Independent School District No. 316
Coleraine, Minnesota

Basic Financial Statements

June 30, 2026

Independent School District No. 316
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Independent School District No. 316
Board of Education and Administration
June 30, 2026

Board of Education	Position	Term Expires
Bob Schwartz	Chair	2026
Carissa McIlwain	Vice Chair	2028
LaNea Johnson	Treasurer	2028
Doug Cogswell	Director	2028
Bill Hoeft	Director	2026
Gene Storlie	Director	2026

Administration	
David Pace	Superintendent
Miranda Jurgansen	Business Manager

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CP ASSURANCE

Independent Auditor's Report

To the School Board
Independent School District No. 316
Coleraine, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 316, Coleraine, Minnesota, as of and for the year ended June 30, 2026, and the related notes to basic 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 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. 316, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 316 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter
The Independent School District No. 316 has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
The management of Independent School District No. 316 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, which raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter and Required Supplementary Information as listed in the Table of Contents 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

CP Assurance, Ltd.

St. Cloud, Minnesota
October 20, 2026

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Independent School District No. 316
Management Discussion and Analysis

This section of Independent School District No. 316's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2026. Please read it in conjunction with the District's financial statements, which immediately follows this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts - Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and single audit and other required reports. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

District-Wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are shown as Governmental activities:

- Governmental Activities - Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services and community education. Property taxes and state aids finance most of these activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds - focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes.

Governmental Funds - The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

DETAILED ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position from Governmental activities was $2,940,546 on June 30, 2026. (See Table A-1). This represents an increase of $2,136,315 in net position. Total assets and deferred outflows of resources decreased by $2,040,803, or 5.2%, based on a district capital asset review and removal of items as needed. Total liabilities and deferred inflows of resources decreased by $126,824, or 2.0%, with long-term liabilities decreasing by approximately $4.2 million primarily due to a decrease in the general obligation bond liability.

Table A-1
Net Position - Governmental Activities

	Year Ended 2026	Year Ended 2025	Percentage Change
Assets			
Current and other assets	$ 13,625,938	$ 14,525,993	-6.20%
Capital assets	21,442,767	22,092,243	-2.94%
Total assets	35,068,705	36,618,236	-4.23%
Deferred Outflows of Resources	1,995,647	2,486,919	-19.75%
Total assets and deferred outflows of resources	$ 37,064,352	$ 39,105,155	-5.22%
Liabilities			
Other liabilities	$ 3,941,377	$ 3,730,598	5.65%
Long-term liabilities	24,013,425	28,274,498	-15.07%
Total liabilities	$ 27,954,802	$ 32,005,096	-12.66%
Deferred Inflows of Resources	$ 6,169,004	$ 6,295,828	-2.01%
Net Position			
Net investment in capital assets	$ 7,237,752	$ 5,180,706	39.71%
Restricted	3,729,134	3,868,675	-3.61%
Unrestricted	(8,026,340)	(8,245,150)	-2.65%
Total net position	$ 2,940,546	$ 804,231	265.63%

Changes in Net Position

The District's total revenues were $21,807,838 for the year ended June 30, 2026. Property taxes and state formula aid accounted for 57% of total revenue for the year (See Figure A-2). 43% of total revenue came from program revenues and investment earnings.

The total cost of all programs and services was $19,671,523. The District's expenses are predominantly related to educating and caring for students, approximately 60% (See Figure A-2). The purely administrative activities of the District accounted for just 5% of total costs.

DETAILED ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Total revenues exceeded expenditures, increasing net position by $2,136,315.

Table A-2
Change in Net Position

	Year Ended 2026	Year Ended 2025	Percentage Change
Revenues			
Program revenues			
Charges for services	$ 552,198	$ 420,187	31.42%
Operating grants and contributions	8,565,056	8,543,932	0.25%
General revenues			
Property taxes	4,826,954	5,096,802	-5.29%
General grants and aids	7,581,744	7,907,269	-4.12%
Investment earnings	281,886	231,722	21.65%
Total revenues	21,807,838	22,199,912	-1.77%
Expenses			
Administration	921,272	1,039,934	-11.41%
District support services	753,209	557,264	35.16%
Elementary and secondary regular instruction	6,562,253	7,323,028	-10.39%
Vocational education instruction	280,534	231,776	21.04%
Special education instruction	4,074,483	4,051,094	0.58%
Instructional support services	509,188	768,709	-33.76%
Pupil support services	1,919,371	1,893,854	1.35%
Sites and buildings	1,434,733	1,768,060	-18.85%
Fiscal and other fixed cost programs	133,910	110,596	21.08%
Food service	898,706	896,329	0.27%
Community education and services	296,046	251,093	17.90%
Unallocated depreciation	1,118,620	1,216,582	-8.05%
Interest and fiscal charges on long-term debt	769,198	454,524	69.23%
Total expenses	19,671,523	20,562,843	-4.33%
Increase (decrease) in net position	2,136,315	1,637,069	30.50%
Net Position			
Net position - beginning	804,231	736,834	9.15%
Change in accounting principle	-	(1,569,672)	
Beginning of year	804,231	(832,838)	196.57%
End of year	$ 2,940,546	$ 804,231	265.63%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in net position (Continued)

