

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

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NORTHOME, MINNESOTA  
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NORTHOME, MINNESOTA  
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**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
ROSTER OF SCHOOL OFFICIALS  
June 30, 2025**

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Brian Dreher	Chairperson
Vickie Hasbargen	Vice-Chairperson
Emily Lindley	Treasurer
Malisa Schue	Clerk
Jake Hasbargen	Director
Scott Mai	Director
Jeremy Tammi	Superintendent

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Independent School District No. 363  
Northome, 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. 363, 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. 363, 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 Independent School District No. 363, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis of Matter*

##### *Change in Accounting Principles*

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

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District No. 363'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. 363'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. 363's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of District contributions, schedule of District's share of net pension liability, and notes to required supplementary information as listed in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, schedule of changes in fund balances, and compliance table 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 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 October 24, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**BRADY MARTZ  
GRAND FORKS, NORTH DAKOTA**

October 24, 2025

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2025**

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This section of Independent School District No. 363'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**

The District's fund balance decreased \$2,122,191 during the 2024-2025 school year, primarily due to the building projects taking place in fiscal year 2025.

### **Overview of the Financial Statements**

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

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

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

### District-wide Statements

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

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
For the Year Ended June 30, 2025**

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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 one kind of fund:

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 the building 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.

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
For the Year Ended June 30, 2025**

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**Financial Analysis of the District as a Whole**

Net Position

The District's combined net position was \$5,618,750 on June 30, 2025 (see details in Table A-1). This was an increase of 14.6 percent from the prior year.

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

	<u>2025</u>	<u>2024</u>	<u>Total Percentage Change</u>
Current and Other Assets	\$ 7,820,074	\$ 9,359,296	(16.4) %
Capital Assets	6,544,606	4,143,797	57.9
Total Assets	<u>14,364,680</u>	<u>13,503,093</u>	6.4
Deferred Outflows of Resources	<u>615,616</u>	<u>823,553</u>	(25.2)
Long-Term Liabilities	5,860,706	7,671,255	(23.6)
Other Liabilities	1,396,871	750,382	86.2
Total Liabilities	<u>7,257,577</u>	<u>8,421,637</u>	(13.8)
Deferred Inflows of Resources	<u>2,103,969</u>	<u>1,000,367</u>	110.3
Net Position			
Net Investment in Capital Assets	4,501,396	4,022,354	11.9
Restricted	770,591	876,599	(12.1)
Unrestricted	346,763	5,689	5,995.3
Total Net Position	<u>\$ 5,618,750</u>	<u>\$ 4,904,642</u>	14.6 %

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
For the Year Ended June 30, 2025**

Change in Net Position

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

**Table A-2  
Change in Net Position**

	<u>2025</u>	<u>2024</u>	Total Percentage Change
Revenues			
Program Revenues			
Charges for Services	\$ 107,810	\$ 93,812	14.9 %
Operating Grants and Contributions	1,408,452	1,607,416	(12.4)
Capital Grants and Contributions	76,900	71,364	7.8
General Revenues			
Property Taxes	1,244,950	1,375,366	(9.5)
Unrestricted State Aid	3,069,151	3,088,921	(0.6)
Other Sources	432,892	547,595	(20.9)
Total Revenues	<u>6,340,155</u>	<u>6,784,474</u>	(6.5)
Expenses			
Administration	345,013	325,967	5.8
District Support Services	243,485	312,852	(22.2)
Elementary & Secondary Regular Instruction	1,718,671	1,491,387	15.2
Vocational Education Instruction	37,624	40,174	(6.3)
Special Education Instruction	743,491	628,476	18.3
Community Education and Services	42,562	16,202	162.7
Instructional Support Services	149,184	152,553	(2.2)
Pupil Support Services	1,225,873	1,165,948	5.1
Sites and Buildings	628,611	644,917	(2.5)
Fixed Costs	80,500	90,938	(11.5)
Interest on Long-Term Debt	104,168	122,057	(14.7)
Depreciation - Unallocated	171,602	171,602	0.0
Total Expenses	<u>5,490,784</u>	<u>5,163,073</u>	6.3
Change in Net Position	849,371	1,621,401	(47.6)
Net Position - Beginning	4,904,642	3,283,241	49.4
GASB 101 Adjustment - See Note 2	(135,263)		
Net Position - Beginning, Restated	<u>4,769,379</u>	<u>3,283,241</u>	45.3
Net Position - Ending	<u>\$ 5,618,750</u>	<u>\$ 4,904,642</u>	14.6 %

The District's total revenues were \$6,340,155 for the year ended June 30, 2025. Property taxes and state aid payments accounted for 87 percent of total revenue for the year.

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
For the Year Ended June 30, 2025**

The total cost of all programs and services was \$5,490,784. The District's expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net position \$849,371 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 \$419,584. 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 \$341,200.

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

Table A-3 presents these net costs.

**Table A-3  
Net Cost of Governmental Activities**

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2025	2024		2025	2024	
<b>Expenses</b>						
Administration	\$ 345,013	\$ 325,967	5.8 %	\$ 345,013	\$ 325,491	6.0 %
District Support Services	243,485	312,852	(22.2)	243,485	292,024	(16.6)
Elementary & Secondary						
Regular Instruction	1,718,671	1,491,387	15.2	1,178,352	883,159	33.4
Vocational Education Instruction	37,624	40,174	(6.3)	37,139	33,540	10.7
Special Education Instruction	743,491	628,476	18.3	294,476	76,362	285.6
Community Education and Services	42,562	16,202	162.7	21,849	(23,544)	(192.8)
Instructional Support Services	149,184	152,553	(2.2)	50,130	72,640	(31.0)
Pupil Support Services	1,225,873	1,165,948	5.1	824,461	776,875	6.1
Sites and Buildings	628,611	644,917	(2.5)	546,447	569,337	(4.0)
Fixed Costs	80,500	90,938	(11.5)	80,500	90,938	(11.5)
Interest on Long-Term Debt	104,168	122,057	(14.7)	104,168	122,057	(14.7)
Depreciation - Unallocated	171,602	171,602	0.0	171,602	171,602	0.0
	<u>\$ 5,490,784</u>	<u>\$ 5,163,073</u>	6.3 %	<u>\$ 3,897,622</u>	<u>\$ 3,390,481</u>	15.0 %

**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		Amount of Increase (Decrease)	Percentage Increase (Decrease)
	6/30/25	6/30/24		
<b>Governmental Funds</b>				
General	\$ 4,599,864	\$ 4,649,280	\$ (49,416)	(1.1) %
Debt Service Fund	48,961	28,550	20,411	71.5
Building Fund	1,474,695	3,555,359	(2,080,664)	(58.5)

The decrease in the building fund is due to the expenses associated with the boiler project.

