Financial Statements
June 30, 2026

Independent School District No. 22
Detroit Lakes Public Schools

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Detroit Lakes Public Schools
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Independent School District No. 22
Detroit Lakes Public Schools
School Board and Administration
June 30, 2026

Name	Position	Term Expires
School Board		
John Steffl	Chairperson	2028
Mary Rotter	Vice Chairperson	2026
Julie Smith-Yliniemi	Clerk	2028
Michelle Okeson	Treasurer	2026
Michael Walther	Director	2028
Sanford Nelson	Director	2026
Administration		
Mark Jenson	Superintendent	
Jason Kuehn	Director of Finance and Operations	

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Independent Auditor's Report

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 22, Detroit Lakes Public Schools ("the District"), as of and for the year ended June 30, 2026, 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 accompanying 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. 22, Detroit Lakes Public Schools, as of June 30, 2026, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. 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.

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Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 GAAS 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.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – general fund, schedule of changes in the District's total OPEB liability and related ratios, schedule of employer's share of net pension liability, and schedule of employer's contributions 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of changes in UFARS fund balances - general fund; combining balance sheet - nonmajor governmental funds; combining schedule of revenues, expenditures and changes in fund balance - nonmajor governmental funds; uniform financial accounting and reporting standards compliance table 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 GAAS. In our opinion, the schedule of changes in UFARS fund balances - general fund; combining balance sheet - nonmajor governmental funds; combining schedule of revenues, expenditures and changes in fund balance - nonmajor governmental funds; and uniform financial accounting and reporting standards 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 included in the annual report. The other information comprises the school board and administration listing 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.

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In connection with our audit of the 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 REPORT DATE, 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, 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated REPORT DATE, on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Fargo, North Dakota
REPORT DATE

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The purpose of management's discussion and analysis (MD&A) is to help District residents and other readers understand what the financial statements and notes in this financial report say about the District's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the District's finances.

If you have questions about this report or require further information, contact the Business Office, Independent School District No. 22, Detroit Lakes, Minnesota.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's financial report contains basic financial statements. Those financial statements present the District's finances at both an overall and a detailed level. The first two—the government-wide financial statements—cover the District's governmental activities. See the diagram in Figure A-1.

Governmental activities comprise the District's most basic functions, such as regular and special education, transportation, administration, food service, and community education. Property taxes and state aids finance most of these activities.

The remaining basic financial statements present the District's finances in greater detail and present fiduciary activities. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The District reports two types of funds.

Governmental fund financial statements report all of the governmental activities. In addition to the District's main operating fund—the general fund—those financial statements report two special revenue funds to track the District's food service and community service operations, and a debt service fund to record the repayment of outstanding bonds.

Fiduciary fund financial statements report resources for which the District acts as a trustee or custodian. The resources in those funds do not belong to the District and cannot be used to provide services, which is why they are not included in the government-wide financial statements.

The next section of this financial report contains notes to financial statements, which delve deeper into the District's finances as reported in the financial statements. The information in the notes is as important to understanding the District's finances as the information in the financial statements. The District uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

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Types of Information in the Financial Statements

All of the District's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting. In other words, they comprehensively report all types of financial statement elements:

- Assets—resources the District controls, from short-term assets like cash to long-term assets like buildings and equipment
- Liabilities—amounts the District owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions.
- Deferred outflows of resources and deferred inflows of resources—flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- Revenues and expenses—inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on the construction of a District building.

	Financial Statements		
	Government-Wide	Fiduciary Funds	Governmental Funds
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short-term and long-term		Only current financial resources, such as cash, taxes receivable, and accounts payable
Types of revenues/additions	All types of revenues that flow into the government during the year that relate to that year, regardless of when cash is received		Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/deductions/ expenditures	All types of expenses that flow out of the government during the year that relate to that year, regardless of when cash is paid		Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the government during the year that relate to a future year		Current financial resources that flow into and out of the governmental funds during the year that relate to a future year

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies.

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FINANCIAL SUMMARY AND ANALYSIS OF THE DISTRICT'S FINANCES

Statement of Net Position
June 30, 2026 and 2025

	2026	2025	Percent Change
Assets			
Current assets	$ 28,598,552	$ 27,082,563	5.6%
Capital assets	75,943,144	77,564,132	-2.1%
Total assets	104,541,696	104,646,695	-0.1%
Deferred Outflows of Resources	4,874,818	6,166,600	-20.9%
Liabilities			
Other liabilities	2,102,104	1,970,205	6.7%
Long-term liabilities	70,855,967	77,305,205	-8.3%
Total liabilities	72,958,071	79,275,410	-8.0%
Deferred Inflows of Resources	18,491,005	18,085,164	2.2%
Net Position			
Net investment in capital assets	29,673,213	28,080,399	5.7%
Restricted for specific purposes	5,934,804	5,300,225	12.0%
Unrestricted	(17,640,579)	(19,927,903)	-11.5%
Total net position	$ 17,967,438	$ 13,452,721	33.6%

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As of June 30, 2026, the District's total net position—assets and deferred outflows minus liabilities and deferred inflows—was approximately $18.0 million, an increase of $4.5 million or 33.6 percent compared with 2025. This increase was the result of the financial performance of the governmental activities. The following section of MD&A analyzes the finances of the governmental activities.

Governmental Activities

The following table shows that revenues exceeded expenses in the current year, resulting in an increase in net position. Various events contributed to this increase in net position; however, the primary factors affecting the change in net position are as follows:

- An increase in property taxes due to increased debt service collections from a voter-approved referendum.
- A decrease in regular instruction and instructional support services expenses due to the shifting of health insurance costs to employees rather than the District bearing the full cost of increasing rates, as well as planned staffing reductions.

Statement of Activities
Years Ended June 30, 2026 and 2025

	2026	2025	Percent Change
Revenues			
Program revenues			
Charges for service	$ 1,992,644	$ 1,884,249	5.8%
Operating grants and contributions	712,452	699,437	1.9%
General			
Property taxes	9,764,191	9,335,305	4.6%
Aids and payments from state and other	39,214,618	39,256,375	-0.1%
Miscellaneous revenues	1,544,509	1,817,261	-15.0%
Total revenues	53,228,414	52,992,627	0.4%
Expenses			
Administration	2,287,645	2,422,144	-5.6%
District support services	1,489,283	1,497,662	-0.6%
Regular instruction	15,718,623	16,902,289	-7.0%
Vocational instruction	1,416,851	1,268,956	11.7%
Special education instruction	8,288,250	8,574,687	-3.3%
Community education and services	1,361,634	1,328,542	2.5%
Instructional support services	1,737,450	2,152,747	-19.3%
Pupil support services	7,994,205	7,693,303	3.9%
Sites and buildings	6,752,167	6,407,648	5.4%
Fiscal and other fixed-cost programs	1,667,589	1,779,722	-6.3%
Total expenses	48,713,697	50,027,700	-2.6%
Change in Net Position	4,514,717	2,964,927	52.3%
Net Position - Beginning	13,452,721	10,487,794	28.3%
Net Position - Ending	$ 17,967,438	$ 13,452,721	33.6%

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Governmental Funds

The District reports two major funds individually in the governmental fund financial statements. Those funds are the general fund and the debt service fund. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds. However, certain factors that are relevant to the District's current financial health are more apparent in the fund financial statements than in the government-wide financial statements.