Net position increased $2,136,315 in fiscal year 26. Revenues decreased 1.77% due to declining enrollment and expenses decreased 4.33% to $19,671,523 due to intentional operation reductions and programming changes. The community education impact to net position is due to a change in programming in fiscal year 26 where the District now operates all early childhood programming within the District instead of operating on a contracted basis.

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2026	2025	Change	2026	2025	Change
Administrative	$ 921,272	$ 1,039,934	-11.41%	$ 921,272	$ 1,039,934	-11.41%
District support services	753,209	557,264	35.16%	753,209	557,264	35.16%
Elementary and secondary regular instruction	6,562,253	7,323,028	-10.39%	3,886,148	4,677,227	-16.91%
Vocational education instruction	280,534	231,776	21.04%	280,534	231,776	21.04%
Special education instruction	4,074,483	4,051,094	0.58%	(192,600)	(53,743)	258.37%
Instructional support services	509,188	768,709	-33.76%	240,720	370,602	-35.05%
Pupil support services	1,919,371	1,893,854	1.35%	1,319,273	1,357,573	-2.82%
Sites and buildings	1,434,733	1,768,060	-18.85%	1,266,509	1,592,603	-20.48%
Fiscal and other fixed cost programs	133,910	110,596	21.08%	133,910	110,596	21.08%
Food service	898,706	896,329	0.27%	(17,758)	811	-2289.64%
Community education and services	296,046	251,093	17.90%	75,234	42,975	75.06%
Unallocated depreciation	1,118,620	1,216,582	-8.05%	1,118,620	1,216,582	-8.05%
Interest and fiscal charges on long-term debt	769,198	454,524	69.23%	769,198	454,524	69.23%
Total	$ 19,671,523	$ 20,562,843	-4.33%	$ 10,554,269	$ 11,598,724	-9.00%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $8,048,433, which is a decrease of $823,217 from the prior year ending fund balance. Revenues for the District's governmental funds were $21,819,679, total expenditures were $22,780,798, and other financing sources provided $137,902.

The Debt Service Fund balance decreased by $130,352 in the current fiscal year. The fund balance of the General Fund decreased by $479,155. The operations of the other governmental funds resulted in the fund balance of the Food Service Fund decreasing by $25,163, the fund balance of the Community Service fund increased $11,353, and the Building Construction Fund balance decreased $177,194 to a zero balance.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

General Fund

The following schedule presents a summary of General Fund Revenues.

Table A-4
General Fund Revenues

	Year Ended		Change	
	June 30, 2026	June 30, 2025	Increase (Decrease)	Percent Change
Local property taxes	$ 2,369,389	$ 2,684,466	$ (315,077)	-11.7%
Revenue from state sources	14,030,923	14,187,729	(156,806)	-1.1%
Revenue from federal sources	582,559	537,985	44,574	8.3%
Other	791,786	683,302	108,484	15.9%
Total	$ 17,774,657	$ 18,093,482	$ (318,825)	-1.8%

Total General Fund revenue of $17,774,657 was a decrease of $318,825, or 1.8%, compared to the previous year. The biggest decrease was from local property taxes, which decreased by $315,077, or 11.7%, due to decreased enrollment. Basic general education revenue is determined by the state per student funding formula and consists of state aid revenue. Other state-authorized revenue including excess levy referendum and operating capital involve 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 of revenue.

The following schedule presents a summary of General Fund expenditures.

Table A-5
General Fund Expenditures

	Year Ended		Change	
	June 30, 2026	June 30, 2025	Increase (Decrease)	Percent Change
Salaries	$ 8,925,969	$ 9,099,036	$ (173,067)	-1.9%
Employee benefits	3,898,885	3,918,342	(19,457)	-0.5%
Purchased services	3,561,111	3,605,617	(44,506)	-1.2%
Supplies and materials	545,488	483,587	61,901	12.8%
Capital expenditures	1,239,509	607,779	631,730	103.9%
Debt service expenditures	4,400	458,385	(453,985)	-99.0%
Other expenditures	216,352	56,179	160,173	285.1%
Total	$ 18,391,714	$ 18,228,925	$ 162,789	0.9%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

General Fund (Continued)

The total General Fund expenditures of $18,391,714 was an increase of $162,789, or 0.9%, over the prior year. Salaries and benefits decreased by $192,524 combined. Salaries decreased 1.9% and employee benefits decreased by 0.5%. Capital expenditures increased $631,730 from the prior year which was offset by a decrease in debt service expenditures of $453,985. The remaining categories of purchased services, supplies and materials, and other expenditures net to an overall cost increase of $142,774 from 2025 to 2026, driven by other expenditures which increased 285%. The majority of this increase was due to a MN DNR Payment error reclamation.

