Education on Preschool Grants
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Program for Children

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

Auditee qualified as low-risk auditee? ___ yes _x_ no

Section II – Financial Statement Findings

2025-001 FINDING

Criteria
A proper system of internal control has proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition
There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause
The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect
The design of internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Repeat Finding
Yes. See prior audit finding 2024-001.

Recommendation
We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks are provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the recommendation and will review on an annual basis.

2025-002 FINDING

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

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

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

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

Repeat Finding
Yes. See prior audit finding 2024-002.

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

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the recommendation and will review on an annual basis.

2025-003 FINDING

Criteria
An appropriate system of internal controls requires the District to maintain accounting records to support amounts in the general ledger.

Condition
The District's bank reconciliation did not agree with the general ledger balances. The District's subsidiary records for accounts payable did not support the general ledger balances.

Cause
Oversight.

Effect
The potential exists that material differences could be present in the financial statements.

Repeat Finding
Yes. See prior audit finding 2024-003.

Recommendation
A review and reconciliation of the general ledger balances should take place monthly. This review should be done at both the accounting staff and accounting supervisor levels.

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the recommendation and will implement immediately.

Section III – Federal Award Findings and Questioned Costs

2025-004 FINDING – Significant Deficiency in Internal Control and Compliance

Federal Program
Child Nutrition Cluster (AL 10.553, 10.555, 10.559)
Reporting

Criteria
Federal compliance requirements state that auditors are to trace amounts reported in a financial report to the accounting records. Furthermore, a system of internal control has all reports reviewed and approved before they are submitted for reimbursement.

Condition
During testing of the District's reimbursement reports, we noted the District submitted meal counts from two different food sites on the wrong reimbursement report.

Questioned Costs
Not Applicable

Context
We sampled 3 months of reports submitted for reimbursement in the food service department. The District has five different food sites. We noted in one month that the District submitted two food sites monthly reimbursement reports with the other food site's information. During internal control inquiry, we noted that there is no formal review and approval before a report is submitted for reimbursement.

Cause
Management oversight.

Effect
The District received reimbursements for incorrect meals.

Repeat Finding
Yes. See prior audit finding 2024-006.

Recommendation
The District should implement policies and procedures to ensure reports submitted are accurate.

Views of Responsible Officials
The District agrees with the recommendation.

Section IV – Minnesota Legal Compliance Findings

2025-005 FINDING

Criteria
MN statute § 345.38-.43 requires all unclaimed or uncashed checks or other intangible property held for more than three years (or one year for unpaid compensation) to be reported to the State Commissioner of Commerce.

Condition
The District had uncashed checks in excess of three years that have not been reported to the State Commissioner of Commerce.

Cause
Oversight.

Effect
The District is not in compliance with Minnesota State Statutes regarding unclaimed property.

Repeat Finding
No.

Recommendation
We recommend the District report all uncashed checks in excess of three years old to the State Commissioner of Commerce.

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the recommendation and will implement immediately.

2024-001 FINDING

Criteria
A proper system of internal control has proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition
There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keepings and reconciliation.

Cause
The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect
The design of internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation
We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks are provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

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

2024-002 FINDING

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

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

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

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

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

Corrective Action Taken
No action taken. See current year finding 2025-002 and Corrective Action Plan.

2024-003 FINDING

Criteria
An appropriate system of internal controls requires the District to maintain accounting records to support amounts in the general ledger.

Condition
The District's bank reconciliation did not agree with the general ledger balances. The District's subsidiary records did not support the general ledger balances in the following accounts: accounts payable, salaries payable, and due from other MN districts.

Cause
Oversight.

Effect
The potential exists that material differences could be present in the financial statements.

Recommendation
A review and reconciliation of the general ledger balances should take place monthly. This review should be done at both the accounting staff and accounting supervisor levels.

Corrective Action Taken
No action taken. See current year finding 2025-003 and Corrective Action Plan.

2024-004 FINDING

Criteria
An appropriate system of internal accounting controls contemplates an adequate system for recording, processing, and approving entries material to the financial statements.

Condition
During the course of our engagement, we noted an excessive amount of adjusting journal entries in the general ledger during fiscal year 2024. The District does not have controls in place to review and approve journal entries.

Cause
The District does not have procedures in place to ensure all adjusting entries are adequately supported and approved.

Effect
There is an increased risk of loss of assets, potential liabilities, and damage to the District's reputation, whether due to error or fraud.

