

Independent School District No. 709

Financial Statements and
Supplementary Information

Year Ended June 30, 2025

Preliminary Draft - Subject to Change

Independent Auditor's Report

To the School Board
Independent School District No. 709
Duluth, 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. 709 (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 6 – 13, information about the District's other postemployment health care plan, page 63, and information about the District's net pension liability, pages 64 through 68, 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.

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

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 nonmajor governmental funds financial statements and fiscal compliance table, **pages 70 through 72**, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental funds financial statements and fiscal compliance table are the responsibility of management and were derived from and relate 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 nonmajor governmental funds financial statements and fiscal compliance table are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated **December 31, 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 District's internal control over financial reporting and compliance.

SIGNATURE

Wipfli LLP
December 31, 2025
Eau Claire, Wisconsin

Independent School District No. 709

Governmental Funds – Balance Sheet

June 30, 2025

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary cash investments	\$ 15,766,434	\$ 2,955,170	\$ 15,820,364	\$ 4,210,172	\$ 38,752,140
Current property taxes receivable	9,961,217		13,551,622	381,129	23,893,968
Delinquent property taxes receivable	360,427		484,736	21,680	866,843
Accounts receivable	50,179			35,342	85,521
Due from other Minnesota school districts	508,457			74,796	583,253
Due from the Minnesota Department of Education	11,829,857		237,862	431,072	12,498,791
Due from the federal government through the Minnesota Department of Education	3,288,971			774,111	4,063,082
Due from other governmental units	190,671				190,671
Inventory	17,343			112,990	130,333
Interest receivable	3,566	3,833			7,399
Prepaid expenses	48,919				48,919
Total assets	\$ 42,026,041	\$ 2,959,003	\$ 30,094,584	\$ 6,041,292	\$ 81,120,920
Liabilities					
Salaries payable	\$ 9,958,027	\$	\$	\$ 535,017	\$ 10,493,044
Accounts payable	900,704	41,921	1,750	58,953	1,003,328
Due to other governments	927				927
Accrued expenses	6,360,143			243,461	6,603,604
Unearned revenue	673,007			87,871	760,878
Total liabilities	17,892,808	41,921	1,750	925,302	18,861,781
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	360,427		484,736	21,680	866,843
Property taxes levied for subsequent year's expenditures	15,774,266		27,043,364	763,798	43,581,428
Total deferred inflows of resources	16,134,693		27,528,100	785,478	44,448,271
Fund balances					
Nonspendable	66,262			112,990	179,252
Restricted	5,546,077	2,917,082	2,564,734	4,217,522	15,245,415
Assigned	5,515,323				5,515,323
Unassigned	(3,129,122)				(3,129,122)
Total fund balances	7,998,540	2,917,082	2,564,734	4,330,512	17,810,868
Total liabilities, deferred inflows of resources and fund balances	\$ 42,026,041	\$ 2,959,003	\$ 30,094,584	\$ 6,041,292	\$ 81,120,920

See accompanying notes to financial statements.

Independent School District No. 709

General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended June 30, 2025

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local property tax levies	\$ 19,580,139	\$	\$ 25,246,695	\$ 840,818	\$ 45,667,652
Other local and county revenues	5,068,324			885,242	5,953,566
Revenue from state sources	107,450,507		2,378,624	5,232,856	115,061,987
Revenue from federal sources	7,350,375			6,087,625	13,438,000
Sales and other conversion of assets	294,664			162,560	457,224
Interest income	1,141,509	553,432			1,694,941
Total revenues	140,885,518	553,432	27,625,319	13,209,101	182,273,370
Expenditures					
Current					
District and school administration	8,211,709				8,211,709
District support services	8,467,478				8,467,478
Regular instruction	59,458,345				59,458,345
Vocational instruction	2,904,568				2,904,568
Exceptional instruction	36,913,597				36,913,597
Community education and services				8,243,342	8,243,342
Instructional support services	7,635,103				7,635,103
Pupil support services	16,463,074			5,590,491	22,053,565
Site, buildings, and equipment	7,603,894	3,448,389			11,052,283
Fiscal and other fixed cost programs	3,279,858				3,279,858
Debt service					
Principal			23,674,650		23,674,650
Interest and other fiscal costs			3,724,183		3,724,183
Capital outlay	2,274,327	1,034,336		197,919	3,506,582
Total expenditures	153,211,953	4,482,725	27,398,833	14,031,752	199,125,263
Excess (deficiency) of revenues over expenditures	(12,326,435)	(3,929,293)	226,486	(822,651)	(16,851,893)
Other financing sources					
Issuance of leases	158,681				158,681
Insurance recovery	537,753				537,753
Sale of capital assets	97,393				97,393
Total other financing sources	793,827				793,827
Net change in fund balance	(11,532,608)	(3,929,293)	226,486	(822,651)	(16,058,066)
Fund balances - beginning, as previously reported	19,619,963	6,846,375	2,338,248	5,153,163	33,957,749
Prior period adjustment	(88,815)				(88,815)
Fund balances - beginning, as restated	19,531,148	6,846,375	2,338,248	5,153,163	33,868,934
Fund balances, ending	\$ 7,998,540	\$ 2,917,082	\$ 2,564,734	\$ 4,330,512	\$ 17,810,868