In 2025-2026, General Fund revenues and other financing sources were $479,155 less than expenditures, which was $677,881 better than the budgeted expectation. General Fund revenue was $355,236 higher than budgeted and expenditures were $184,743 less than budgeted. The unassigned fund balance decreased from $3,091,745 at June 30, 2025, to $2,782,188 at June 30, 2026.

Food Service Fund

The Food Service Fund accounts for the activities related to providing nutrition services to the K-12 academic program. The fund operates on the principle of revenues exceeding expenditures on day-to-day operations so that the excess can be used to systematically replace and upgrade kitchen equipment around the District. By operating in this manner, the Student Nutrition Services program is self-contained and does not pull resources away from direct K-12 instruction.

The fund balance decreased by $25,163 in 2025-2026. Food Service Fund revenue for 2025-2026 totaled $922,463, which is an increase of $21,396, or 2.3%, from 2024-2025. Food Service Fund expenditures for 2025-2026 totaled $947,626, an increase of $11,598, or 1.2%, from 2024-2025.

There were not significant changes in the operation of this fund.

Community Service Fund

The Community Service Fund accounts for the activities related to providing education services for Pre-Kindergarten and Post-Grade 12 students. The fund operates on a principle of breaking even on a year-to-year basis so that it does not pull resources away from K-12 instruction.

The fund balance decreased by $11,353 in 2025-2026. Community Service Fund revenues for 2025-2026 totaled $299,187. This was an increase of $13,914, or 4.6%, from 2024-2025. Community Service Fund expenditures for 2025-2026 totaled $310,540. This was an increase of $56,200, or 22%, from 2024-2025. ISD 316 began operating their own early childhood program in 2025-2026 versus operating the program on a contracted basis.

The entire fund balance is restricted to be used for specific purposes based on state requirements.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Capital Projects Fund

The Capital Projects Fund accounts for the costs of school construction, addition, and renovation projects. Bond proceeds are deposited in the Capital Projects Fund and are then drawn down as the payments are made for work completed on the various building projects. The proceeds of bonds can only be used for the purpose for which the bonds were issued.

The District had other local revenues totaling $3,534 related to investment performance.

The District expended $148,385 on capital projects during the year. The District's construction of the early childhood building VPK project is now completed. The fund balance of this fund is now $0.

Debt Service Fund

The Debt Service Fund exists to service the principal and interest payments on long-term debt issued by the District to construct school facilities or acquire school equipment. Annual levies will provide revenue at a rate of 105% of pending debt service payments for a fiscal year. This rate is specified in statute to ensure that principal and interest payments can be made as scheduled even if there are late property tax payments or delinquencies that may arise.

Debt service revenue was $2,819,838 for 2025-2026, 75% of which came from property tax revenue. Debt service expenditures were $2,982,533. The District made principal payments in the amount of $2,561,163 and interest and other payments of $421,370. The Debt Service Fund has a fund balance of $998,112 as of June 30, 2026, which is restricted to be used for future debt payments.

The Minnesota Department of Education monitors fund balances in the Debt Service Fund and limits the amount of funds that can be carried forward. If the fund balance gets too high, future levy authority will be reduced in order to reduce the debt service fund balance to a reasonable level. Fund balance and collection of tax levies will provide adequate cash flow for timely payment of principal and interest.

SIGNIFICANT CAPITAL ASSETS AND LONG-TERM FINANCING ACTIVITY

Capital Assets

By the end of 2026, the District had invested $38,429,054 in a broad range of capital assets including: school buildings, land, and other equipment for various instructional programs (see Table A-6). Accumulated depreciation/amortization as of June 30, 2026, was $16,986,287, with current year depreciation/amortization expense for governmental activities totaling $1,473,938. The District completed work on an early childhood building VPK project in fiscal year 26, moving that from CIP in fiscal year 25 to buildings in fiscal year 26 and beginning depreciation on that building. The District added door security equipment and a playground at our Marble Elementary early childhood building which increased our equipment fixed assets, along with the purchase of student Chromebooks. More detailed information about capital assets can be found in Note 4 to the basic financial statements.