	General Fund		Debt Service Fund	
	2026	2025	2026	2025
Total Revenues	$ 44,065,143	$ 44,407,382	$ 4,756,992	$ 4,759,387
Total Expenditures	44,107,163	44,806,009	4,709,755	4,706,458
Excess (Deficiency) of Revenues over (under) Expenditures	(42,020)	(398,627)	47,237	52,929
Other Financing Sources				
Sale of property	491,054	11,645	-	-
Leases (as lessee)	606,072	126,695	-	-
Total other financing sources	1,097,126	138,340	-	-
Net Change in Fund Balance	1,055,106	(260,287)	47,237	52,929
Fund Balance, Beginning of Year	13,330,221	13,590,508	896,425	843,496
Fund Balance, End of Year	$ 14,385,327	$ 13,330,221	$ 943,662	$ 896,425

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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, buildings and grounds, and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2026	2025		
Local Property Taxes	$ 4,982,473	$ 4,585,694	$ 396,779	8.7%
Other Local Sources	2,155,554	2,808,131	(652,577)	-23.2%
State Sources	35,441,248	34,987,699	453,549	1.3%
Federal Sources	1,391,794	1,926,088	(534,294)	-27.7%
Miscellaneous	94,074	99,770	(5,696)	-5.7%
Total general fund revenues	$ 44,065,143	$ 44,407,382	$ (342,239)	-0.8%

Total General Fund revenue decreased by $342,239 or 0.8% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. Federal sources decreased from previous years as a result of spending and reimbursement of the remaining COVID-19 pandemic relief funding in the prior year. Other local sources decreased due to a one time settlement of insurance proceeds received in the prior year.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2026	2025		
Salaries and Benefits	$ 32,936,658	$ 33,826,189	$ (889,531)	-2.6%
Purchased Services	7,425,640	7,157,899	267,741	3.7%
Supplies and Materials	1,677,446	1,832,857	(155,411)	-8.5%
Capital Expenditures	1,364,343	1,240,646	123,697	10.0%
Other Expenditures	703,076	748,418	(45,342)	-6.1%
Total general fund expenditures	$ 44,107,163	$ 44,806,009	$ (698,846)	-1.6%

Total General Fund expenditures decreased by $698,846 or 1.6% from the previous year. The majority of the decrease in expenditures was the result of shifting the cost of health insurance to employees rather than the District bearing the full cost of increasing rates, as well as planned staffing reductions.

Debt Service Fund

The District's inflows from property taxes may be used only to repay outstanding general obligation bonds. The increase in inflows from property taxes mentioned earlier were sufficient to cover debt service fund expenditures for principal and interest. The overall revenues were $4,756,992 while the overall expenditures were $4,709,755, which increased the fund balance by $47,237.

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CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Assets

By the end of fiscal year 2026, the District had invested approximately $109.3 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and school vehicles. Total depreciation/amortization expense for the year was $3,098,694. Note 4 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
June 30, 2026 and 2025

	2026	2025
Land	$ 720,909	$ 720,909
Construction in Progress	244,308	234,663
Buildings and Improvements	95,255,780	95,184,724
Land Improvements	4,810,406	4,810,406
Equipment	6,424,036	6,052,758
Lease Assets	1,823,403	2,185,169
Accumulated Depreciation/Amortization	(33,335,698)	(31,624,497)
Total capital assets	$ 75,943,144	$ 77,564,132

Significant capital asset activity during the current year included computer equipment, athletic facilities upgrades, building improvements, and office furniture.

Long-Term Liabilities

At year end the District had $50,874,789 of long-term debt, excluding pension and OPEB liabilities. This consisted of bonded indebtedness of $42,835,000, unamortized bond premiums of $2,040,325, leases payable of $1,394,606, and compensated absences of $4,604,858. Note 6 presents the detail of the District's long-term debt. Note 5 presents the details of the District's leases. The District has $1,020,841 in liabilities for other postemployment benefits. See Note 7 for further information on OPEB obligations. The District has $18,960,337 in net pension liability at June 30, 2026. See Note 8 for further information on pensions.

CURRENTLY KNOWN FACTS, DECISIONS, AND CONDITIONS

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The state did allocate additional resources to school districts at a much greater level in the next two years than has been seen for quite some time. However, with the continuing uncertainty of funding sustainability, the District will continue to monitor its spending to remain fiscally responsible.

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Independent School District No. 22
Detroit Lakes Public Schools
Statement of Net Position
June 30, 2026

Assets	
Cash and investments	$ 18,918,532
Receivables	
Current property taxes	4,988,347
Delinquent property taxes	50,747
Accounts	202,563
Due from other governmental units	4,343,319
Inventories	95,044
	28,598,552
Capital assets	
Capital assets not being depreciated	
Land	720,909
Construction in progress	244,308
Capital assets, net of accumulated depreciation/amortization	
Buildings and improvements	69,048,209
Land improvements	2,406,454
Equipment	2,202,552
Lease assets	
Buildings	1,011,945
Equipment	308,767
Total capital assets	75,943,144
Total assets	104,541,696
Deferred Outflows of Resources	
Other postemployment benefits	189,813
Pension plans	4,685,005
Total deferred outflows of resources	4,874,818
Liabilities	
Accounts payable	577,370
Due to other governmental units	55,881
Salaries payable	810,700
Accrued interest payable	634,013
Construction contracts payable	5,667
Unearned revenue	18,473
Long-term liabilities	
Due within one year - other than pensions and OPEB	6,066,273
Due in more than one year - other than pensions and OPEB	44,808,516
Due in more than one year - other postemployment benefits	1,020,841
Due in more than one year - net pension liability	18,960,337
Total liabilities	72,958,071
Deferred Inflows of Resources	
Property taxes levied for subsequent year	9,751,938
Other postemployment benefits	698,255
Pension plans	8,040,812
Total deferred inflows of resources	18,491,005
Net Position	
Net investment in capital assets	29,673,213
Restricted for specific purposes	5,934,804
Unrestricted	(17,640,579)
Total net position	$ 17,967,438

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Independent School District No. 22
Detroit Lakes Public Schools
Statement of Activities
Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities					
Administration	$ 2,287,645	$ -	$ -	$ -	$ (2,287,645)
District support services	1,489,283	6,339	-	-	(1,482,944)
Regular instruction	15,718,623	796,674	-	-	(14,921,949)
Vocational instruction	1,416,851	68,597	-	-	(1,348,254)
Special education instruction	8,288,250	278,567	-	-	(8,009,683)
Community education and services	1,361,634	453,084	583,611	-	(324,939)
Instructional support services	1,737,450	-	-	-	(1,737,450)
Pupil support services	7,994,205	389,383	26,454	-	(7,578,368)
Sites and buildings	6,752,167	-	102,387	-	(6,649,780)
Fiscal and other fixed-cost programs	1,667,589	-	-	-	(1,667,589)
Total governmental activities	$ 48,713,697	$ 1,992,644	$ 712,452	$ -	(46,008,601)
General Revenues					
Property taxes, levied for general purposes					5,002,146
Property taxes, levied for community education and services					254,347
Property taxes, levied for debt service					4,507,698
Aids and payments from state sources					36,531,738
Aids and payments from federal sources					2,596,454
County apportionment					86,426
Unrestricted investment earnings					672,976
Proceeds on disposal of property and equipment					491,054
Miscellaneous revenues					380,479
Total general revenues					50,523,318
Change in Net Position					4,514,717
Net Position - Beginning					13,452,721
Net Position - Ending					$ 17,967,438

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Independent School District No. 22
Detroit Lakes Public Schools
Governmental Funds
Balance Sheet
June 30, 2026

	General	Debt Service	Other Governmental Funds	Totals
Assets				
Cash and investments	$ 13,554,945	$ 3,361,767	$ 2,001,820	$ 18,918,532
Receivables				
Current property taxes	2,383,907	2,510,598	93,842	4,988,347
Delinquent property taxes	25,265	24,181	1,301	50,747
Accounts	187,901	-	14,662	202,563
Due from other governmental units	4,159,364	24,931	159,024	4,343,319
Inventories	19,692	-	75,352	95,044
Total assets	$ 20,331,074	$ 5,921,477	$ 2,346,001	$ 28,598,552
Liabilities				
Accounts payable	$ 510,010	$ -	$ 67,360	$ 577,370
Due to other governmental units	55,881	-	-	55,881
Salaries payable	772,076	-	38,624	810,700
Construction contracts payable	5,667	-	-	5,667
Unearned revenue	18,473	-	-	18,473
Total liabilities	1,362,107	-	105,984	1,468,091
Deferred Inflows of Resources				
Unavailable revenue-property taxes	25,265	24,181	1,301	50,747
Property taxes levied for subsequent year	4,558,375	4,953,634	239,929	9,751,938
Total deferred inflows of resources	4,583,640	4,977,815	241,230	9,802,685
Fund Balance				
Nonspendable	19,692	-	75,352	95,044
Restricted	3,676,238	943,662	1,923,435	6,543,335
Committed	2,071,414	-	-	2,071,414
Assigned	2,043,694	-	-	2,043,694
Unassigned	6,574,289	-	-	6,574,289
Total fund balance	14,385,327	943,662	1,998,787	17,327,776
Total liabilities, deferred inflows of resources, and fund balance	$ 20,331,074	$ 5,921,477	$ 2,346,001	$ 28,598,552