Recommendation
We recommend the District implement procedures to ensure the number of adjusting journal entries recorded is minimized, all journal entries are supported and approved.

Corrective Action Taken
District implemented controls to review and approve journal entries.

2024-005 FINDING – Material Weakness in Internal Control

Federal Program
Education Stabilization Fund (AL 84.425U)
Activities Allowed/Unallowed, Allowable Costs/Cost Principles

Criteria
A system of internal controls requires the review and signature of approval from the Superintendent on all purchase orders and all journal entry transactions requires the review and sign off by finance and payroll assistant.

Condition
Two purchase orders were not signed by the Superintendent. Journal entry transactions were not reviewed or signed off on by anyone.

Questioned Costs
None

Context
A sample of 18 vendor disbursements were selected for testing. Two disbursements were not approved by the superintendent. We also noted journal entries charging expenses to the program lacked review and approval.

Cause
Management oversight.

Effect
The District has an increased risk of not being in compliance with federal activities allowed/unallowed and allowable costs/cost principles.

Repeat Finding
No.

Recommendation
The District should implement policies and procedures to establish a set dollar threshold for the purchase price that the Superintendent would need to sign on the purchase orders. They also need to establish a formal review and approval process for journal entry transactions.

Corrective Action Taken
The District implemented policies and procedures to establish a set dollar threshold for the purchase price that the Superintendent would need to sign on the purchase orders and established processes to review and approve journal entries in fiscal year 2025.

2024-006 FINDING – Significant Deficiency in Internal Control and Compliance

Federal Program
Child Nutrition Cluster (AL 10.553, 10.555, 10.559)
Reporting

Criteria
Federal compliance requirements state that auditors are to trace amounts reported in a financial report to the accounting records. Furthermore, a system of internal control has all reports reviewed and approved before they are submitted for reimbursement.

Condition
During testing of the District's reimbursement reports, we noted the District over submitted for meals served and there is no review or approval of monthly reimbursement reports before submission.

Questioned Costs
Not Applicable

Context
We sampled 3 months of reports submitted for reimbursement in the food service department. We noted in one month that the District over reported 67 breakfasts and 86 lunches. During internal control inquiry, we noted that there is no formal review and approval before a report is submitted for reimbursement.

Cause
Management oversight.

Effect
The District is at risk of errors when requesting reimbursement for meals served.

Repeat Finding
No.

Recommendation
The District should implement policies and procedures to ensure reports submitted are accurate.

Corrective Action Taken
No action taken. See current year finding 2025-004 and Corrective Action Plan.

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Correction Action Plan

2025-001 FINDING

Contact Person – Dr. Noel Schmidt, Superintendent
Corrective Action Plan – The District has the following procedures to mitigate risk:

1) Board approves checks.

When it becomes economically feasible, the District will hire additional personnel in the accounting department to improve segregation of duties.
Completion Date – Ongoing

2025-002 FINDING

Contact Person – Dr. Noel Schmidt, Superintendent
Corrective Action Plan – Will establish policy to document review of financial statements and notes.
Completion Date – Ongoing

2025-003 FINDING

Contact Person – Dr. Noel Schmidt, Superintendent
Corrective Action Plan – The District will get supporting documentation for the balance sheet accounts.
Completion Date - Immediately

2025-004 FINDING

Contact Person – Dr. Noel Schmidt, Superintendent
Corrective Action Plan – The District will establish procedures to review meal reimbursement submissions.
Completion Date – January 31, 2026

2025-005 FINDING

Contact Person – Dr. Noel Schmidt, Superintendent
Corrective Action Plan – The District will report all uncashed checks in excess of three years old to the State Commissioner of Commerce.
Completion Date - Immediately