Table A-6
Capital Assets

	Year Ended 2026	Year Ended 2025	Percent Change
Land	$ 54,720	$ 54,720	0.0%
Construction in progress	-	255,616	-100.0%
Land improvements	1,295,951	1,245,513	4.0%
Buildings	34,952,366	34,403,524	1.6%
Equipment	1,788,213	1,447,882	23.5%
Leased equipment	204,979	82,353	148.9%
Subscription assets	132,825	132,825	0.0%
Less accumulated depreciation/amortization	(16,986,287)	(15,530,190)	9.4%
Total capital assets	$ 21,442,767	$ 22,092,243	-2.9%

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

For the fiscal year ended June 30, 2026, the District had $24,013,425 in long-term liabilities outstanding, including $12,022,102 in General Obligation Bonds. The decrease in total long-term liabilities was $4,261,073 from last year (see Table A-7) due in large part to a decrease in general obligation bond liability, and certificate of participation payable liability due to scheduled bond and certificate of participation payments of $2.9 million, and a decrease in net pension liability. More detailed information about the long-term liabilities is presented in Notes 5, 7 and 8 of the financial statements.

Table A-7
Long-Term Liabilities

	Year Ended 2026	Year Ended 2025	Percent Change
General obligation bonds	$ 12,022,102	$ 14,623,265	-17.8%
Net bond premium and discount	312,700	357,965	-12.6%
Certificates of participation payable	1,735,000	2,055,000	-15.6%
Lease liability	135,213	52,501	157.5%
Net pension liability	6,238,739	7,650,493	-18.5%
Net OPEB liability	1,959,885	1,918,204	2.2%
Compensated absences payable	1,609,786	1,617,070	N/A
Total long-term liabilities	$ 24,013,425	$ 28,274,498	-15.1%
Long-term liabilities			
Due within one year	$ 3,539,527	$ 3,587,127	
Due in more than one year	20,473,898	24,687,371	
Total	$ 24,013,425	$ 28,274,498	

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

It is anticipated that the district will continue to experience gradual enrollment decline in the subsequent period, like the previous 5 years. This is due to the rural economic area in which our district is located, among many more learning options available for students. The financial result will be a decrease in both state aid and property tax revenues. The current union contracts are negotiated for the fiscal year 27 period but are yet to be negotiated for the fiscal year 28 and fiscal year 29 periods, with increased expenses assumed. Current budget projections assume to be holding true for fiscal year 27.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Office, ISD No. 316, 499 Powell Ave, Coleraine, MN 55722.

BASIC FINANCIAL STATEMENTS

Independent School District No. 316
Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Cash and investments	$ 9,400,788
Current property taxes receivable	1,428,776
Delinquent property taxes receivable	191,901
Accounts receivable	13,074
Due from Department of Education	1,609,561
Due from other Minnesota school districts	66,027
Due from Federal Government through Department of Education	358,263
Due from other governmental units	522,078
Inventory	35,470
Capital assets not being depreciated	
Land	54,720
Capital assets net of accumulated depreciation	
Land improvements	629,793
Buildings and improvements	19,779,061
Equipment	812,587
Leased assets net of accumulated amortization	
Leased equipment	131,568
Subscription assets net of accumulated amortization	
Subscription assets	35,038
Total assets	35,068,705
Deferred Outflows of Resources	
Deferred outflows related to OPEB	243,369
Deferred outflows related to pensions	1,752,278
Total deferred outflows of resources	1,995,647
Total assets and deferred outflows of resources	$ 37,064,352
Liabilities	
Accounts and contracts payable	$ 321,927
Salaries and benefits payable	1,402,085
Interest payable	1,452,979
Due to other Minnesota school districts	288,931
Unearned revenue	475,455
Net bond principal payable	
Payable within one year	2,214,479
Payable after one year	10,120,323
Certificates of participation payable	
Payable within one year	300,000
Payable after one year	1,435,000
Lease liability	
Payable within one year	62,767
Payable after one year	72,446
Compensated absences payable	
Payable within one year	258,110
Payable after one year	1,351,676
Net OPEB liability	
Payable within one year	704,171
Payable after one year	1,255,714
Net pension liability	6,238,739
Total liabilities	27,954,802
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	2,897,206
Deferred inflows related to OPEB	237,579
Deferred inflows related to pensions	3,034,219
Total deferred inflows of resources	6,169,004
Net Position	
Net investment in capital assets	7,237,752
Restricted for	
General purposes	2,199,779
Debt service	1,038,985
Food service	210,938
Community service	279,432
Unrestricted	(8,026,340)
Total net position	2,940,546
Total liabilities, deferred inflows of resources, and net position	$ 37,064,352

See notes to basic financial statements.