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
For the Year Ended June 30, 2025**

General Fund

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

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

**Table A-5  
General Fund Revenue**

	<u>2025</u>	<u>2024</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Local Sources				
Property Taxes	\$ 1,121,032	\$ 1,248,631	\$ (127,599)	(10.2) %
Interest Earnings	171,839	159,773	12,066	7.6
Other	225,992	291,146	(65,154)	(22.4)
State Sources	4,050,378	4,228,005	(177,627)	(4.2)
Federal Sources	157,623	180,576	(22,953)	(12.7)
Total General Fund Revenue	<u>\$ 5,726,864</u>	<u>\$ 6,108,131</u>	<u>\$ (381,267)</u>	<u>(6.2) %</u>

Total general fund revenue decreased by \$381,267 or 6.2 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

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

**Table A-6  
General Fund Expenditures**

	<u>2025</u>	<u>2024</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Salaries	\$ 2,584,245	\$ 2,262,332	\$ 321,913	14.2 %
Employee Benefits	695,263	698,239	(2,976)	(0.4)
Purchased Services	1,480,265	1,341,548	138,717	10.3
Supplies and Materials	255,346	432,127	(176,781)	(40.9)
Capital Expenditures	665,174	122,712	542,462	442.1
Debt Service	8,982	8,982	-	-
Other Expenditures	57,795	69,130	(11,335)	(16.4)
Total General Fund Expenditures	<u>\$ 5,747,070</u>	<u>\$ 4,935,070</u>	<u>\$ 812,000</u>	<u>16.5 %</u>

Total general fund expenditures increased \$812,000 or 16.5 percent from the previous year.

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED  
For the Year Ended June 30, 2025**

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General Fund Budgetary Highlights

The District adopted its original budget in June 2024. During the year ended June 30, 2025, the District revised its budget to account for increased interest income and increases in state funding.

The District's final budget for the general fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$895,813, the actual results for the year show a \$49,416 deficit. This was due to increased property tax revenue along with the District budgeting for capital outlay expenditures that did not occur in the current fiscal year.

**Capital Assets and Debt Administration**

Capital Assets

Note 4 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2025. Additions totaling \$2,784,834 consisted of parking lot and roof improvements, boilers, water heater, and generator related to the boiler project, a steam cleaner for buses, and construction in process for the boiler project. The District had no disposals in fiscal year 2025.

Long-Term Debt

At year-end, the District had \$3,931,046 of long-term debt consisting of bonded indebtedness net of related premiums, leases payable, and compensated absences. Notes 7 and 8 to the financial statements present details and payment provisions of these items.

**Factors Bearing on the District's Future**

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

- As the building ages, the District expects the cost of maintaining the building to increase significantly over the years.
- Weakening economic conditions in local economy.
- Koochiching County has a declining population.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Offices, Independent School District No. 363, P.O. Box 465, Northome, MN 56661.

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**June 30, 2025**

GOVERNMENTAL ACTIVITIES

ASSETS

Cash and Investments	\$ 7,078,884
Property Taxes Receivable, Net of Allowance	249,072
Accounts Receivable	16,687
Due From Other MN School Districts	44,830
Due From Department of Education	325,827
Due From Fed Through MN DOE	19,243
Prepaid Expense	84,388
Inventory	1,143
Capital Assets	
Land	193,500
Construction in Process	2,017,057
Other Capital Assets, Net of Depreciation and Amortization	<u>4,334,049</u>

TOTAL ASSETS 14,364,680

DEFERRED OUTFLOWS OF RESOURCES

Cost Sharing Defined Benefit Pension Plan	575,587
Other Postemployment Benefit	<u>40,029</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES 615,616

LIABILITIES

Accounts Payable	673,438
Salaries Payable	140,666
Due to Other MN School Districts	116,054
Due to Other Government Units	40,000
Payroll Deductions	137,665
Interest Payable	44,938
Long-Term Liabilities Due Within One Year	244,110
Long-Term Liabilities	
Bonds, Net Unamortized Premium	3,504,585
Compensated Absences Payable	413,155
Lease Payable	13,306
Total Other Postemployment Benefit Liability	269,859
Net Pension Liability	1,903,911
Less Amounts Due Within One Year	<u>(244,110)</u>
Total Long-Term Liabilities	<u>5,860,706</u>

TOTAL LIABILITIES 7,257,577

DEFERRED INFLOWS OF RESOURCES

Property Taxes Levied - Subs. Years	436,430
Cost Sharing Defined Benefit Pension Plan	1,653,718
Other Postemployment Benefit	<u>13,821</u>

TOTAL DEFERRED INFLOWS OF RESOURCES 2,103,969

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
STATEMENT OF NET POSITION (CONTINUED)  
June 30, 2025**

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NET POSITION	
Net Investment in Capital Assets	4,501,396
Restricted	
Student Activities	151,053
Scholarships	134,196
American Indian Ed Aid	22,590
Safe Schools	31,988
LTFM	137,849
Student Support Personnel Aid	24,362
Impact Aid	86,086
Community Education	12,396
ECFE	24,625
School Readiness	18,882
Debt Service	4,024
Permanent Fund - Nonexpendable	100,000
Permanent Fund - Expendable	22,540
Unrestricted	<u>346,763</u>
TOTAL NET POSITION	\$ <u>5,618,750</u>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>					
Administration	\$ 345,013	\$	\$	\$	\$ (345,013)
District Support Services	243,485				(243,485)
Elementary & Secondary					
Regular Instruction	1,718,671	75,228	465,091		(1,178,352)
Vocational Education Instruction	37,624		485		(37,139)
Special Education Instruction	743,491		449,015		(294,476)
Community Education and Services	42,562	7,949	12,764		(21,849)
Instructional Support Services	149,184		99,054		(50,130)
Pupil Support Services	1,225,873	18,757	382,043	612	(824,461)
Sites and Buildings	628,611	5,876		76,288	(546,447)
Fixed Costs	80,500				(80,500)
Interest on Long-Term Debt	104,168				(104,168)
Depreciation - Unallocated	171,602				(171,602)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 5,490,784</b>	<b>\$ 107,810</b>	<b>\$ 1,408,452</b>	<b>\$ 76,900</b>	<b>(3,897,622)</b>
<b>General Revenues</b>					
<b>Taxes</b>					
Property Taxes, Levied for General Purposes					1,116,857
Property Taxes, Levied for Community Education and Services					7,733
Property Taxes, Levied for Debt Services					120,360
Unrestricted State Aid					3,069,151
Unrestricted Investment Earnings					291,746
Other General Revenue					141,146
<b>TOTAL GENERAL REVENUES</b>					<b>4,746,993</b>
Change in Net Position					849,371
Net Position - Beginning					4,904,642
GASB 101 Adjustment - See Note 2					(135,263)
Net Position - Beginning, Restated					<u>4,769,379</u>
Net Position - Ending					<u>\$ 5,618,750</u>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2025**