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Total Fund Balances - Governmental Funds	$ 17,327,776
Amounts Reported for Governmental Activities in The Statement of Net Position is Different Because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported as assets in the governmental funds.	75,943,144
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(634,013)
Delinquent property taxes are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	50,747
Deferred outflows and inflows of resources related to pension and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	(3,864,249)
Long-term liabilities, including bonds payable, leases, direct borrowing payable, bond premiums, compensated absences, other post-employment benefits, and pension liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(70,855,967)
Total Net Position - Governmental Activities	$ 17,967,438

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Independent School District No. 22
Detroit Lakes Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2026

	General	Debt Service	Other Governmental Funds	Totals
Revenues				
Local property tax levies	$ 4,982,473	$ 4,507,698	$ 254,347	$ 9,744,518
Other local and county sources	1,482,578	-	772,780	2,255,358
Investment earnings	672,976	-	-	672,976
State sources	35,441,248	249,294	1,565,207	37,255,749
Federal sources	1,391,794	-	1,220,282	2,612,076
Sales and other conversion of assets	94,074	-	104,058	198,132
Total revenues	44,065,143	4,756,992	3,916,674	52,738,809
Expenditures				
Current				
Administration	2,287,645	-	-	2,287,645
District support services	1,531,267	-	-	1,531,267
Regular instruction	16,828,489	-	-	16,828,489
Vocational instruction	1,393,450	-	-	1,393,450
Special education instruction	8,205,771	-	-	8,205,771
Community education and service	-	-	1,320,539	1,320,539
Instructional support services	1,673,230	-	-	1,673,230
Pupil support services	5,330,112	-	2,407,317	7,737,429
Sites and buildings	4,599,026	-	-	4,599,026
Fiscal and other fixed cost programs	246,839	5,725	-	252,564
Debt service				
Principal	590,202	3,040,000	-	3,630,202
Interest	56,789	1,664,030	-	1,720,819
Capital outlay	1,364,343	-	114,662	1,479,005
Total expenditures	44,107,163	4,709,755	3,842,518	52,659,436
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,020)	47,237	74,156	79,373
Other Financing Sources				
Sale of property	491,054	-	-	491,054
Leases (as lessee)	606,072	-	-	606,072
Total other financing sources	1,097,126	-	-	1,097,126
Net Change in Fund Balance	1,055,106	47,237	74,156	1,176,499
Fund Balance, Beginning of Year	13,330,221	896,425	1,924,631	16,151,277
Fund Balance, End of Year	$ 14,385,327	$ 943,662	$ 1,998,787	$ 17,327,776

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Net Change in Fund Balances - Total Governmental Funds	$	1,176,499
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation/amortization expense.		
Capital outlay		1,479,005
Depreciation/amortization expense		(3,098,694)
The net effect of the disposal of capital assets is to decrease net position.		(1,299)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,449)
In the statement of activities, compensated absences 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.		29,146
In the statement of activities, OPEB liabilities 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.		47,887
In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as an expense.		1,610,487
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		3,273,135
Change in Net Position of Governmental Activities	$	4,514,717

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	Custodial Funds
Assets	
Cash and cash equivalents	$ 13,405
Liabilities	
Accounts payable	3,825
Net Position	
Unrestricted	$ 9,580

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	Custodial Funds
Additions	$ 13,775
Deductions	18,524
Net Change in Net Position	(4,749)
Net Position, Beginning of Year	14,329
Net Position, End of Year	$ 9,580

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Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 22, Detroit Lakes Public Schools, Detroit Lakes, Minnesota ("the District") was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America 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 accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate 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 include 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 burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary fund is reported in the Statement of Fiduciary Net Position at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

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 internally directed revenues are reported as general revenues.

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

The fiduciary fund is presented in the fiduciary fund financial statement. The District has one type of fiduciary fund, the custodial fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, this fund is excluded from the government-wide statements.

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. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, severance, postemployment benefits, and pensions, are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right to use leased assets, are reported as expenditures in the governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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The fiduciary fund financial statement is reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Description of Funds

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

Major Governmental Funds

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects. The District's Student Activity Funds are under board control and are reported in the general fund.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

Nonmajor Governmental Funds

Food Service Fund – The food service fund is used to account for food service revenues and expenditures.

Community Service Fund – The community service fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, extended day programs, or other similar services.

Fiduciary Fund

Custodial Fund – The custodial fund is a fiduciary fund used to administer resources received and held by the District as trustee for others. The custodial fund is used for District events in which the District has no administrative involvement.

E. Other Significant Accounting Policies

Cash and Investments

Cash balances for all district funds are pooled and invested to the extent available in various investment instruments as authorized by state statutes. Earnings from such investments are allocated to each of the funds based on the fund's average monthly cash and cash equivalents balance. Funds that incur a deficit balance in pooled cash and cash equivalents during the year are charged interest.

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Deposits and investments include money market accounts, government securities, deposits, certificates of deposit and monies deposited with the Minnesota School District Liquid Asset Fund (MSDLAF), and are stated at fair value. Fair value is the price that would be received to sell the investment in an orderly transaction at year end.

The District has an approved investment policy in place to ensure compliance with state laws relating to investments, and to guarantee that investments meet certain primary criteria.

Receivables

Amounts are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be fully collected within one year are property taxes receivable.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Inventories

Inventories are recorded using the consumption method of accounting and consist 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 U.S. Department of Agriculture.

Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2026 is recorded as deferred inflows of resources (property taxes levied for subsequent year).

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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 calendar 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 they are collected. A portion of the 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.

Current property taxes receivable is the uncollected portion of the taxes levied in 2025 and collectible in 2026. This levy is offset with a deferred inflow of resources for property taxes levied for a subsequent year. Delinquent taxes receivable includes the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year-end in the fund financial statements.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The District maintains a threshold level of $10,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-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 purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years. Land and construction in progress are not depreciated.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Lease assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Lease assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any indirect costs necessary to place the lease asset into service. Lease assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 15 years.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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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.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the District.

Compensated Absences Payable

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, three types of leave qualify for liability recognition for compensated absences - vacation, sick leave, and personal leave. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation – The District compensates substantially all full-time employees upon termination of employment for unused vacation up to a maximum. As of June 30, 2026, this amount did not exceed a normal year's accumulation. In the fund financial statements, the expenditure for vacation pay is recognized when payment is made, and a liability is recorded only for amounts payable in the current period. In the district-wide statements, vacation expense is recognized as earned and a liability is recorded for all earned vacation pay.

Sick Leave – The District's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the District and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

Personal Leave – The District's policy permits employees to accumulate earned but unused personal leave. All personal leave lapses when employees leave the employ of the District and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of personal leave that will be used by employees as time off is included in the liability for compensated absences.

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Postemployment Benefits Other Than Pensions (OPEB)

Under the provisions of the various employee and union contracts, the District provides certain postemployment benefits other than pensions to eligible retirees. These OPEB obligations are funded on a pay-as-you-go basis. The total OPEB liability, deferred outflows/inflows of resources, and OPEB expense were actuarially determined in accordance with GASB Statement No. 75. Additional information can be found in Note 7.

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 the Teachers Retirement Association (TRA) and additions to/deductions from PERA's 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. This direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger 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. Additional information can be found in Note 8.

Deferred Outflows of Resources

In addition to assets, the statement of financial 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 resources (expense/ expenditure) until then.

The District has two items that qualify for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to other postemployment benefits consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenditures in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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.

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The District has three types of items that qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide statement of net position and the governmental funds balance sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows related to pension and OPEB plans as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

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

Sometimes the District will fund outlays for a particular purpose from 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 District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

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- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board. A committed fund balance cannot be a negative number.

- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. An appropriation of an existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. The board also delegates the power to assign fund balances to the following: the Finance Committee. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board. An assigned fund balance cannot be a negative number.

- Unassigned fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): unassigned, assigned, committed, restricted. The School District will strive to maintain an Unassigned General Fund Balance in the range of 15% to 25% of the annual Statutory Operating Debt (SOD) expenditures calculated by Minnesota Department of Education.