Independent School District 316
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) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 921,272	$ -	$ -	$ -	$ (921,272)
District support services	753,209	-	-	-	(753,209)
Elementary and secondary regular instruction	6,562,253	244,649	2,431,456	-	(3,886,148)
Vocational education instruction	280,534	-	-	-	(280,534)
Special education instruction	4,074,483	200,000	4,067,083	-	192,600
Instructional support services	509,188	-	268,468	-	(240,720)
Pupil support services	1,919,371	-	600,098	-	(1,319,273)
Sites and buildings	1,434,733	6,718	161,506	-	(1,266,509)
Fiscal and other fixed cost programs	133,910	-	-	-	(133,910)
Food service	898,706	68,867	847,597	-	17,758
Community education and services	296,046	31,964	188,848	-	(75,234)
Unallocated depreciation	1,118,620	-	-	-	(1,118,620)
Interest and fiscal charges on long-term debt	769,198	-	-	-	(769,198)
Total governmental activities	$ 19,671,523	$ 552,198	$ 8,565,056	$ -	(10,554,269)
General revenues					
Taxes					
Property taxes, levied for general purposes					2,369,685
Property taxes, levied for debt service					2,388,585
Property taxes, levied for community service					68,684
General grants and aids					7,581,744
Investment income					281,886
Total general revenues					12,690,584
Change in net position					2,136,315
Net position - beginning					804,231
Net position - ending					$ 2,940,546

See notes to basic financial statements.

Independent School District No. 316
Balance Sheet - Governmental Funds
June 30, 2026

	General	Debt Service	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	$ 6,578,863	$ 2,369,473	$ 452,452	$ 9,400,788
Current property taxes receivable	360,790	1,067,986	-	1,428,776
Delinquent property taxes receivable	52,089	139,812	-	191,901
Accounts receivable	9,008	-	4,066	13,074
Due from Department of Education	1,557,556	36,595	15,410	1,609,561
Due from Federal Government through Department of Education	349,405	-	8,858	358,263
Due from other Minnesota school districts	66,027	-	-	66,027
Due from other governmental units	522,078	-	-	522,078
Inventory	-	-	35,470	35,470
Total assets	$ 9,495,816	$ 3,613,866	$ 516,256	$ 13,625,938
Liabilities				
Accounts and contracts payable	$ 318,597	$ -	$ 3,330	$ 321,927
Salaries and benefits payable	1,383,233	-	18,852	1,402,085
Due to other Minnesota school districts	288,767	-	164	288,931
Unearned revenue	471,915	-	3,540	475,455
Total liabilities	2,462,512	-	25,886	2,488,398
Deferred inflows of resources				
Property tax levied for subsequent year's expenditures	421,264	2,475,942	-	2,897,206
Unavailable revenue - delinquent property taxes	52,089	139,812	-	191,901
Total deferred inflows of resources	473,353	2,615,754	-	3,089,107
Fund Balances				
Nonspendable	-	-	35,470	35,470
Restricted	2,199,779	998,112	454,900	3,652,791
Committed	431,115	-	-	431,115
Assigned	1,146,869	-	-	1,146,869
Unassigned	2,782,188	-	-	2,782,188
Total fund balances	6,559,951	998,112	490,370	8,048,433
Total liabilities, deferred inflows of resources, and fund balances	$ 9,495,816	$ 3,613,866	$ 516,256	$ 13,625,938

See notes to basic financial statements.

Independent School District No. 316
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2026

Total fund balances - governmental funds	$ 8,048,433
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:	
Cost of capital assets	38,429,054
Less accumulated depreciation/amortization	(16,986,287)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(12,022,102)
Bond premiums	(312,700)
Certificates of participation payable	(1,735,000)
Lease liability	(135,213)
Compensated absences payable	(1,609,786)
Net OPEB liability	(1,959,885)
Net pension liability	(6,238,739)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds. funds:	
Deferred outflows related to pensions	1,752,278
Deferred inflows related to pensions	(3,034,219)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to OPEB that are not recognized in the governmental funds. funds:	
Deferred outflows related to OPEB	243,369
Deferred inflows related to OPEB	(237,579)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	191,901
Governmental funds do not report a liability for accrued interest on bonds and finance purchases until due and payable.	(1,452,979)
Total net position - governmental activities	$ 2,940,546

See notes to basic financial statements.

Independent School District No. 316
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2026