	General Fund	Debt Service Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 5,062,662	\$ 107,820	\$ 1,744,004	\$ 164,398	\$ 7,078,884
Current Property Taxes Receivable	112,138	141,838		3,539	257,515
Delinquent Property Taxes Receivable	12,708	834		1,015	14,557
Accounts Receivable	15,434			1,253	16,687
Due From Other MN School Districts	44,830				44,830
Due From Department of Education	309,655	14,868		1,304	325,827
Due From Fed Through MN DOE	19,243				19,243
Due From Other Funds	1,253				1,253
Prepaid Expense	84,388				84,388
Inventory				1,143	1,143
<b>TOTAL ASSETS</b>	<b>\$ 5,662,311</b>	<b>\$ 265,360</b>	<b>\$ 1,744,004</b>	<b>\$ 172,652</b>	<b>\$ 7,844,327</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 402,977		\$ 269,309	\$ 1,152	\$ 673,438
Salaries Payable	140,666				140,666
Due To Other MN School Districts	116,054				116,054
Due To Other Funds				1,253	1,253
Due to Other Government Units	40,000				40,000
Payroll Deductions	137,665				137,665
<b>TOTAL LIABILITIES</b>	<b>837,362</b>		<b>269,309</b>	<b>2,405</b>	<b>1,109,076</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Delinquent Taxes	12,708	834		1,015	14,557
Property Taxes Levied - Subs. Years	212,377	215,565		8,488	436,430
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>225,085</b>	<b>216,399</b>		<b>9,503</b>	<b>450,987</b>
<b>FUND BALANCES</b>					
Fund Balance:					
Nonspendable: Inventory				1,143	1,143
Nonspendable: Prepaids	84,388				84,388
Nonspendable: Scholarships				100,000	100,000
Restricted for American Indian Ed Aid	22,590				22,590
Restricted for Student Activities	151,053				151,053
Restricted for Safe Schools	31,988				31,988
Restricted for Student Support Personnel Aid	24,362				24,362
Restricted for Community Education				12,396	12,396
Restricted for Debt Service		48,961			48,961
Restricted for Scholarships	134,196			22,540	156,736
Restricted for LTFM	137,849		1,474,695		1,612,544
Restricted for Impact Aid	86,086				86,086
Restricted for ECFE				24,625	24,625
Restricted for School Readiness				18,882	18,882
Committed for Severance	300,000				300,000
Unassigned	3,627,352			(18,842)	3,608,510
<b>TOTAL FUND BALANCES</b>	<b>4,599,864</b>	<b>48,961</b>	<b>1,474,695</b>	<b>160,744</b>	<b>6,284,264</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 5,662,311</b>	<b>\$ 265,360</b>	<b>\$ 1,744,004</b>	<b>\$ 172,652</b>	<b>\$ 7,844,327</b>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 363**

**NORTHOME, MINNESOTA**

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

**June 30, 2025**

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Total fund balances - governmental funds	\$ 6,284,264
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	15,655,993
Less accumulated depreciation/amortization	(9,111,387)
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.	615,616
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	(3,455,000)
Premium on bonds	(49,585)
Compensated absences payable	(413,155)
Lease payable	(13,306)
Total other postemployment benefit liability	(269,859)
Net pension liability	(1,903,911)
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.	(1,667,539)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	14,557
An allowance has been set up for taxes receivable in the government-wide financial statements.	(23,000)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	<u>(44,938)</u>
Net position - governmental activities	<u>\$ 5,618,750</u>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, 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 Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local Property Tax Levies	\$ 1,121,032	\$ 120,877	\$	\$ 7,813	\$ 1,249,722
Other Local & County Revenues	397,831		110,853	13,260	521,944
Revenue From State Sources	4,050,378	147,859		69,487	4,267,724
Revenue From Federal Sources	157,623			134,081	291,704
Sale/Other Conversion of Asset				18,757	18,757
<b>TOTAL REVENUES</b>	<b>5,726,864</b>	<b>268,736</b>	<b>110,853</b>	<b>243,398</b>	<b>6,349,851</b>
<b>EXPENDITURES</b>					
Current					
Administration	345,013				345,013
District Support Services	235,350				235,350
Elementary & Secondary Regular Instruction	2,058,809				2,058,809
Vocational Education Instruction	37,624				37,624
Special Education Instruction	743,491				743,491
Community Education and Services				42,562	42,562
Instructional Support Services	130,929				130,929
Pupil Support Services	981,398			237,380	1,218,778
Sites and Buildings	465,463				465,463
Fixed Costs	74,837			5,188	80,025
Debt Service					
Principal	8,060	140,000			148,060
Interest and Fees	922	108,325			109,247
Capital Outlay	665,174		2,191,517		2,856,691
<b>TOTAL EXPENDITURES</b>	<b>5,747,070</b>	<b>248,325</b>	<b>2,191,517</b>	<b>285,130</b>	<b>8,472,042</b>
Revenues Over (Under) Expenditures	(20,206)	20,411	(2,080,664)	(41,732)	(2,122,191)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In				29,210	29,210
Transfers Out	(29,210)				(29,210)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(29,210)</b>			<b>29,210</b>	
Net Change in Fund Balances	(49,416)	20,411	(2,080,664)	(12,522)	(2,122,191)
Fund Balances - Beginning	4,649,280	28,550	3,555,359	173,266	8,406,455
Fund Balances - Ending	\$ 4,599,864	\$ 48,961	\$ 1,474,695	\$ 160,744	\$ 6,284,264

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, 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**

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Total net change in fund balances - governmental funds \$ (2,122,191)

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/amortization expense.

Capital outlay	2,784,834
Depreciation and amortization expense	(376,091)

Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	148,060
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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.	4,604
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Change in net pension liability	1,706,068
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Change in deferred outflows and inflows of resources related to net pension liability	(1,286,484)
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Change in deferred outflows and inflows of resources related to other postemployment benefit liability	7,401
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Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA.