See accompanying notes to financial statements.

Independent School District No. 709

General Fund – Statement of Revenues, Expenditures, and Change in Fund Balance – Budget to Actual

For the Year Ended June 30, 2025

	Budget			Variance
	Original	Final	Actual	Positive (Negative)
Revenues				
Local property tax levies	\$ 16,632,253	\$ 16,632,253	\$ 19,580,139	\$ 2,947,886
Other local and county revenues	3,468,250	3,501,116	5,068,324	1,567,208
Revenue from state sources	103,540,545	108,130,416	107,450,507	(679,909)
Revenue from federal sources	7,162,672	7,150,963	7,350,375	199,412
Sales and other conversion of assets	12,700	21,531	294,664	273,133
Interest income			1,141,509	1,141,509
Total revenues	130,816,420	135,436,279	140,885,518	5,449,239
Expenditures				
Current				
District and school administration	6,350,164	6,312,442	8,211,709	(1,899,267)
District support services	6,467,574	6,470,374	8,467,478	(1,997,104)
Regular instruction	53,537,080	54,911,951	59,458,345	(4,546,394)
Vocational instruction	1,930,821	1,930,821	2,904,568	(973,747)
Exceptional instruction	35,316,641	35,316,641	36,913,597	(1,596,956)
Instructional support services	6,137,342	6,669,394	7,635,103	(965,709)
Pupil support services	12,763,997	12,768,428	16,463,074	(3,694,646)
Site, buildings, and equipment	8,804,732	8,971,465	7,603,894	1,367,571
Fiscal and other fixed cost programs	2,240,639	2,240,639	3,279,858	(1,039,219)
Debt service				
Principal	563,419	563,419		563,419
Interest and other fiscal costs	280,777	280,777		280,777
Capital outlay	1,470,137	1,507,554	2,274,327	(766,773)
Total expenditures	135,863,323	137,943,905	153,211,953	(15,268,048)
Excess (deficiency) of revenues over expenditures	(5,046,903)	(2,507,626)	(12,326,435)	(9,818,809)
Other financing sources (uses)				
Transfers out	(272,565)	(272,565)		272,565
Insurance recovery			537,753	537,753
Issuance of leases			158,681	158,681
Sale of capital assets	1,500	1,500	97,393	95,893
Total other financing sources (uses)	(271,065)	(271,065)	793,827	1,064,892
Net change in fund balance	(5,317,968)	(2,778,691)	(11,532,608)	(8,753,917)
Fund balance - beginning, as previously reported	19,619,963	19,619,963	19,619,963	
Prior period adjustment			(88,815)	(88,815)
Fund balance - beginning, as restated	19,619,963	19,619,963	19,531,148	
Fund balance, ending	\$ 14,301,995	\$ 16,841,272	\$ 7,998,540	\$ (8,753,917)

See accompanying notes to financial statements.

Independent School District No. 709

Proprietary Funds – Internal Service Funds - Statement of Net Position

June 30, 2025

	Dental Insurance Fund
Assets	
Cash and temporary cash investments	\$ 367,248
Accounts receivable	161
Total assets	\$ 367,409
Liabilities	
Claims payable	26,136
Total liabilities	26,136
Net position	
Unrestricted	341,273
Total net position	341,273
Total liabilities and net position	\$ 367,409

See accompanying notes to financial statements.