	General	Debt Service	Nonmajor Funds	Total Governmental
Revenues				
Local property taxes	$ 2,369,389	$ 2,377,943	$ 68,684	$ 4,816,016
Other local and county revenues	724,867	78,024	51,740	854,631
Revenue from state sources	14,030,923	363,871	530,559	14,925,353
Revenue from federal sources	582,559	-	505,334	1,087,893
Sales and other conversion of assets	66,919	-	68,867	135,786
Total revenues	17,774,657	2,819,838	1,225,184	21,819,679
Expenditures				
Current				
Administration	979,569	-	-	979,569
District support services	799,109	-	-	799,109
Elementary and secondary regular instruction	6,800,090	-	-	6,800,090
Vocational education instruction	293,468	-	-	293,468
Special education instruction	4,397,759	-	-	4,397,759
Instructional support services	526,878	-	-	526,878
Pupil support services	1,937,549	-	-	1,937,549
Sites and buildings	1,268,971	-	4,329	1,273,300
Fiscal and other fixed cost programs	133,910	-	-	133,910
Food service	-	-	928,719	928,719
Community education and services	-	-	308,449	308,449
Capital outlay				
Administration	2,158	-	-	2,158
District support services	292	-	-	292
Elementary and secondary regular instruction	202,352	-	-	202,352
Special education instruction	1,902	-	-	1,902
Instructional support services	1,462	-	-	1,462
Sites and buildings	474,948	-	144,056	619,004
Food service	-	-	18,907	18,907
Debt service				
Principal	486,937	2,561,163	2,079	3,050,179
Interest and fiscal charges	84,360	421,370	12	505,742
Total expenditures	18,391,714	2,982,533	1,406,551	22,780,798
Excess of revenues over (under) expenditures	(617,057)	(162,695)	(181,367)	(961,119)
Other Financing Sources (Uses)				
Lease issuance	137,902	-	-	137,902
Transfers in	-	32,343	-	32,343
Transfers out	-	-	(32,343)	(32,343)
Total other financing sources (uses)	137,902	32,343	(32,343)	137,902
Net change in fund balances	(479,155)	(130,352)	(213,710)	(823,217)
Fund Balances				
Beginning of year	7,039,106	1,128,464	704,080	8,871,650
End of year	$ 6,559,951	$ 998,112	$ 490,370	$ 8,048,433

See notes to basic financial statements.

Independent School District No. 316
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2026

Net change in fund balances - total governmental funds	$	(823,217)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the useful lives as depreciation expense. as depreciation expense:		
Capital outlays		821,897
Depreciation/amortization expense		(1,473,938)
Disposal of capital assets		2,565
Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		7,284
OPEB contributions are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		252,012
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.		2,976,353
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.		689,953
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		(234,895)
Governmental funds report the effect of bond premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		45,265
Proceeds from long-term liabilities are recognized as an other financing source, increasing fund balance in the governmental fund statements, but have no effect on net position in the Statement of Activities.		(137,902)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		10,938
Change in net position - governmental activities	$	2,136,315

Independent School District No. 316
Statement of Fiduciary Net Position
Year Ended June 30, 2026

	Post Employment Benefits Irrevocable Trust Fund
Assets	
Cash and investments	$ 4,033,770
Interest receivable	13,539
Total assets	$ 4,047,309
Liabilities	
Accounts payable	$ 1,163
Unearned revenue	13,273
Total liabilities	$ 14,436
Net Position	
Held in trust for OPEB	$ 4,032,873

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2026

	Post Employment Benefits Irrevocable Trust Fund
Additions	
Contributions from retirees	$ 386,455
Interest revenue	160,861
Total additions	547,316
Deductions	
Payments to retirees	958,435
Total deductions	958,435
Change in net position	(411,119)
Net Position	
Beginning of year	4,443,992
End of year	$ 4,032,873

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The basic financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under board control and are reported in the General Fund.

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except the fiduciary fund. The fiduciary fund is only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund statement level.

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

Depreciation and amortization expense that can be specifically identified by function is included in the direct expenses of that function. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Separate fund financial statements are provided for governmental funds and the fiduciary fund even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Irrevocable Trust Fund is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 as follows:

1. **Revenue Recognition**
   Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. Other revenue is considered available if collected within 60 days of the end of the current fiscal period.

2. **Recording of Expenditures**
   Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

   The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned and unassigned.

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Major Funds: (Continued)

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

Nonmajor Funds:

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

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services.

Building Construction Fund – Capital Projects – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

Fiduciary Fund:

Post Employment Benefits Irrevocable Trust Fund – This fund is used to account for the financial resources relating to post-employment benefits.

D. Deposits and Investments

Cash and investments include balances from all funds, except the Irrevocable Trust Fund, that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average cash and investment balances of each fund. Earnings from the Irrevocable Trust Fund are maintained in that fund.

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. Investments held by investment pools are measured at amortized cost.

Cash and investments at June 30, 2026, were comprised of deposits and investments as disclosed in Note 2. Investments are reported at fair value.

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the money market funds are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following fiscal year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2025, less various components, and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in 2026. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. 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. Prepaid items are recorded as expenditures at the time of consumption.

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. The county is the collecting agency for the levy and remits the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes (Continued)

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

J. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition market value at the date of donation. The District maintains a threshold level of $5,000 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 reported in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line half-year method over their estimated useful lives, ranging from five to fifty years.

Capital assets not being depreciated include land and construction in progress.