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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; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2026.

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. Actual results could differ from those estimates.

Adoption of New Accounting Standard

As of July 1, 2025, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. This Statement enhances the clarity and consistency of financial reporting requirements related to the following areas: 1) Management's discussion and analysis 2) Proprietary fund reporting 3) Unusual or infrequent items and 4) Budgetary comparison schedules. The District has incorporated all required presentation and disclosure changes resulting from the adoption of GASB Statement No. 103 into the accompanying financial statements and required supplementary information.

As of July 1, 2025, the District adopted GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The implementation of this standard establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures and establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. There was not a significant effect on the District's financial statements as a result of the implementation of this standard.

Note 2 - Deposits and Investments

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

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Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At June 30, 2026, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

Concentration of Credit Risk – The District maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank for each account ownership category. At June 30, 2026, the District had approximately $720,000 in excess of FDIC insured limits that were appropriately collateralized.

Investments

The following are considered the most significant risks associated with investments:

Credit Risk - Investments – Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

Custodial Credit Risk - Investments – The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Interest Rate Risk - Investments – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following table presents the District's investments held at fair value:

Type	Level 1	Level 2	Level 3
Government securities	$ 5,688,967	$ -	$ -

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The following table presents the District's deposit and investment balances at June 30, 2026:

Type	Fair Value	Investment Maturities (in Years) N/A	< 1	1 - 5
Cash and Cash Equivalents				
Minnesota School				
District Liquid Asset Fund	$ 8,258,381	$ 8,258,381	$ -	$ -
Deposits	1,785,671	1,785,671	-	-
Money market	373,199	373,199	-	-
Certificates of deposit	2,825,719	-	2,825,719	-
Investments				
Government securities	5,688,967	-	894,681	4,794,286
	$ 18,931,937	$ 10,417,251	$ 3,720,400	$ 4,794,286

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

Deposits and investments are included on the basic financial statements as follows:

Cash and Investments - Statement of Net Position	$ 18,918,532
Cash and Cash Equivalents - Fiduciary Fund	13,405
	$ 18,931,937

Note 3 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2026, include:

Fund	Federal	State	Total
Major Funds			
General	$ 286,209	$ 3,873,155	$ 4,159,364
Debt service	-	24,931	24,931
Non-major Funds	106,050	52,974	159,024
	$ 392,259	$ 3,951,060	$ 4,343,319

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Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2026 is as follows:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
Capital Assets Not Being Depreciated/Amortized				
Land	$ 720,909	$ -	$ -	$ 720,909
Construction in progress	234,663	273,787	264,142	244,308
Total capital assets, not being depreciated/amortized	955,572	273,787	264,142	965,217
Capital Assets Being Depreciated/Amortized				
Buildings and improvements	95,184,724	321,616	250,560	95,255,780
Equipment	6,052,758	541,671	170,393	6,424,036
Land improvements	4,810,406	-	-	4,810,406
Lease assets				
Buildings	1,888,159	238,484	676,937	1,449,706
Equipment	297,010	367,589	290,902	373,697
Total capital assets being depreciated/amortized	108,233,057	1,469,360	1,388,792	108,313,625
Less Accumulated Depreciation/Amortization for				
Buildings and improvements	24,530,815	1,927,316	250,560	26,207,571
Equipment	3,756,447	634,131	169,094	4,221,484
Land improvements	2,187,707	216,245	-	2,403,952
Lease assets				
Buildings	856,184	258,514	676,937	437,761
Equipment	293,344	62,488	290,902	64,930
Total accumulated depreciation/amortization	31,624,497	3,098,694	1,387,493	33,335,698
Net capital assets, depreciated/amortized	76,608,560	(1,629,334)	1,299	74,977,927
Total capital assets, net	$ 77,564,132	$ (1,355,547)	$ 265,441	$ 75,943,144

Depreciation/amortization expense for the year ended June 30, 2026 was charged to the following functions/programs:

District support services	$ 2,245
Regular instruction	44,362
Instructional support services	90,398
Pupil support services	96,178
Sites and buildings	2,865,511
Total depreciation/amortization expense	$ 3,098,694

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Note 5 - Leases Payable

The District has entered into lease agreements as lessee for the acquisition and use of various athletic facilities, classroom and kitchen space, and technology equipment. The lease liability was valued using discount rates between 3.5% and 3.75% based on the District's incremental borrowing rate at the inception of the leases. The District is required to make principal and interest payments through June 2036. As of June 30, 2026, the value of the lease liabilities was $1,394,606. The total amount of lease assets and the related accumulated amortization on lease assets was $1,823,403 and $502,691, respectively, as of June 30, 2026.

The future principal and interest lease payments as of June 30, 2026, are as follows:

Years Ending June 30,	Principal	Interest
2027	$ 194,251	$ 48,322
2028	193,185	41,139
2029	191,562	34,177
2030	174,634	27,105
2031	112,830	21,626
2032-2036	528,144	51,857
	$ 1,394,606	$ 224,226

Note 6 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2026 are as follows:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026	Due Within One Year
Bonds payable	$ 45,875,000	$ -	$ 3,040,000	$ 42,835,000	$ 3,205,000
Unamortized bond premium	2,229,997	-	189,672	2,040,325	189,672
Direct borrowings	274,755	-	274,755	-	-
Leases	1,103,981	606,072	315,447	1,394,606	194,251
Compensated absences*	4,634,004	-	29,146	4,604,858	2,477,350
	$ 54,117,737	$ 606,072	$ 3,849,020	$ 50,874,789	$ 6,066,273

*Change in compensated absences is presented as the net change for the year.

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Bonds Payable

Following is a summary of bonds payable as of June 30, 2026:

Bond Description	Final Maturity	Interest Rate	Original Principal	Outstanding Balance
General Obligation Abatement Bonds, Series 2018A	2033	3.00%	$ 4,725,000	$ 2,605,000
General Obligation School Building Bonds, Series 2019A	2039	3.00-4.00%	47,445,000	36,030,000
General Obligation Facilities Maintenance Bonds, Series 2020A	2035	2.00-4.00%	3,940,000	3,075,000
General Obligation School Building Bonds, Series 2022A	2028	5.00%	2,435,000	1,125,000
				$ 42,835,000

The bonds are general obligations of the District for which the full faith and credit and unlimited taxing powers of the district are pledged. Bond principal and interest payments are made by the debt service fund.

Direct Borrowings

During a prior year, the District entered into a direct borrowing agreement to finance upgrades to technology infrastructure. The agreement bears an interest rate of 0%. Final payment was made during the year ended June 30, 2026. Payments were made from the general fund.

Leases Payable

Leases payable consists of long-term lease agreements as described in Note 5. Payments are made from the general fund.

Compensated Absences

Compensated absences consists of estimated future use of sick and personal leave and accumulated vacation leave as discussed in Note 1. These expenditures are paid out of the general fund.

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Remaining principal and interest payments on bonds payable are as follows:

Years Ending June 30,	Bonds Payable Principal	Interest
2027	$ 3,205,000	$ 1,521,631
2028	3,350,000	1,371,281
2029	2,905,000	1,220,381
2030	3,005,000	1,114,381
2031	3,115,000	1,004,581
2032-2036	16,755,000	3,452,956
2037-2040	10,500,000	730,069
	$ 42,835,000	$ 10,415,280

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Note 7 - Other Post-Employment Benefits

A. Plan Description

The Independent School District No. 22 other post-employment benefits plan is a defined benefit OPEB plan that provides a single employer defined benefit health care plan to eligible retirees. This plan covers active and retired employees who have reached age 55 with at least 3 years of service. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. Medical coverage is administered by Gravie. The plan does not issue a publicly available financial report. No assets are accumulated in a trust.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of $639 for single and $1,707 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment medical, dental, or life insurance benefits.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2025, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	6
Inactive Employees Entitled to but Not yet Receiving Benefit Payments	-
Active Employees	335
	341

D. Total OPEB Liability

The District's total OPEB liability of $1,020,841 was measured as of July 1, 2025, and was determined by an actuarial valuation of July 1, 2025.