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).

Other postemployment benefit liability	3,074
Compensated absences payable	(15,133)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	<u>(4,771)</u>
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Change in net position - governmental activities	<u>\$ 849,371</u>
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See Notes to the Financial Statements

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Independent School District No. 363 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

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

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

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

**C. Basic Financial Statement Presentation**

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

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

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

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

#### **D. Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

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

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

GASB No. 34 also requires that budget vs. actual information be presented for the general fund and all major special revenue funds.

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**June 30, 2025**

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**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 their purposes are 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.

Permanent Fund – Accounts for resources legally restricted such that only the earnings it generates, and not the principal, may be used to finance operations.

**E. Specific Account Information**

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

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

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

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data

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

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).

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**June 30, 2025**

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. The allowance for uncollectible taxes is \$23,000.

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

Capital Assets – Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. 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 25 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 Tbill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

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

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**June 30, 2025**

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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.

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.

Compensated Absences – 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.

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**June 30, 2025**

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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 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 items, *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits* represent 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 and lease assets consists of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order 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.

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**June 30, 2025**

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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 school district will strive to maintain a minimum unassigned general fund balance of three months of operating expenses.

**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. 100, *Accounting Change and Error Correction – An Amendment to GASB Statement No. 62*, during the year ended June 30, 2025. GASB Statement No. 100 enhances the accounting and financial reporting requirements for accounting changes and error corrections.

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 \$135,263 as of July 1, 2024.

**NOTE 3 DEPOSITS AND INVESTMENTS**

The District maintains a cash account at its depository bank. The District considers certificates of deposit to be cash.

The District’s interest income for the year ended June 30, 2025, was \$291,746.

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

	Total
Cash	\$ 1,867,609
Investments	5,211,275
Total	\$ <u>7,078,884</u>

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

Investment	Fair Value (Level 1)
Minnesota School District Liquid Asset Fund	\$ 3,000,217
Money Market	2,211,058
Total Investments	\$ <u>5,211,275</u>

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

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under 2a7. The fair value of the position 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 AAA by Standard & Poor's.

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

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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.

**NOTE 4 CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 193,500	\$	\$	\$ 193,500
Construction in Process	<u>336,829</u>	<u>1,680,228</u>	<u></u>	<u>2,017,057</u>
Total Capital Assets, Not Being Depreciated	<u>530,329</u>	<u>1,680,228</u>	<u></u>	<u>2,210,557</u>
Capital Assets, Being Depreciated:				
Land Improvements	516,741	307,852		824,593
Buildings	10,712,551	796,754		11,509,305
Equipment	1,077,474			1,077,474
Right to use - Lease Equipment	<u>41,998</u>	<u></u>	<u>7,934</u>	<u>34,064</u>
Total Capital Assets, Being Depreciated	<u>12,348,764</u>	<u>1,104,606</u>	<u>7,934</u>	<u>13,445,436</u>
Less Accumulated Depreciation For:				
Land Improvements	448,208	15,883		464,091
Buildings	7,676,742	286,692		7,963,434
Equipment	597,047	65,381		662,428
Right to use - Lease Equipment	<u>13,299</u>	<u>8,135</u>	<u></u>	<u>21,434</u>
Total Accumulated Depreciation	<u>8,735,296</u>	<u>376,091</u>	<u></u>	<u>9,111,387</u>
Total Capital Assets, Being Depreciated, Net	<u>3,613,468</u>	<u>728,515</u>	<u>7,934</u>	<u>4,334,049</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,143,797</u>	<u>\$ 2,408,743</u>	<u>\$ 7,934</u>	<u>\$ 6,544,606</u>

Decrease in the right to use – lease equipment is due to a modification of the lease during the current fiscal year.

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

District Support Services	\$ 8,135
Elementary & Secondary Regular Instruction	4,286
Pupil Support Services	50,200
Sites and Buildings	141,868
	<hr/>
	204,489
Unallocated	171,602
	<hr/>
Total Depreciation/Amortization Expense	<u>\$ 376,091</u>

**NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE**

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

Disclosures relating to these plans follow:

**A. Public Employees Retirement Association**

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

*General Employees Retirement Plan (General Plan)*

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

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

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

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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% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50% for General Plan members. The District’s contributions to the General Employees Fund for the year ended June 30, 2025, were \$60,051. The District’s contributions were equal to the required contributions as set by state statute.

Pension Costs – At June 30, 2025, the District reported a liability of \$302,622 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 \$7,825.

District's proportionate share of the net pension liability	\$ 302,622
State of Minnesota's proportionate share of the net pension liability associated with the District	7,825
Total	<u>\$ 310,447</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA’s participating employers. The District’s proportionate share was 0.0082% at the end of the measurement period and 0.0117% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of (\$31,993) for its proportionate share of the General Employee Plan’s pension expense. In addition, the District recognized \$210 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

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was not considered to meet the definition of a special funding situation. The District recognized \$1,344 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	\$ 33,161	\$
Net difference between projected and actual earnings on pension plan investments		70,034
Changes in actuarial assumptions	2,650	150,447
Changes in proportion	4,170	256,224
Employer contributions subsequent to the measurement date	60,051	
Total	\$ 100,032	\$ 476,705

\$60,051 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	\$ (226,090)
2027	(90,896)
2028	(96,545)
2029	(23,193)

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

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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 for the General Employees Plan.
- Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

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

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

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

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

Pension Liability Sensitivity – The following presents the District's proportionate share of the net pension liability, 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:

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Sensitivity Analysis - NPL at Different Discount Rates		
1% Decrease	Current	1% Increase
(6.0%)	(7.0%)	(8.0%)
\$ <u>660,974</u> \$	\$ <u>302,622</u> \$	\$ <u>7,844</u>

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

**B. Teachers Retirement Association**

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

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

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

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

Tier I Benefits:

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

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c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

or

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

**Tier II Benefits:**

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

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

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

Contribution Rate - Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$161,409. The District's contributions were equal to the required contributions for each year as set by state statute.