Independent School District No. 709

Proprietary Funds – Internal Service Funds - Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2025

	Dental Insurance Fund
Operating revenues	
Contributions from the District and employees	\$ 1,201,126
Total operating revenues	1,201,126
Operating expenses	
Dental care benefits/claims	1,242,645
Administrative costs	67,183
Total operating expenses	1,309,828
Operating loss	(108,702)
Net position, beginning of year	449,975
Net position, end of year	\$ 341,273

See accompanying notes to financial statements.

Independent School District No. 709

Fiduciary Funds – Statement of Fiduciary Net Position

June 30, 2025

	Employee Benefit Trust Fund	Private- Purpose Fund
Assets		
Cash and temporary cash investments	\$ 1,187,412	\$
Investments	1,207,085	146,002
Total assets	\$ 2,394,497	\$ 146,002
Liabilities		
	\$	\$
Net position		
Restricted for endowment		126,286
Restricted for clock tower		19,716
Restricted for retirees	2,394,497	
Total net position	2,394,497	146,002
Total liabilities and net position	\$ 2,394,497	\$ 146,002

See accompanying notes to financial statements.

Independent School District No. 709

Fiduciary Funds – Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2025

	Employee Benefit Trust Fund	Private- Purpose Fund
Additions		
Contributions	\$ 241,929	\$
Interest	54,146	2,845
Total additions	296,075	2,845
Change in net position	296,075	2,845
Net position		
Beginning of year	2,098,422	143,157
End of year	\$ 2,394,497	\$ 146,002

See accompanying notes to financial statements.

Independent School District No. 709

Nonmajor Governmental Funds – Combining Balance Sheet

For the Year Ended June 30, 2025

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
Assets			
Cash and temporary cash investments	\$ 2,784,287	\$ 1,425,885	\$ 4,210,172
Accounts receivable	14,050	21,292	35,342
Current property taxes receivable		381,129	381,129
Delinquent property taxes receivable		21,680	21,680
Due from other Minnesota school districts		74,796	74,796
Due from the Minnesota Department of Education		431,072	431,072
Due from the federal government through the Minnesota Department of Education	97,624	676,487	774,111
Inventory	112,990		112,990
Total assets	\$ 3,008,951	\$ 3,032,341	\$ 6,041,292
Liabilities			
Salaries payable	\$ 21,962	\$ 513,055	\$ 535,017
Accounts payable	47,712	11,241	58,953
Accrued expenses	3,552	239,909	243,461
Deferred revenue		87,871	87,871
Total liabilities	73,226	852,076	925,302
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes		21,680	21,680
Property taxes levied for subsequent year's expenditures		763,798	763,798
Total deferred inflows of resources		785,478	785,478
Fund balances			
Nonspendable	112,990		112,990
Restricted	2,822,735	1,394,787	4,217,522
Total fund balances	2,935,725	1,394,787	4,330,512
Total liabilities, deferred inflows of resources and fund balances	\$ 3,008,951	\$ 3,032,341	\$ 6,041,292

Independent School District No. 709

Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2025

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	
Revenues			
Local property tax levies	\$	\$ 840,818	\$ 840,818
Other local and county revenues		885,242	885,242
Revenue from state sources	2,036,917	3,195,939	5,232,856
Revenue from federal sources	3,567,126	2,520,499	6,087,625
Sales and other conversion of assets	162,560		162,560
Total revenues	5,766,603	7,442,498	13,209,101
Expenditures			
Current			
Community education and services		8,243,342	8,243,342
Pupil support services	5,590,491		5,590,491
Capital outlay	180,153	17,766	197,919
Total expenditures	5,770,644	8,261,108	14,031,752
Net change in fund balances	(4,041)	(818,610)	(822,651)
Fund balances, beginning	2,939,766	2,213,397	5,153,163
Fund balances, ending	\$ 2,935,725	\$ 1,394,787	\$ 4,330,512

**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 School Board
Independent School District No. 709
Duluth, Minnesota

We have audited, in accordance with the auditing standards general 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. 709, Duluth, Minnesota (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated **December 31, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and responses, 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

SIGNATURE

Wipfli LLP

December 31, 2025

Eau Claire, Wisconsin

Independent Auditor's Report on Legal Compliance for the State of Minnesota

To the School Board
Independent School District No. 709
Duluth, 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. 709 (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which comprise the District's basic financial statements, and have issued our report thereon dated **December 31, 2025**.