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

K. Right-to-Use Lease Assets/Lease Liabilities

The District is a lessee for numerous noncancelable leases. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, (3) lease payments and (4) amortization.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District uses an incremental borrowing rate based on information available at the commencement date of the leases. The District's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a re-measurement of the leases and will remeasure the right-to-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

L. Subscription-Based Information Technology Arrangements

The District is a lessee for multiple subscription-based information technology arrangements. The subscription assets are initially measured at an amount equal to the initial measurement of the arrangements liability plus any direct costs associated with the lease, less any lease incentives.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Subscription-Based Information Technology Arrangements (Continued)

Key estimates and judgments related to agreements include (1) the discount rate, (2) agreement term, (3) payments and (4) amortization.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District determines its estimated borrowing rate based on prior debt issuances. The subscription term includes the noncancellable period of the agreement. Payments included in the measurement of the subscription liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a re-measurement of the agreements and will remeasure the subscription assets and liabilities if certain changes occur that are expected to significantly affect the amount of the subscription liability.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate basic financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions are recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB are recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which 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. Deferred inflows of resources related to pensions are recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB are recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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 Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Compensated Absences

The liability for compensated absences reported in the Statement of Net Position consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from PERA'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. The direct aid is a result of the merger 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.

Q. Postemployment Benefits Other than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost, which approximates fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity

1. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact and include inventory and prepaid items.

- Restricted Fund Balances – These are amounts that are restricted to specific purposes either by constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through enabling legislation.

- Committed Fund Balances – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision-making authority) by majority vote.

- Assigned Fund Balances – These are unrestricted funds constrained by the District's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. The School Board delegates to the Superintendent the authority to assign fund balances for specific purposes.

- Unassigned Fund Balances – This represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned and unassigned.

2. Minimum Fund Balance Policy

The District will strive to maintain a minimum unassigned general fund balance of 6% of the annual budget.

S. Net Position

Net Position represents the difference between assets and deferred outflows of resource; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Use of Estimates

The preparation of basic 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 basic financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

U. 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 injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage in any of the past three years.

V. Budgetary Information

The District adopts an annual budget for all funds in accordance with Minnesota State Statutes. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. The School Board holds public hearings, and a final budget must be prepared and adopted no later than one week after the School Board approves the audited financial statements and has published the final budget in the local newspaper. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

Budgetary control is maintained by fund, at the object of expenditure category level within each program, and in compliance with State requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available. Budgeted amounts are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year end. The School Board made several supplemental budgetary appropriations throughout the year.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Checking accounts	$ 4,145,050
Savings and money market accounts	142
Certificates of deposit	4,538,664
Total deposits	$ 8,683,856

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits (Continued)

Custodial Credit Risk – Deposits: This risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2026, none of the District's bank balances were exposed to custodial credit risk.

B. Investments

As of June 30, 2026, the District had the following investments:

Investment	Total	12 Months or Less	13 to 36 Months
District Investments			
Goldman Sachs Money Market Funds	$ 4,550,038	$ 4,550,038	$ -
US Treasury Notes	198,564	198,564	-
Total investments	$ 4,748,602	$ 4,748,602	$ -

Interest Rate Risk: This is the risk that market value of securities will fall due to the changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The District may invest funds as authorized by *Minnesota Statute* § 118A.04. All funds in MN Trust are invested in accordance with *Minnesota Statute* § 475.66. Each Minnesota School District owns a pro-rata share of each investment which is held in the name of the Funds. It is the District's policy to invest only in securities that meet the ratings requirements set by state statute. The District's investments in US Treasury Notes were rated AA+ by S&P.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. The District's investments were not exposed to concentration of credit risk at June 30, 2026.

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk.

The District has the following recurring fair value measurements as of June 30, 2026:

- Investments of $4,550,038 are valued using a matrix pricing model (Level 1 inputs)
- Investments of $198,564 are valued using a matrix pricing model (Level 2 inputs)

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments

Summary of cash, deposits and investments as of June 30, 2026:

Petty Cash	$ 2,100
Deposits - Pooled (Note 2.A.)	8,683,856
Investments - Nonpooled (2.B.)	4,748,602
Total deposits and investments	$ 13,434,558

Cash, deposits and investments are presented in the June 30, 2026, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 9,400,788
Statement of Fiduciary Net Position	
Cash and investments	4,033,770
Total	$ 13,434,558

NOTE 3 – INTERFUND ACTIVITY

A. Interfund Transfers

The Building Construction Fund transferred $32,343 to the Debt Service Fund to move excess 2024A bond funds.