E. Actuarial Assumptions

The total OPEB liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary Increases	Service graded table
Discount Rate	4.90 percent
Healthcare Cost Trend Rates	6.50 percent, grading to 5.00 percent over 6 years, then to 4.00 percent over the next 48 years
Retiree Plan Participation	
Pre-65 subsidy available	N/A
Pre-65 subsidy not available	40%
Percent of Married Retirees Electing Spouse Coverage	
Spouse subsidy available	N/A
Spouse subsidy not available	15%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on Pub-2016 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2025, valuation were based on inputs from a variety of published sources of historical and projected future financial data. The rates for teachers, principals and the superintendent are based on the Teacher Retirement Association of Minnesota actuarial experience study for the period July 1, 2014 through June 30, 2018 and a study of economic assumptions dated November 2017. The rates for other employees are based on the Public Employees Retirement Association of Minnesota most recent six-year experience study for the General Employees Plan completed in 2023 and a review of the inflation assumption.

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Since the previous valuation dated July 1, 2023, the following changes have been made:

- The health care trend rates were changed to better anticipate short and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale to the Pub-2016 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The discount rate was changed from 4.10% to 4.90%.

F. Changes in the Total OPEB Liability

Balance at June 30, 2025	$ 1,526,430
Changes from the Prior Year	
Service cost	94,353
Interest cost	63,095
Assumption changes	(31,785)
Difference between expected and actual experience	(465,814)
Benefit payments	(165,438)
Total Net Changes	(505,589)
Balance at June 30, 2026	$ 1,020,841

The measurement date of the OPEB liability was July 1, 2025; the date of the actuarial valuation on which the total OPEB liability is based was July 1, 2025.

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and 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 a discount rate of one percentage point lower and one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	3.90%	4.90%	5.90%
Total OPEB Liability	$ 1,089,091	$ 1,020,841	$ 955,790

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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 healthcare cost trend of one percentage point lower and one percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical Trend Rate	5.50%, decreasing to 4.00% over 6 years then to 3.00% over the next 48 years	6.50%, decreasing to 5.00% over 6 years then to 4.00% over the next 48 years	7.50%, decreasing to 6.00% over 6 years then to 5.00% over the next 48 years
Total OPEB Liability	$ 916,453	$ 1,020,841	$ 1,143,450

H. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2026, the District recognized OPEB expense of $10,735. At June 30, 2026, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses/gains	$ 108,888	$ 473,283
Assumption changes	22,303	224,972
Employer contributions made after the measurement date	58,622	-
	$ 189,813	$ 698,255

The $58,622 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Years Ended June 30,	(Reduction of) OPEB Expense
2027	$ (119,563)
2028	(126,358)
2029	(97,104)
2030	(79,828)
2031	(73,128)
2032	(71,083)

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Note 8 - Defined Benefit Pension Plans

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), both of which are administered on a state-wide basis.

For the year ended June 30, 2026, the District reported its proportionate share of deferred outflows of resources, net pension liabilities, deferred inflows of resources, and pension expense for each of the plans as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense
PERA	$ 792,814	$ 2,344,296	$ 1,665,046	$ (150,845)
TRA	3,892,191	16,616,041	6,375,766	1,058,813
Total all plans	$ 4,685,005	$ 18,960,337	$ 8,040,812	$ 907,968

Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

A. Plan Descriptions

The District participates in the General Employees Retirement Plan, a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). 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.

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.

B. 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.

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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. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% 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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

C. Contribution Rate

Minnesota Statutes Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2026 and the District was required to contribute 7.50 percent for General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2026, were $481,016. The District's contributions were equal to the required contributions as set by state statute.

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D. Pension Costs

At June 30, 2026, the District reported a liability of $2,344,296 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 $56,552.

District's proportionate share of net pension liability	$ 2,344,296
State of Minnesota's proportionate share of the net pension liability associated with the District	56,552
Total	$ 2,400,848

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0707 percent at the end of the measurement period and 0.0744 percent for the beginning of the period.

For the year ended June 30, 2026, the District recognized a reduction of pension expense of $150,845 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $8,674 as a reduction of pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At June 30, 2026 the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 223,360	$ -
Changes in actuarial assumptions	56,484	539,414
Net collective difference between projected and actual Investment earnings	-	932,818
Change in proportion	31,954	192,814
Contributions paid to PERA subsequent to the measurement date	481,016	-
Total	$ 792,814	$ 1,665,046

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The $481,016 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 ended June 30, 2027. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	(Reduction of) Pension Expense
2027	$ (333,432)
2028	(478,593)
2029	(374,587)
2030	(166,636)

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E. Long-Term Expected Return on Investment

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 Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income and Cash	25.0%	0.75%
Total	**100.0%**	

F. Actuarial Methods and Assumptions

The total pension liability for the cost-sharing defined benefit plan was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7 percent. The 7 percent 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 percent 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 1.50 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5 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. The table is adjusted slightly to fit PERA's experience.

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 2025:

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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H. Pension Liability Sensitivity

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

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	General Employees Fund	
1% Lower	6.00%	$ 5,693,927
Current Discount Rate	7.00%	$ 2,344,296
1% Higher	8.00%	$ (373,009)

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I. Pension Plan Fiduciary Net Position

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

Teachers Retirement Association (TRA)

A. Plan Descriptions

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

B. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

a.) Normal retirement age is 65 with less than 30 years of allowable service and age 60 with 30 or more years of allowable service.
b.) 3 percent per year early retirement reduction factor for all years under normal retirement age.
c.) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for coordinated members and 2.7% per year for Basic members applies. An early retirement reduction is applied to members retiring prior to age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

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 65 effective July 1, 2024. An early retirement reduction is applied to members retiring before age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

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Six different types of annuities are available to members upon retirement. The No Refund Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest. The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2026 for coordinated were 8.00% for the employee and 9.81% for the employer. Basic rates were 11.50% for the employee and 13.81% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2026, were $1,932,229. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Actuarial Assumptions

The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Experience Study	August 2, 2023 (demographic and economic assumptions)*
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually

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Key Methods and Assumptions Used in Valuation of Total Pension Liability, continued	
Mortality Assumptions	
Pre-retirement	PubT-2010 (A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy Retirees	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Pub-2010(A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled Retires	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

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*The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	4.36%
International Equity	16.5%	5.28%
Private Markets	20.0%	6.70%
Fixed Income	25.0%	2.03%
Cash	5.0%	2.92%
	100.0%	

Changes in actuarial assumptions since the 2024 valuation

- Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

E. Discount Rate

The discount rate used to measure the total pension liability was 7%. 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 year 2025 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Net Pension Liability

On June 30, 2026, the District reported a liability of $16,616,041 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.2899 percent at the end of the measurement period and 0.2976 percent 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	$ 16,616,041
State's proportionate share of the net pension liability associated with the District	1,031,972
Total	$ 17,648,013

For the year ended June 30, 2026, the District recognized pension expense of $1,058,813. It also recognized $25,844 as a decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2025, the State of Minnesota contributed $28,462,000 to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the $28,462,000 in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $82,523 for the year ended June 30, 2026, 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.

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On June 30, 2026, 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 experience	$ 766,224	$ 163,187
Net difference between projected and actual investment Earnings on pension plan investments	-	3,336,406
Changes of actuarial assumptions	938,585	1,757,663
Changes in proportion	255,153	1,118,510
District's contributions to TRA subsequent to the measurement date	1,932,229	-
Total	$ 3,892,191	$ 6,375,766

The $1,932,229 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2027. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	(Reduction of) Pension Expense
2027	$ 837,947
2028	(2,235,000)
2029	(1,860,432)
2030	(1,097,093)
2031	(61,226)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent as well what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

Sensitivity of Net Pension Liability (NPL) to Changes in the Discount Rate

1% decrease (6.00%)	Current (7.00%)	1% increase (8.00%)
$ 31,342,476	$ 16,616,041	$ 4,496,279

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H. Pension Plan Fiduciary Net Position

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

Note 9 - Fund Balance

Certain portions of fund balances are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties.