Actuarial Assumptions - The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

**Key Methods and Assumptions Used in Valuation of Total Pension Liability**

Actuarial Information

Experience Studies August 2, 2023 (demographic and economic assumptions)\*

Actuarial Cost Method Entry Age Normal

Actuarial Assumptions:

Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028



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

Net Pension Liability - On June 30, 2025, the District reported a liability of \$1,601,289 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.0252% at the end of the measurement period and 0.0358% 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	\$	1,601,289
State's proportionate share of the net pension liability associated with the District	\$	104,543

For the year ended June 30, 2025, the District recognized pension expense of \$(27,702). It also recognized \$5,747 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 \$9,537 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,521	\$ 29,592
Net difference between projected and actual investment earnings on pension plan investments		206,161
Changes in actuarial assumptions	232,625	190,958
Changes in proportion		750,302
District contributions subsequent to the measurement date	161,409	
Total	\$ 475,555	\$ 1,177,013

\$161,409 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

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ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2026	\$ (314,177)
2027	108,249
2028	(267,052)
2029	(234,536)
2030	(155,351)

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 point 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%)
\$ 2,819,963	\$ 1,601,289	\$ 598,291

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](http://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 (\$59,695) for all of the pension plans in which it participates.

**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS**

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

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

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

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

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**June 30, 2025**

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Inactive plan members or beneficiaries currently receiving benefit payments	4
Active plan members	44
Total Members	<u>48</u>

Total OPEB Liability – The District’s total OPEB liability of \$269,859 was measured as of July 1, 2024 and was determined by an actuarial valuation as of July 1, 2023.

Actuarial Assumptions – The total OPEB liability in the July 1, 2023, 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
Salary increases	Service graded table
Healthcare Cost Trend Rates	6.25 percent in 2024 grading to 5 percent over 5 years, then 4 percent, over the next 48 years

The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

The discount rate is based on the estimated yield of 20-year municipal bonds. The overall single discount rate is 4.1%.

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

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 6/30/2024	\$ 272,933
Changes for the year:	
Service Cost	15,795
Interest Cost	10,735
Assumption Changes	(2,425)
Benefit Payments	(27,179)
Net Changes	<u>(3,074)</u>
Balance at 6/30/2025	<u>\$ 269,859</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.1 percent) or one percentage point higher (5.1 percent) than the current rate:

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**June 30, 2025**

District Total OPEB Liability		
1% Decrease (3.1%)	Current (4.1%)	1% Increase (5.1%)
\$ 284,567	\$ 269,859	\$ 255,768

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.25 percent decreasing to 4.0 percent over 5 years) or one percentage point higher (7.25 percent decreasing to 6.0 percent over 5 years) than the current healthcare cost trend rates:

District Healthcare Cost Trend Rates		
(5.25% decreasing to 4.0% over 5 years)	(6.25% decreasing to 5.0% over 5 years)	(7.25% decreasing to 6.0% over 5 years)
\$ 249,719	\$ 269,859	\$ 293,299

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 \$11,582. 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
Assumption change	\$ 6,232	\$ 10,813
Differences between expected and actual experience	11,740	3,008
Employer contributions paid subsequent to the measurement date	22,057	
Total	\$ 40,029	\$ 13,821

\$22,057 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total other postemployment benefit liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ending June 30	OPEB Expense Amount
2026	\$ 785
2027	(119)
2028	(122)
2029	(144)
2030	2,026
Thereafter	1,725

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**June 30, 2025**

**NOTE 7 LONG-TERM LIABILITIES**

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

**Summary of Long-Term Liabilities**

	Beginning Balance (Restated)	Additions	Retired	Ending Balance	Due Within One Year
G.O. Bonds	\$ 3,595,000	\$	\$ 140,000	\$ 3,455,000	\$ 150,000
Premium on Bonds	52,502		2,917	49,585	2,917
Compensated Absences	398,022	15,133		413,155	85,977
Lease Payable	29,300		* 15,994	13,306	5,216
Total Long-Term Liabilities	<u>\$ 4,074,824</u>	<u>\$ 15,133</u>	<u>\$ 158,911</u>	<u>\$ 3,931,046</u>	<u>\$ 244,110</u>

\* \$7,394 is a modification to the lease and not a reduction in principal on the lease.

Compensated absences are presented net of additions and retirements. The District’s interest expense for the year ended June 30, 2025 was \$103,927.

**A. General Obligation Bonds**

Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 6/30/25	Amounts Due in 2025-2026	
						Principal	Interest
2022	3.00%	26/2043	\$ 3,730,000	\$ 140,000	\$ 3,455,000	\$ 150,000	\$ 103,650
				<u>\$ 140,000</u>	<u>\$ 3,455,000</u>	<u>\$ 150,000</u>	<u>\$ 103,650</u>

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2026	\$ 150,000	\$ 103,650
2027	155,000	99,150
2028	155,000	94,500
2029	160,000	89,850
2030	165,000	85,050
2031-2035	905,000	348,000
2036-2040	1,055,000	203,250
2041-2043	710,000	43,050
	<u>\$ 3,455,000</u>	<u>\$ 1,066,500</u>

**B. Lease Payable**

The District leases copiers. The term of the lease is for a period of 60 months, commencing on December 25, 2022 and terminating on December 25, 2027.

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

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**June 30, 2025**

Year Ending, June 30	Principal	Interest	Total
2026	\$ 5,216	\$ 292	\$ 5,508
2027	5,357	151	5,508
2028	<u>2,733</u>	<u>21</u>	<u>2,754</u>
	<u>\$ 13,306</u>	<u>\$ 464</u>	<u>\$ 13,770</u>

**NOTE 8 COMPENSATED ABSENCES**

The District has compensated absences consisting of severance plans, vacation plans, and sick leave. The District accounts for compensated absences using a 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 \$427,592.

**NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

Interfund Transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Nonmajor Governmental	General	\$29,210

The purpose of the transfers is to cover the operating deficit in the food service fund.

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental	\$1,253

The purpose of the interfund loan is to cover the cash shortage in the food service fund.

**NOTE 10 CONSTRUCTION COMMITMENTS**

The District has construction commitments of approximately \$1,800,000 for a boiler project.