INDEPENDENT SCHOOL DISTRICT NO. 2909
ROCK RIDGE SCHOOLS, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2025

District Name: INDEPENDENT SCHOOL DISTRICT NO. 2909 **District Number:** 2909

	Audit	UFARS	Variance
01 GENERAL FUND			
Total Revenue	39,126,747	39,405,959	(279,212) *
Total Expenditures	43,002,620	43,002,620	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
401 Student Activity	75,326	75,327	(1)
402 Scholarship			
403 Staff Development	41,495	41,494	1
407 Capital Projects Levy			
408 Cooperative Revenue			
412 Literacy Incentive Aid	127,260	127,260	
414 Operating Debt			
416 Levy Reduction			
417 Taconite Building Maintenance	10	10	
420 American Indian Ed Aid			
424 Operating Capital	374,804	516,052	(141,248) *
426 $25 Taconite			
427 Disabled Accessibility			
428 Learning & Development	14,166	14,166	
434 Area Learning Center			
435 Contracted Alt Programs			
436 State Approved Alt Program			
437 Q Comp			
438 Gifted & Talented	4,636	4,637	(1)
439 English Learner	25,526	25,527	(1)
440 Teacher Development and Eval			
441 Basic Skills Programs	180,397	180,397	
443 School Library Aid			
448 Achievement and Integration			
449 Safe Schools Levy	31,126	31,126	
451 QZAB Payments			
452 OPEB Liab Not In Trust			
453 Unfunded Sev & Retiremt Levy			
459 Basic Skills Ext Time			
456 Literacy Aid	50,091	50,091	
457 Teacher Comp Read Act			
467 LTFM	622,284	622,286	(2)
471 Student Support Personnel	82,734	82,734	
472 Medical Assistance	224,682	224,683	(1)
Restricted			
464 Restricted Fund Balance	35,641	35,640	1
475 Title VII - Impact Aid			
476 PILT			
Committed			
418 Committed for Separation			
461 Committed			
Assigned			
462 Assigned Fund Balance			
Unassigned:			
422 Unassigned Fund Balance	1,078,620	1,565,478	(486,858) *
Reconciliation of General	85,098,165	86,005,487	(907,322)
02 FOOD SERVICE			
Total Revenue	1,965,058	1,965,057	1
Total Expenditures	1,840,593	1,840,593	
Non Spendable			
460 Non Spendable Fund Balance	41,819	41,819	
Restricted/Reserved:			
452 OPEB Liab Not In Trust			
Restricted			
464 Restricted Fund Balance	706,798	706,796	2
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of Food Service	4,554,268	4,554,265	3
04 COMMUNITY SERVICE			
Total Revenue	1,027,512	1,027,512	
Total Expenditures	1,284,673	1,284,672	1
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
426 $25 Taconite			
431 Community Education	274,723	274,724	(1)
432 E.C.F.E.			
437 Q Comp			
440 Teacher Development & Eval			
444 School Readiness			
447 Adult Basic Education			
452 OPEB Liab Not In Trust			
456 Literacy Aid			
457 Teacher Comp Read Act			
Restricted			
464 Restricted Fund Balance			

	Audit	UFARS	Variance
Unassigned			
463 Unassigned Fund Balance	(38,917)	(38,914)	(3)
Reconciliation of Community Service	2,547,991	2,547,994	(3)
06 BUILDING CONSTRUCTION			
Total Revenue	2,945,374	2,945,374	
Total Expenditures	4,324,597	4,324,598	(1)
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
407 Capital Projects Levy			
413 Projects Funded By COP			
467 LTFM			
Restricted			
464 Restricted Fund Balance			
Unassigned:			
463 Unassigned Fund Balance			
Reconciliation of Building Construction	7,269,971	7,269,972	(1)
07 DEBT SERVICE			
Total Revenue	12,541,745	12,541,745	
Total Expenditures	12,638,250	12,638,250	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
425 Bond Refundings			
433 Max Effort Loan			
451 QZAB Payments			
467 LTFM			
Restricted			
464 Restricted Fund Balance	1,608,847	1,608,847	
Unassigned:			
463 Unassigned Fund Balance			
Reconciliation of Debt Service	26,788,842	26,788,842	
08 TRUST			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of Trust			
18 CUSTODIAL FUND			
Total Revenue	824	824	
Total Expenditures	6,300	6,300	
Restricted/Reserved:			
401 Student Activities			
402 Scholarships	174,780	174,780	
448 Achievement and Integration			
Restricted			
464 Restricted Fund Balance			
Reconciliation of Custodial Fund	181,904	181,904	
20 INTERNAL SERVICE			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of Internal Service			
25 OPEB REVOCABLE TRUST FUND			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of OPEB Revocable Trust			
45 OPEB IRREVOCABLE TRUST FUND			
Total Revenue	544,924	544,924	
Total Expenditures	569,430	569,429	1
Unassigned:			
422 Unassigned Fund Balance	12,563,998	12,563,998	
Reconciliation of OPEB Irrevocable Trust	13,678,352	13,678,351	1
47 OPEB DEBT SERVICE FUND			
Total Revenue	690,814	690,814	
Total Expenditures	691,316	691,316	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted			
425 Bond Refunding			
464 Restricted Fund Balance	291,470	291,470	
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of OPEB Debt Service	1,673,600	1,673,600	

* Additional audit entries were proposed after UFARS submission deadline