The following is a summary of fund balances as of June 30, 2026:

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	General	Debt Service	Other Government Funds	Totals
Nonspendable				
Inventories	$ 19,692	$ -	$ 75,352	$ 95,044
Total nonspendable	19,692	-	75,352	95,044
Restricted				
Student activities	275,024	-	-	275,024
Staff development	407,740	-	-	407,740
Operating capital	1,721,129	-	-	1,721,129
Community education	-	-	238,412	238,412
Early childhood and family education	-	-	83,441	83,441
Q Comp	28,457	-	-	28,457
Gifted and talented	67	-	-	67
School readiness	-	-	11,269	11,269
Adult basic education	-	-	150,411	150,411
Safe schools levy	188,963	-	-	188,963
READ Act - Literacy Aid	96,909	-	-	96,909
READ Act - Teacher Training Compensation	100,134	-	-	100,134
Food service	-	-	1,392,250	1,392,250
Community service	-	-	47,652	47,652
Debt service	-	943,662	-	943,662
Student support personnel	28,330	-	-	28,330
Medical assistance	829,485	-	-	829,485
Total restricted	3,676,238	943,662	1,923,435	6,543,335
Committed				
Separation/retirement benefit	2,071,414	-	-	2,071,414
Assigned				
Construction	2,043,694	-	-	2,043,694
Unassigned	6,574,289	-	-	6,574,289
Total fund balance	$ 14,385,327	$ 943,662	$ 1,998,787	$ 17,327,776

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Inventory	$ 95,044	$ -	$ 95,044
Prepaid items	-	-	-
Total nonspendable	95,044	-	95,044
Restricted			
Student activities	275,024	-	275,024
Staff development	407,740	-	407,740
Operating capital	1,721,129	-	1,721,129
Community education	238,412	-	238,412
Early childhood and family education	83,441	-	83,441
Q Comp	28,457	-	28,457
Gifted and talented	67	-	67
School readiness	11,269	-	11,269
Adult basic education	150,411	-	150,411
Safe schools levy	188,963	-	188,963
Literacy Aid	96,909	-	96,909
READ Act - Teacher Training Compensation	100,134	-	100,134
Food service	1,392,250	-	1,392,250
Community service	47,652	-	47,652
Debt service	943,662	-	943,662
Long-term facilities maintenance	-	(229,999)	(229,999)
Student support personnel	28,330	-	28,330
Medical assistance	829,485	-	829,485
Total restricted	6,543,335	(229,999)	6,313,336
Committed			
Separation/retirement benefits	2,071,414	-	2,071,414
Assigned			
Construction	2,043,694	-	2,043,694
Unassigned	6,574,289	229,999	6,804,288
Total fund balance	$ 17,327,776	$ -	$ 17,327,776

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Note 10 - Flexible Benefit Plan

The District has a flexible benefit plan which is classified as a "cafeteria plan" (the Plan) under section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits.

Before the beginning of the Plan year, which is from September 1, thru August 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payment of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made monthly and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependent care are paid by the District to an outside administrator upon an employee submitting a request for reimbursement. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Note 11 - Employee Benefit Plan 403(b)

All teachers are eligible to participate in the matching 403(b) program. The maximum amount of the Elective Deferral under the Plan for any calendar year shall not exceed the lesser of the applicable annual limitation established under the Internal Revenue Code or the participant's includible compensation. Includible Compensation means an Employee's actual wages in box 1 of Form W-2 for a year for services to the employer, but subject to the applicable compensation limitation under Section 401(a)(17) of the Internal Revenue Code and increased (up to the dollar maximum) by a compensation reduction election under Section 125, 132(f), 401(k), 403(b) or 457(b) of the Code). The amount of Includible Compensation is determined without regard to any community property laws. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2026, 2025, and 2024 were $283,348, $279,912, and $280,419, respectively.

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Note 12 - Commitments and Contingencies

Federal and State Revenue

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Construction Commitments

The District had construction commitments during the year ended June 30, 2026 for a water main and building remodeling projects. The total work completed on these projects as of June 30, 2026 was $244,308, which is reported as construction in progress. Payments on these projects are made out of the general fund. The projects are expected to be completed in fall 2026, with total estimated costs to completion of approximately $360,000

Litigation and Potential Exposure

In the ordinary course of its operations, the District is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at June 30, 2026, but, in the opinion of management and legal counsel, the ultimate disposition of any or all of these proceedings will not have a material effect on the District's financial position.

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Required Supplementary Information
June 30, 2026

Independent School District No. 22
Detroit Lakes Public Schools

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	Budgeted Amounts		Variance with Original Budget- over (under)	Actual Amounts Budgetary (and GAAP)	Variance with Final Budget- over (under)
	Original	Final	Final Budget	Basis	Actual
Revenues					
Local property tax levies	$ 4,955,216	$ 4,955,216	$ -	$ 4,982,473	$ 27,257
Other local and county sources	1,468,950	1,193,950	(275,000)	1,482,578	288,628
Investment earnings	800,000	800,000	-	672,976	(127,024)
State sources	35,872,977	36,112,002	239,025	35,441,248	(670,754)
Federal sources	1,727,500	1,458,735	(268,765)	1,391,794	(66,941)
Sales and other conversion of assets	82,000	82,000	-	94,074	12,074
Total revenues	44,906,643	44,601,903	(304,740)	44,065,143	(536,760)
Expenditures					
Current					
Administration	2,416,874	2,388,274	(28,600)	2,287,645	100,629
District support services	1,635,652	1,650,462	14,810	1,531,267	119,195
Regular instruction	18,191,116	17,677,046	(514,070)	16,828,489	848,557
Vocational instruction	1,465,871	1,465,871	-	1,393,450	72,421
Special education instruction	8,612,871	8,512,036	(100,835)	8,205,771	306,265
Instructional support services	1,869,003	1,736,203	(132,800)	1,673,230	62,973
Pupil support services	5,607,671	5,700,981	93,310	5,330,112	370,869
Sites and buildings	4,216,555	4,423,905	207,350	4,599,026	(175,121)
Fiscal and other fixed cost programs	247,500	247,500	-	246,839	661
Debt Service					
Principal	275,000	275,000	-	590,202	(315,202)
Interest	-	-	-	56,789	(56,789)
Capital outlay	682,000	838,500	156,500	1,364,343	(525,843)
Total expenditures	45,220,113	44,915,778	(304,335)	44,107,163	808,615
Deficiency of Revenues Over (Under) Expenditures	(313,470)	(313,875)	(405)	(42,020)	271,855
Other Financing Sources					
Sale of property	-	15,000	15,000	491,054	476,054
Leases (as lessee)	-	-	-	606,072	606,072
Total other financing sources	-	15,000	15,000	1,097,126	1,082,126
Net Change in Fund Balance	$ (313,470)	$ (298,875)	$ 14,595	1,055,106	$ 1,353,981
Fund Balance, Beginning of Year				13,330,221	
Fund Balance, End of Year				$ 14,385,327	

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Note 1 - Budgetary Basis of Accounting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

Note 2 - General Fund Budgetary Highlights

Management has evaluated variances between (1) original and final budget amounts and (2) final budget and actual amounts for the General Fund. A variance is considered significant if it exceeds both 10 percent of the applicable budget category and 2.5 percent of the fund's total budgeted expenditures.

Original Budget Compared to Final Budget

During the year, there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations.

Final Budget Compared to Actual Results

A review of actual expenditures compared to the appropriations in the final budget yields no significant variances.

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Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Service Cost	$ 94,353	$ 121,695	$ 121,336	$ 123,686	$ 150,971	$ 131,982	$ 115,027	$ 116,805	$ 113,403
Interest	63,095	60,638	59,018	34,246	43,221	51,788	62,549	61,834	61,615
Changes of Assumptions	(31,785)	(14,312)	(237,439)	(120,931)	54,289	47,558	(31,050)	-	-
Changes in Plan Provisions	-	-	-	-	-	36,836	(21,274)	-	-
Differences Between Expected and Actual Experience	(465,814)	-	190,554	-	(259,054)	-	(159,030)	-	-
Benefit Payments	(165,438)	(148,039)	(116,496)	(108,652)	(155,468)	(157,992)	(146,527)	(164,966)	(178,919)
Net Change in Total OPEB Liability	(505,589)	19,982	16,973	(71,651)	(166,041)	110,172	(180,305)	13,673	(3,901)
Total OPEB Liability - Beginning	1,526,430	1,506,448	1,489,475	1,561,126	1,727,167	1,616,995	1,797,300	1,783,627	1,787,528
Total OPEB Liability - Ending	$ 1,020,841	$ 1,526,430	$ 1,506,448	$ 1,489,475	$ 1,561,126	$ 1,727,167	$ 1,616,995	$ 1,797,300	$ 1,783,627
Covered Payroll	$ 21,673,361	$ 22,290,938	$ 21,641,687	$ 20,913,084	$ 20,303,965	$ 19,050,262	$ 18,495,400	$ 18,238,706	$ 17,707,482
District's Total OPEB Liability as a Percentage of Covered Payroll	4.71%	6.85%	6.96%	7.12%	7.69%	9.07%	8.74%	9.85%	10.07%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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Notes to the Schedule of Changes in the District's Total OPEB Liability and Related Ratios

2026 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale to the Pub-2016 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The discount rate was changed from 4.10% to 4.90%.