**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.

**NOTE 12 RISK MANAGEMENT**

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

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

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

**NOTE 13 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 District's financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**For the Year Ended June 30, 2025**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
<b>REVENUES</b>				
Local Property Tax Levies	\$ 918,048	\$ 870,731	\$ 1,121,032	\$ 250,301
Other Local & County Revenues	348,850	409,074	397,831	(11,243)
Revenue From State Sources	4,060,217	4,074,817	4,050,378	(24,439)
Revenue From Federal Sources	120,066	120,066	157,623	37,557
<b>TOTAL REVENUES</b>	<u>5,447,181</u>	<u>5,474,688</u>	<u>5,726,864</u>	<u>252,176</u>
<b>EXPENDITURES</b>				
Current				
Administration	383,270	370,688	345,013	(25,675)
District Support Services	317,597	328,597	235,350	(93,247)
Elementary & Secondary				
Regular Instruction	1,791,140	1,931,821	2,058,809	126,988
Vocational Education Instruction	5,250		37,624	37,624
Special Education Instruction	628,497	767,783	743,491	(24,292)
Instructional Support Services	134,838	176,803	130,929	(45,874)
Pupil Support Services	967,908	1,001,086	981,398	(19,688)
Sites and Buildings	714,943	662,666	465,463	(197,203)
Fixed Costs	162,910	130,910	74,837	(56,073)
Debt Service				
Principal			8,060	8,060
Interest			922	922
Capital Outlay	922,072	970,072	665,174	(304,898)
<b>TOTAL EXPENDITURES</b>	<u>6,028,425</u>	<u>6,340,426</u>	<u>5,747,070</u>	<u>(593,356)</u>
Revenues Under Expenditures	(581,244)	(865,738)	(20,206)	845,532
<b>OTHER FINANCING USES</b>				
Transfer Out	(39,646)	(30,075)	(29,210)	865
<b>TOTAL OTHER FINANCING USES</b>	<u>(39,646)</u>	<u>(30,075)</u>	<u>(29,210)</u>	<u>865</u>
Net Change in Fund Balances	(620,890)	(895,813)	(49,416)	846,397
Fund Balances - Beginning	4,649,280	4,649,280	4,649,280	
Fund Balances - Ending	<u>\$ 4,028,390</u>	<u>\$ 3,753,467</u>	<u>\$ 4,599,864</u>	<u>\$ 846,397</u>

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**Last 10 Years**

	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB Liability								
Service Cost	\$ 22,116	\$ 22,779	\$ 20,137	\$ 22,494	\$ 28,401	\$ 23,863	\$ 15,775	\$ 15,795
Interest	13,671	11,921	10,863	6,901	6,015	5,629	9,717	10,735
Assumption Changes			(4,535)	5,424	7,220	(15,214)	2,982	(2,425)
Plan Changes			727					
Differences Between								
Expected and Actual Experience			(89,893)		(7,020)		15,654	
Benefit Payments	(106,857)	(68,668)	(57,593)	(15,159)	(10,202)	(15,122)	(22,057)	(27,179)
Net Change in Total OPEB Liability	(71,070)	(33,968)	(120,294)	19,660	24,414	(844)	22,071	(3,074)
Total OPEB Liability - Beginning	432,964	361,894	327,926	207,632	227,292	251,706	250,862	272,933
Total OPEB Liability - Ending	\$ 361,894	\$ 327,926	\$ 207,632	\$ 227,292	\$ 251,706	\$ 250,862	\$ 272,933	\$ 269,859
Covered Payroll	\$ 2,877,191	\$ 2,963,507	\$ 2,959,751	\$ 3,048,544	\$ 3,213,594	\$ 3,310,002	\$ 2,049,064	\$ 2,110,536
District's Total OPEB Liability as a Percentage of a Covered Payroll	12.58%	11.07%	7.02%	7.46%	7.83%	7.58%	13.32%	12.79%

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

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
LAST 10 YEARS**

	<u>Fiscal Year Ended June 30</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
<b>PERA</b>						
	2016	\$ 74,280	\$ 74,280	\$	990,396	7.50 %
	2017	69,546	69,546		927,280	7.50
	2018	71,131	71,131		948,411	7.50
	2019	77,463	77,463		1,032,835	7.50
	2020	72,742	72,742		969,896	7.50
	2021	76,263	76,263		1,016,840	7.50
	2022	83,853	83,853		1,118,030	7.50
	2023	69,666	69,666		928,877	7.50
	2024	51,753	51,753		690,031	7.50
	2025	60,051	60,051		800,673	7.50
<b>TRA</b>						
	2016	\$ 155,310	\$ 155,310	\$	2,070,810	7.50 %
	2017	153,014	153,014		2,040,187	7.50
	2018	161,372	161,372		2,144,299	7.53
	2019	178,879	178,879		2,312,667	7.73
	2020	167,125	167,125		2,103,205	7.95
	2021	176,260	176,260		2,161,589	8.15
	2022	188,816	188,816		2,257,188	8.37
	2023	195,858	195,858		2,284,227	8.57
	2024	136,722	136,722		1,562,538	8.75
	2025	161,409	161,409		1,844,674	8.75

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY  
LAST 10 YEARS**

<u>Fiscal Year Ended June 30</u>	<u>District's Proportion of the Net Pension Liability</u>	<u>District's Proportionate Share of the Net Pension Liability</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)</u>	<u>Total</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>	
<b>PERA</b>								
2015	0.0174 %	\$ 901,758	\$	\$ 901,758	\$ 1,022,100	88.23 %	78.19 %	
2016	0.0160	1,299,121	16,958	1,316,079	990,396	131.17	68.90	
2017	0.0142	906,519	11,411	917,930	927,280	97.76	75.90	
2018	0.0141	782,210	25,724	807,934	948,411	82.48	79.53	
2019	0.0146	807,201	24,999	832,200	1,032,835	78.15	80.23	
2020	0.0136	815,382	25,109	840,491	969,896	84.07	79.06	
2021	0.0144	614,945	18,729	633,674	1,016,840	60.48	87.00	
2022	0.0147	1,164,245	34,288	1,198,533	1,118,030	104.13	76.67	
2023	0.0117	654,251	18,152	672,403	928,877	70.43	83.10	
2024	0.0082	302,622	7,825	310,447	690,031	43.86	89.08	
<b>TRA</b>								
2015	0.0416 %	\$ 2,573,371	\$	\$ 315,631	\$ 2,889,002	\$ 2,105,689	122.21 %	76.80 %
2016	0.0402	9,588,659	961,689	10,550,348	2,070,810	463.04	44.88	
2017	0.0382	7,625,413	737,253	8,362,666	2,040,187	373.76	51.57	
2018	0.0384	2,411,788	226,561	2,638,349	2,144,299	112.47	78.07	
2019	0.0405	2,581,479	228,535	2,810,014	2,312,667	111.62	78.21	
2020	0.0364	2,689,281	225,653	2,914,934	2,103,205	127.87	75.48	
2021	0.0363	1,588,597	134,111	1,722,708	2,161,589	73.49	86.63	
2022	0.0362	2,898,705	215,050	3,113,755	2,257,188	128.42	76.17	
2023	0.0358	2,955,728	207,004	3,162,732	2,284,227	129.40	76.42	
2024	0.0252	1,601,289	104,543	1,705,832	1,562,538	102.48	82.07	

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

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2025**

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**NOTE 1 BUDGETARY DATA**

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

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

**NOTE 2 DEFINED BENEFIT PLANS**

**PERA**

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**

Changes in actuarial assumptions since the 2023 valuation:

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

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
**June 30, 2025**

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- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

**NOTE 3 OTHER POSTEMPLOYMENT BENEFITS**

Plan Changes: None

Assumption Changes:

- The discount rate was changed from 3.90% to 4.10%.