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 the 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 for Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to *Minnesota Statute §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 related to accounting matters.

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

SIGNATURE

Wipfli LLP
December 31, 2025
Eau Claire, Wisconsin

Independent School District No. 709

Schedule of Findings and Responses

For the Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

<u> X </u>	Yes	<u> </u>	No
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Significant deficiency(s)?

<u> </u>	Yes	<u> X </u>	None reported
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Noncompliance material to the financial statements

<u> </u>	Yes	<u> X </u>	No
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Federal Awards

Preliminary Draft - Subject to Change

Independent School District No. 709

Schedule of Findings and Responses (continued)

For the Year Ended June 30, 2025

Section II - Financial Statement Findings:

Item 2025-001 - Audit adjustments/Reconciliation of Significant Accounts (Material Weakness)

Criteria - Controls should be in place to ensure accurate financial reporting. In order to make the financial reports generated by the accounting system as meaningful as possible, the District should reconcile the general ledger accounts to supporting documentation on a monthly basis.

Condition - The District is responsible for controls over the period-end financial reporting process, including controls over procedures to process journal entries into the general ledger and record recurring and nonrecurring adjustments to the financial statements and reconciling general ledger accounts to supporting documentation. As a result of audit procedures, we identified significant accounts that were not reconciled at year end, including federal and state receivables, investment income, and accrued expenses; and proposed material adjustments to the District's general ledger accounts to correct these misstatements.

Cause - The District's controls over period-end financial reporting did not prevent or detect material misstatements of the financial statements.

Effect - Without controls over procedures that will detect or prevent misstatements when entering transactions or making adjustments to the financial statements and reconciling significant accounts to supporting documentation, the financial statements may be misstated.

Recommendation - We recommend that management implement controls necessary to achieve accurate financial reporting, including reconciling significant accounts monthly.

District's Response - The District feels that we have reached milestones regarding audit compliance and Skyward reporting procedures. We feel this will improve each year and as we complete another audit we have already started conversations about the next audit on areas for the district to improve on.

2025-002 - Financial Statement Presentation and Disclosures (Material Weakness)

Criteria - Controls should be in place to prepare financial statements in accordance with generally accepted accounting principles (GAAP).

Condition - The District internal control over financial reporting does not end at the general ledger, but extends to the financial statements and related notes. As part of our professional services for the year ended June 30, 2025, Wipfli assisted in drafting the financial statements and related notes. While the District does have an internal control process to review the financial statements prepared by the auditors, the District does not have sufficient expertise to completely prepare its own financial statements and related notes and relies on the auditors to provide necessary understanding of current accounting and disclosure principles in the preparation of the financial statements and related notes.

Cause - The District does not expect, nor does it require, its financial staff to have the ability to prepare GAAP financial statements.

Effect - The completeness of the related note disclosures and the accuracy of the overall financial presentation is negatively impacted as outside auditors do not have the same comprehensive understanding of the District and its staff. The potential exists that a misstatement of the financial statements and related notes could occur and not be prevented or detected by the District.

Recommendation - We recommend that management and those charged with governance continue to evaluate whether to accept the degree of risk associated with this condition because of cost or other considerations.

Independent School District No. 709

Schedule of Findings and Responses (continued)

For the Year Ended June 30, 2025

District's Response - The District will continue to rely upon the auditors to prepare the financial statements and related notes. Management will review and approve the annual financial statements and related notes.

Section III - Federal Findings:

None.

Section IV - Minnesota Legal Compliance Findings:

None.

Preliminary Draft - Subject to Change

Independent School District No. 709

Schedule of Prior Year Findings and Responses

For the Year Ended June 30, 2025

Prior Year Findings:

Section II – Financial Statement Findings:

Finding 2024-001 - Audit adjustments/Reconciliation of Significant Accounts – Repeated as finding 2025-001

Finding 2024-002 - Financial Statement Presentation and Disclosures – Repeated as finding 2025-002.

Section III - Federal Findings:

None.

Section IV - Minnesota Legal Compliance Findings:

None.

Preliminary Draft - Subject to Change