Changes in Plan Provisions

- None

2025 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- None

2024 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- 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 percentage of future retirees not eligible for a subsidy who are assumed to continue on the District's medical plan post-employment was reduced from 50% to 40%.
- The discount rate was changed from 3.80% to 3.90%.

Changes in Plan Provisions

- None

2023 Changes

Changes in Actuarial Assumptions

- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.10% to 3.80%.

Changes in Plan Provisions

- None

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2022 Changes

Changes in Actuarial Assumptions

- Health care trend rates, mortality rates, and withdrawal rates were updated.
- The salary increase rates for non-teachers were updated.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 2.40% to 2.10%.

Changes in Plan Provisions

- None

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.40% to 3.10%.

Changes in Plan Provisions

- Two additional participants have special agreements to receive a lump sum paid to a Health Care Savings Plan (HCSP) upon retirement.

2020 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.40% to 3.10%.

Changes in Plan Provisions

- OPEB benefits for the remaining participants entitled to a lump sum contribution at retirement were changed to instead provide the benefit while still in active service. As a result, these benefits are no longer included in the Net OPEB Liability.

2019 Changes

Changes in Actuarial Assumptions

- None

Changes in Plan Provisions

- None

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Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years

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Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2016	0.0780%	6,333,213	82,695	6,415,908	4,503,492	140.6%	68.9%
PERA	6/30/2017	0.0806%	5,145,451	64,700	5,210,151	4,962,530	103.7%	75.9%
PERA	6/30/2018	0.0779%	4,321,573	141,834	4,463,407	4,906,777	88.1%	79.5%
PERA	6/30/2019	0.0789%	4,362,204	135,494	4,497,698	5,147,242	84.7%	80.2%
PERA	6/30/2020	0.0761%	4,562,543	140,778	4,703,321	5,097,752	89.5%	79.1%
PERA	6/30/2021	0.0750%	3,202,836	97,820	3,300,656	5,071,016	63.2%	87.0%
PERA	6/30/2022	0.0756%	5,987,545	175,500	6,163,045	5,659,120	105.8%	70.5%
PERA	6/30/2023	0.0734%	4,104,446	113,110	4,217,556	5,838,813	70.3%	83.1%
PERA	6/30/2024	0.0744%	2,750,579	71,124	2,821,703	6,253,160	44.0%	89.1%
PERA	6/30/2025	0.0707%	2,344,296	56,552	2,400,848	6,418,547	36.5%	90.8%
TRA	6/30/2016	0.2868%	68,408,643	6,866,720	75,275,363	14,917,907	458.6%	44.9%
TRA	6/30/2017	0.3029%	60,464,335	5,845,239	66,309,574	16,308,080	370.8%	51.6%
TRA	6/30/2018	0.3098%	19,458,340	1,828,135	21,286,475	17,178,227	113.3%	78.1%
TRA	6/30/2019	0.3071%	19,574,618	1,732,412	21,307,030	17,435,383	112.3%	78.2%
TRA	6/30/2020	0.3052%	22,548,585	1,889,770	24,438,355	17,735,833	127.1%	75.5%
TRA	6/30/2021	0.3083%	13,492,130	1,137,904	14,630,034	18,446,888	73.1%	86.6%
TRA	6/30/2022	0.3010%	24,102,488	1,787,292	25,889,780	18,608,537	129.5%	76.2%
TRA	6/30/2023	0.3060%	25,264,045	1,769,522	27,033,567	19,440,830	130.0%	76.4%
TRA	6/30/2024	0.2976%	18,910,459	1,236,961	20,147,420	19,693,817	96.0%	82.1%
TRA	6/30/2025	0.2899%	16,616,041	1,031,972	17,648,013	20,156,217	82.4%	84.5%

Schedule of Employer's Contributions
Last 10 Fiscal Years

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	6/30/2017	372,190	372,190	-	4,962,530	7.5%
PERA	6/30/2018	368,008	368,008	-	4,906,777	7.5%
PERA	6/30/2019	386,043	386,043	-	5,147,242	7.5%
PERA	6/30/2020	382,331	382,331	-	5,097,752	7.5%
PERA	6/30/2021	380,326	380,326	-	5,071,016	7.5%
PERA	6/30/2022	424,434	424,434	-	5,659,120	7.5%
PERA	6/30/2023	437,911	437,911	-	5,838,813	7.5%
PERA	6/30/2024	468,987	468,987	-	6,253,160	7.5%
PERA	6/30/2025	481,391	481,391	-	6,418,547	7.5%
PERA	6/30/2026	481,016	481,016	-	6,413,547	7.5%
TRA	6/30/2017	1,223,106	1,223,106	-	16,308,080	7.5%
TRA	6/30/2018	1,288,367	1,288,367	-	17,178,227	7.5%
TRA	6/30/2019	1,344,268	1,344,268	-	17,435,383	7.7%
TRA	6/30/2020	1,404,678	1,404,678	-	17,735,833	7.9%
TRA	6/30/2021	1,499,732	1,499,732	-	18,446,888	8.1%
TRA	6/30/2022	1,551,952	1,551,952	-	18,608,537	8.3%
TRA	6/30/2023	1,662,191	1,662,191	-	19,440,830	8.6%
TRA	6/30/2024	1,723,209	1,723,209	-	19,693,817	8.8%
TRA	6/30/2025	1,763,669	1,763,669	-	20,156,217	8.8%
TRA	6/30/2026	1,932,229	1,932,229	-	19,696,524	9.8%

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Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

PERA

2025 Changes

Changes in Actuarial Assumptions

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 Changes

Changes in Actuarial Assumptions

The following changes in assumptions are effective with the July 1, 2024, valuation, as recommended in the most recent experience study (dated June 29, 2023):

- 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.

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

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Changes in Plan Provisions

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

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- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

TRA

2025 Changes

Changes in Actuarial Assumptions

- Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

Changes in Plan Provisions

- The 2025 Omnibus Pensions and Retirement Bill (HF 1889/SF 2884) made several changes to benefit provisions
  - Expanded the current special early retirement reductions available at age 62 with at least 30 years of service to ages 60 and 61 with at least 30 years of service.
  - Lowered special early retirement reductions for members who retire after reaching age 60 with 30 years of service from 6% with augmentation to 5% with augmentation.
  - Delayed retired members' eligibility for their first COLA until age 65, including members who retire under special early retirement.
  - Increased employer contribution rates by 0.31% above the previous scheduled increase.

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2024 Changes

Changes in Actuarial Assumptions

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family of tables.
- Retirement rates were increased for some of the tier 2 early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first ten 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.

Changes in Plan Provisions

- The 2024 Omnibus Pensions and Retirement Bill (HF 5040/SF 4643) lowered the normal retirement age for Tier 2 members from 66 to 65 effective July 1, 2024, and provided for a one-time State appropriation of $28.46 million to cover the cost. HF 3100, appropriated $176,166,838 to TRA, payable on October 1, 2023:
  - $28,735,816 for the difference between the statutory 1.1% compounded COLA payable on January 1, 2024, and a one-time 2.5% lump-sum COLA for coordinated plan members;
  - $2,384,222 for the difference between the statutory 1.1% compounded COLA payable on January 1, 2024, and a one-time 4.0% lump-sum COLA for basic plan members; and
  - $145,046,800 to pay down the unfunded actuarial accrued liability.