Method Changes: None

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2025**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	Permanent Fund	
<b>ASSETS</b>				
Cash and Investments	\$	\$ 41,858	\$ 122,540	\$ 164,398
Current Property Taxes Receivable		3,539		3,539
Delinquent Property Taxes Receivable		1,015		1,015
Accounts Receivable	1,253			1,253
Due From Department of Education		1,304		1,304
Inventory	1,143			1,143
<b>TOTAL ASSETS</b>	<b>\$ 2,396</b>	<b>\$ 47,716</b>	<b>\$ 122,540</b>	<b>\$ 172,652</b>
<b>LIABILITIES</b>				
Accounts Payable	\$	\$ 1,152	\$	\$ 1,152
Due to Other Funds	1,253			1,253
<b>TOTAL LIABILITIES</b>	<b>1,253</b>	<b>1,152</b>		<b>2,405</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Delinquent Taxes		1,015		1,015
Property Taxes Levied - Subs. Years		8,488		8,488
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b>9,503</b>		<b>9,503</b>
<b>FUND BALANCES</b>				
Fund Balance:				
Nonspendable: Inventory	1,143			1,143
Nonspendable: Scholarships			100,000	100,000
Restricted for Community Education		12,396		12,396
Restricted for Scholarships			22,540	22,540
Restricted for ECFE		24,625		24,625
Restricted for School Readiness		18,882		18,882
Unassigned		(18,842)		(18,842)
<b>TOTAL FUND BALANCES</b>	<b>1,143</b>	<b>37,061</b>	<b>122,540</b>	<b>160,744</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,396</b>	<b>\$ 47,716</b>	<b>\$ 122,540</b>	<b>\$ 172,652</b>

**INDEPENDENT SCHOOL DISTRICT NO. 363**

**NORTHOME, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
NONMAJOR GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2025**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	Permanent Fund	
<b>REVENUES</b>				
Local Property Tax Levies	\$	\$ 7,813	\$	\$ 7,813
Other Local & County Revenues		7,949	5,311	13,260
Revenue From State Sources	56,475	13,012		69,487
Revenue From Federal Sources	134,081			134,081
Sale/Other Conversion of Asset	18,757			18,757
<b>TOTAL REVENUES</b>	<u>209,313</u>	<u>28,774</u>	<u>5,311</u>	<u>243,398</u>
<b>EXPENDITURES</b>				
Current				
Community Education and Services		42,562		42,562
Pupil Support Services	237,380			237,380
Fixed Costs			5,188	5,188
<b>TOTAL EXPENDITURES</b>	<u>237,380</u>	<u>42,562</u>	<u>5,188</u>	<u>285,130</u>
Revenues Over (Under) Expenditures	(28,067)	(13,788)	123	(41,732)
<b>OTHER FINANCING SOURCES</b>				
Transfers In	29,210			29,210
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>29,210</u>			<u>29,210</u>
Net Change in Fund Balances	1,143	(13,788)	123	(12,522)
Fund Balances - Beginning		50,849	122,417	173,266
Fund Balances - Ending	\$ <u>1,143</u>	\$ <u>37,061</u>	\$ <u>122,540</u>	\$ <u>160,744</u>

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
SCHEDULE OF CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2025**

	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	UFARS Balance End of Year	Reclassify	Balance End of Year
General Fund							
Nonspendable	\$	\$	\$	\$	\$	\$	\$
Restricted for:							
Student Activities	145,720	71,630	66,297		151,053		151,053
Scholarships	136,953	11,543	14,300		134,196		134,196
American Indian Ed Aid	6,392	53,560	37,362		22,590		22,590
Safe Schools	32,288	6,691	6,991		31,988		31,988
Literacy Aid		7,269	7,269				
Long-Term Facilities Maint.	135,221	42,299	39,671		137,849		137,849
Student Support Personnel Aid	7,762	40,000	23,400		24,362		24,362
Operating Capital	152,911	53,300	206,211				
Impact Aid	86,086	56,408	56,408		86,086		86,086
Committed for Severance	300,000				300,000		300,000
Unassigned	3,645,947	5,384,164	5,289,161	(113,598)	3,627,352		3,627,352
Food Service Fund							
Nonspendable	4,684			(3,541)	1,143		1,143
Restricted: Food Service		209,313	237,380	28,067			
Unassigned	(4,684)			4,684			
Community Service Fund							
Restricted for:							
Community Education	7,050	18,987	13,641		12,396		12,396
ECFE	24,845	(220)			24,625		24,625
School Readiness	9,838	9,044			18,882		18,882
Community Service	9,116	963	28,921		(18,842)	18,842	
Unassigned						(18,842)	(18,842)
Building Fund							
Restricted: Building Fund	1,412		2,183,495	2,182,083			
Restricted: LTFM	3,553,947	110,853	8,022	(2,182,083)	1,474,695		1,474,695
Debt Service Fund							
Restricted: Debt Service	28,550	268,736	248,325		48,961		48,961
Permanent Fund							
Nonspendable	100,000				100,000		100,000
Restricted: Scholarships	22,417	5,311	5,188		22,540		22,540

## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education  
Independent School District No. 363  
Northome, 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. 363 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 October 24, 2025.

### Legal Compliance

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

### Purpose of Report

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



**BRADY MARTZ**  
**GRAND FORKS, NORTH DAKOTA**

October 24, 2025

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

To the Board of Education  
Independent School District No. 363  
Northome, 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. 363, 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 October 24, 2025.

### Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2025-001 and 2025-002 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 responses to the findings identified in our audit and described in the accompanying schedule of findings and corrective action plan. The District's responses were not subjected to the other 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**  
**GRAND FORKS, NORTH DAKOTA**

October 24, 2025

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
SCHEDULE OF FINDINGS  
June 30, 2025**

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**2025-001 FINDING**

Criteria

A proper system of internal control has the 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 the 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 could be (or 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.