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50% to 7.00%. This does not affect the GASB valuation which was already using the 7.00% assumption.

Changes in Plan Provisions

- Effective July 1, 2025, the normal retirement age for Tier 2 members will decrease from 66 to 65.
- The employer contribution rate will increase from 8.75% to 9.50% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8.00% on July 1, 2025.

2022 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50 percent to 7.00 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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2020 Changes

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was raised from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Augmentation in the early retirement reduction factors is phased out.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

PERA's Annual Comprehensive Financial Report may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at https://minnesotatra.org.

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Combining and Individual Fund Schedules
June 30, 2026

Independent School District No. 22
Detroit Lakes Public Schools

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Independent School District No. 22
Detroit Lakes Public Schools
General Fund
Schedule of Changes in UFARS Fund Balances
Year Ended June 30, 2026

	Fund Balance (Deficit), Beginning of Year	Net Change in Fund Balance (Deficit)	Fund Balance (Deficit), End of Year
Nonspendable	$ 36,140	$ (16,448)	$ 19,692
Restricted for Student Activities	249,026	25,998	275,024
Restricted for Staff Development	315,559	92,181	407,740
Restricted for Operating Capital	1,455,024	266,105	1,721,129
Restricted for Q Comp	18,538	9,919	28,457
Restricted for Gifted and Talented	973	(906)	67
Restricted for Safe Schools Levy	189,163	(200)	188,963
Restricted for Literacy Aid	110,875	(13,966)	96,909
Restricted for READ Act - Teacher Training Compensation	100,860	(726)	100,134
Restricted for Long Term Facilities Maintenance	(512,971)	282,972	(229,999)
Restricted for Student Support Personnel	-	28,330	28,330
Restricted for Medical Assistance	775,695	53,790	829,485
Committed for Separation/Retirement Benefits	2,169,414	(98,000)	2,071,414
Assigned for Construction	1,552,640	491,054	2,043,694
Unassigned	6,869,285	(64,997)	6,804,288
	$ 13,330,221	$ 1,055,106	$ 14,385,327

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Independent School District No. 22
Detroit Lakes Public Schools
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2026

	Food Service	Community Service	Totals
Assets			
Cash and investments	$ 1,339,236	$ 662,584	$ 2,001,820
Receivables			
Current property taxes	-	93,842	93,842
Delinquent property taxes	-	1,301	1,301
Accounts	13,742	920	14,662
Due from other governmental units	106,315	52,709	159,024
Inventories	75,352	-	75,352
Total assets	$ 1,534,645	$ 811,356	$ 2,346,001
Liabilities			
Accounts payable	$ 57,515	$ 9,845	$ 67,360
Salaries payable	9,528	29,096	38,624
Total liabilities	67,043	38,941	105,984
Deferred Inflows of Resources			
Unavailable revenue-property taxes	-	1,301	1,301
Property taxes levied for subsequent year	-	239,929	239,929
Total deferred inflows of resources	-	241,230	241,230
Fund Balance			
Nonspendable	75,352	-	75,352
Restricted	1,392,250	531,185	1,923,435
Total fund balance	1,467,602	531,185	1,998,787
Total liabilities, deferred inflows of resources, and fund balance	$ 1,534,645	$ 811,356	$ 2,346,001

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Independent School District No. 22
Detroit Lakes Public Schools
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2026

	Food Service	Community Service	Totals
Revenues			
Local property tax levies	$ -	$ 254,347	$ 254,347
Other local and county sources	319,696	453,084	772,780
State sources	994,701	570,506	1,565,207
Federal sources	1,206,114	14,168	1,220,282
Sales and other conversion of assets	104,058	-	104,058
Total revenues	2,624,569	1,292,105	3,916,674
Expenditures			
Current			
Community education and service	-	1,320,539	1,320,539
Pupil support services	2,407,317	-	2,407,317
Capital outlay	73,566	41,096	114,662
Total expenditures	2,480,883	1,361,635	3,842,518
Net Change in Fund Balance	143,686	(69,530)	74,156
Fund Balance, Beginning of Year	1,323,916	600,715	1,924,631
Fund Balance, End of Year	$ 1,467,602	$ 531,185	$ 1,998,787

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Other Supplementary Information
June 30, 2026

Independent School District No. 22
Detroit Lakes Public Schools

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Fiscal Compliance Report - 6/30/2026

Help Logoff

District: DETROIT LAKES (22-1)

Back Print

01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$44,065,143	$44,065,141	$2
Total Expenditures	$44,107,163	$44,107,159	$4
Non Spendable:			
4.60 Non Spendable Fund Balance	$19,692	$19,692	$0
Restricted / Reserved:			
4.01 Student Activities	$275,024	$275,024	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$407,740	$407,740	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.12 Literacy Incentive Aid	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.20 American Indian Education Aid	$0	$0	$0
4.24 Operating Capital	$1,721,129	$1,721,129	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.37 Q Comp	$28,457	$28,457	$0
4.38 Gifted & Talented	$67	$67	$0
4.39 English Learner	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.43 School Library Aid	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe Schools Levy	$188,963	$188,963	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.56 READ Act - Literacy Aid	$96,909	$96,909	$0
4.57 READ Act - Tchr Training Compensation	$100,134	$100,134	$0
4.67 LTFM	($229,999)	($229,999)	$0
4.71 Student Support Personnel Aid	$28,330	$28,330	$0
4.72 Medical Assistance	$829,485	$829,485	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$2,071,414	$2,071,414	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$2,043,694	$2,043,694	$0
Unassigned:			
4.22 Unassigned Fund Balance	$6,804,288	$6,804,293	($5)

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$4,756,992	$4,756,992	$0
Total Expenditures	$4,709,755	$4,709,756	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$943,662	$943,661	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

18 CUSTODIAL

	Audit	UFARS	Audit - UFARS
Total Revenue	$13,775	$13,775	$0
Total Expenditures	$18,524	$18,525	($1)
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$9,580	$9,580	$0

20 INTERNAL SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

25 OPEB REVOCABLE TRUST

02 FOOD SERVICES

Total Revenue	$2,624,569	$2,624,568	$1
Total Expenditures	$2,480,883	$2,480,882	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$75,352	$75,352	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$1,392,250	$1,392,249	$1
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$1,292,105	$1,292,105	$0
Total Expenditures	$1,361,635	$1,361,635	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$238,412	$238,412	$0
4.32 E.C.F.E	$83,441	$83,441	$0
4.37 Q Comp	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$11,269	$11,269	$0
4.47 Adult Basic Education	$150,411	$150,411	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.56 READ Act - Literacy Aid	$0	$0	$0
4.57 READ Act - Tchr Training Compensation	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$47,652	$47,651	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Additional Reports
June 30, 2026

Independent School District No. 22
Detroit Lakes Public Schools

DRAFT

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*

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, Minnesota

DRAFT

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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 22, Detroit Lakes Public Schools ("the District"), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated REPORT DATE.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2026-001, 2026-002, and 2026-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and 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 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.

Fargo, North Dakota
REPORT DATE

DRAFT

Independent Auditor's Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, Minnesota

DRAFT

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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 22, Detroit Lakes Public Schools ("the District") as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated REPORT DATE.

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 (UFARS) sections of the Minnesota Legal Compliance Audit Guide for School Districts, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Fargo, North Dakota
REPORT DATE

Section I – Financial Statement Findings

2026-001 Preparation of Financial Statements
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements.

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes.

Cause – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Effect – The disclosures in the financial statements could be incomplete.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – There is no disagreement with the audit finding.

2026-002 Material Journal Entries
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition – During the course of our engagement, we proposed material audit adjustments that were not identified as a result of the District's existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements.

Cause – The District does not have an internal control system designed to identify all necessary adjustments.

Effect – This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

Views of Responsible Officials – There is no disagreement with the audit finding.

DRAFT

2026-003 Segregation of Duties
Material Weakness

Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping and reconciliation functions.

Condition – The District does not have enough staff to adequately separate duties in cash receipts, cash disbursements, payroll and related liabilities, and general ledger maintenance and reconciliation.

Cause – There is a limited amount of office employees involved in the internal control process.

Effect – Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Recommendation – The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the audit finding.

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Section II – Minnesota Legal Compliance Findings

None reported

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