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**SCHEDULE OF FINDINGS (CONTINUED)**  
**June 30, 2025**

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**2025-002 FINDING**

Criteria

An appropriate system of internal control 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 the financial statements, including the accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

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

Effect

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

Recommendation

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

**INDEPENDENT SCHOOL DISTRICT NO. 363  
NORTHOME, MINNESOTA  
CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2025**

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**2025-001 FINDING**

Contact Person – Jeremy Tammi, Superintendent

Corrective Action Plan – The following steps are being taken to mitigate the risk: the Superintendent will review and approve all journal entries, the Board of Education will approve checks, and the Superintendent will review all bank statements before turning the statements over to the business office for reconciliation.

Completion Date – Ongoing

**2025-002 FINDING**

Contact Person – Jeremy Tammi, Superintendent

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

Completion Date – Ongoing

**INDEPENDENT SCHOOL DISTRICT NO. 363**  
**NORTHOME, MINNESOTA**  
**UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE**  
**June 30, 2025**

District Name: INDEPENDENT SCHOOL DISTRICT NO. 363		District Number: 363	
	Audit	UFARS	Variance
<b>01 GENERAL FUND</b>			
Total Revenue	5,726,864	5,726,865	(1)
Total Expenditures	5,747,070	5,747,071	(1)
<i>Non Spendable</i>			
460 Non Spendable Fund Balance	84,388	84,388	
<i>Restricted/Reserved:</i>			
401 Student Activities	151,053	151,053	
402 Scholarships	134,196	134,198	(2)
403 Staff Development			
407 Capital Projects Levy			
408 Cooperative Revenue			
412 Literacy Incentive Aid			
414 Operating Debt			
416 Levy Reduction			
417 Taconite Building Maintenance			
420 American Indian Ed Aid	22,590	22,590	
424 Operating Capital			
426 \$25 Taconite			
427 Disabled Accessibility			
428 Learning & Development			
434 Area Learning Center			
435 Contracted Alt Programs			
436 State Approved Alt Program			
437 Q Comp			
438 Gifted & Talented			
439 English Learner			
440 Teacher Development and Eval			
441 Basic Skills Programs			
443 School Library Aid			
448 Achievement and Integration			
449 Safe Schools Levy	31,988	31,989	(1)
451 QZAB Payments			
452 OPEB Liab Not In Trust			
453 Unfunded Sev & Retirement Levy			
459 Basic Skills Ext Time			
456 Literacy Aid			
457 Teacher Comp READ Act			
467 LTFM	137,849	137,848	1
471 Student Support Personnel	24,362	24,362	
472 Medical Assistance			
475 Impact Aid	86,086	86,086	
464 Restricted Fund Balance			
<i>Committed</i>			
418 Committed for Separation	300,000	300,000	
461 Committed Fund Balance			
<i>Assigned:</i>			
462 Assigned Fund Balance			
<i>Unassigned:</i>			
422 Unassigned Fund Balance	3,627,352	3,627,355	(3)
Reconciliation of General	16,073,798	16,073,805	(7)
<b>02 FOOD SERVICE</b>			
Total Revenue	209,313	209,313	
Total Expenditures	237,380	237,380	
<i>Non Spendable</i>			
460 Non Spendable Fund Balance	1,143	1,142	1
<i>Restricted</i>			
452 OPEB Liab Not In Trust			
464 Restricted Fund Balance			
<i>Unassigned</i>			
463 Unassigned Fund Balance			
Reconciliation of Food Service	447,836	447,835	1
<b>04 COMMUNITY SERVICE</b>			
Total Revenue	28,774	28,774	
Total Expenditures	42,562	42,562	
<i>Non Spendable</i>			
460 Non Spendable Fund Balance			
<i>Restricted/Reserved:</i>			
426 \$25 Taconite			
431 Community Education	12,396	12,395	1
432 E.C.F.E.	24,625	24,625	
437 Q Comp			
440 Teacher Development and Eval			
444 School Readiness	18,882	18,882	
447 Adult Basic Education			
452 OPEB Liab Not In Trust			
464 Restricted Fund Balance			
<i>Unassigned</i>			
463 Unassigned Fund Balance			
Reconciliation of Community Service	127,239	127,238	1
<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	110,853	110,853	
Total Expenditures	2,191,517	2,191,517	
<i>Non Spendable</i>			
460 Non Spendable Fund Balance			
<i>Restricted/Reserved:</i>			
407 Capital Projects Levy			
413 Projects Funded By COP			
467 LTFM	1,474,695	1,474,695	
<i>Restricted</i>			
464 Restricted Fund Balance			
<i>Unassigned:</i>			
463 Unassigned Fund Balance			
Reconciliation of Building Construction	3,777,065	3,777,065	
<b>07 DEBT SERVICE</b>			
Total Revenue	268,736	268,736	
Total Expenditures	248,325	248,325	
<i>Non Spendable</i>			
460 Non Spendable Fund Balance			
<i>Restricted/Reserved:</i>			
425 Bond Refundings			
451 QZAB Payments			
<i>Restricted</i>			
464 Restricted Fund Balance	48,961	48,958	3
<i>Unassigned:</i>			
463 Unassigned Fund Balance			
Reconciliation of Debt Service	566,022	566,019	3
<b>08 TRUST</b>			
Total Revenue	5,311	5,311	
Total Expenditures	5,188	5,188	
<i>Unassigned:</i>			
402 Scholarships	122,540	122,542	(2)
Reconciliation of Trust	133,039	133,041	(2)
<b>20 INTERNAL SERVICE</b>			
Total Revenue			
Total Expenditures			
<i>Unassigned:</i>			
422 Unassigned Fund Balance			
Reconciliation of Internal Service			
<b>25 OPEB REVOCABLE TRUST FUND</b>			
Total Revenue			
Total Expenditures			
<i>Unassigned:</i>			
422 Unassigned Fund Balance			
Reconciliation of OPEB Revocable Trust			
<b>45 OPEB IRREVOCABLE TRUST FUND</b>			
Total Revenue			
Total Expenditures			
<i>Unassigned:</i>			
422 Unassigned Fund Balance			
Reconciliation of OPEB Irrevocable Trust			
<b>47 OPEB DEBT SERVICE FUND</b>			
Total Revenue			
Total Expenditures			
<i>Non Spendable</i>			
460 Non Spendable Fund Balance			
<i>Restricted</i>			
425 Bond Refunding			
464 Restricted Fund Balance			
<i>Unassigned</i>			
463 Unassigned Fund Balance			
Reconciliation of OPEB Debt Service			