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated/amortized				
Land	$ 54,720	$ -	$ -	$ 54,720
Construction in progress	255,616	141,859	397,475	-
Total capital assets not being depreciated/amortized	310,336	141,859	397,475	54,720
Other capital assets				
Land improvements	1,245,513	50,438	-	1,295,951
Buildings	34,403,524	548,842	-	34,952,366
Equipment	1,447,882	340,331	-	1,788,213
Leased equipment	82,353	137,902	15,276	204,979
Subscription assets	132,825	-	-	132,825
Total other capital assets at historical cost	37,312,097	1,077,513	15,276	38,374,334
Less accumulated depreciation for				
Land improvements	607,870	58,288	-	666,158
Building	13,925,959	1,247,346	-	15,173,305
Equipment	888,911	86,715	-	975,626
Leased equipment	34,110	57,142	17,841	73,411
Subscription assets	73,340	24,447	-	97,787
Total accumulated depreciation and amortization	15,530,190	1,473,938	17,841	16,986,287
Total other capital assets, net	21,781,907	(396,425)	(2,565)	21,388,047
Governmental activities, capital assets, net	$ 22,092,243	$ (254,566)	$ 394,910	$ 21,442,767

NOTE 4 – CAPITAL ASSETS (CONTINUED)

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

District and School Administration	$ 4,191
District Support Services	446
Regular Instruction	104,696
Vocational Instruction	2,049
Special Educational Services	507
Community Education Services	750
Instructional Support Services	4,173
Pupil Support Services	2,790
Food Service	5,589
Sites, Buildings and Equipment	230,127
Unallocated	1,118,620
Total depreciation/amortization expense	$ 1,473,938

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. Bonds						
2010B Alternative Facilities Bonds	12/16/10	0.9%-4.3%	$ 650,000	02/01/31	$ 210,000	$ 40,000
2019D Alternative Facilities Refunding Bonds	05/01/19	3.0%-5.0%	8,490,000	02/01/32	3,105,000	480,000
2019E Facilities Maintenance Bonds	11/12/19	3.0%-4.0%	2,490,000	02/01/37	1,800,000	135,000
2019F Facilities Maintenance Bonds	11/12/19	1.65%-2.52%	8,775,319	02/01/31	6,482,102	1,455,479
2022A Tax Abatement Bonds	12/06/22	5.00%	118,000	02/01/29	75,000	24,000
2024A VPK Bond	10/08/24	5.00%	415,000	02/01/30	350,000	80,000
Total G.O. bonds					12,022,102	2,214,479
Certificates of Participation						
2019B Certificates of Participation	05/01/19	3.00%	1,645,000	02/01/32	660,000	100,000
2019C Certificates of Participation	05/01/19	3.00%	3,520,000	02/01/31	1,075,000	200,000
Total certificates of participation					1,735,000	300,000
Bond premiums					312,700	-
Lease liability					135,213	62,767
Compensated absences					1,609,786	258,110
Total long-term liabilities					$ 15,814,801	$ 2,835,356

The long-term bond liabilities listed above were issued to finance the acquisition and construction of capital facilities or to refinance (refund) previous debt issuances. Certificates of participation, compensated absences and the lease liability are paid from the General Fund.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire bond and loan liabilities:

Year Ending June 30,	G.O. Bonds			Certificates of Participation		
	Principal	Interest	Total	Principal	Interest	Total
2027	$ 2,214,479	$ 419,096	$ 2,633,575	$ 300,000	$ 52,050	$ 352,050
2028	2,084,850	438,125	2,522,975	315,000	43,050	358,050
2029	2,176,526	453,949	2,630,475	320,000	33,600	353,600
2030	2,044,086	467,790	2,511,876	335,000	24,000	359,000
2031	1,787,161	372,101	2,159,262	345,000	13,950	358,950
2032-2036	1,525,000	125,400	1,650,400	120,000	3,600	123,600
2037	190,000	5,700	195,700	-	-	-
Total	$ 12,022,102	$ 2,282,161	$ 14,304,263	$ 1,735,000	$ 170,250	$ 1,905,250

Year Ending June 30,	Lease Liability		
	Principal	Interest	Total
2027	$ 62,767	$ 4,546	$ 67,313
2028	54,736	2,092	56,828
2029	12,791	626	13,417
2030	4,208	138	4,346
2031	711	4	715
Total	$ 135,213	$ 7,406	$ 142,619

C. Lease Liability

The District entered into lease agreements for equipment. The following lease include portable classrooms with the lease commencing September 2025 through April 2028. Additionally, the District has nine leases for copiers commencing between July 2021 and June 2026 and ending between August 2025 and August 2030.

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 14,623,265	$ -	$ 2,601,163	$ 12,022,102
Certificates of participation	2,055,000	-	320,000	1,735,000
Bond premiums	357,965	-	45,265	312,700
Lease liability	52,501	137,902	55,190	135,213
Compensated absences	1,617,070	-	7,284	1,609,786
Total	$ 18,705,801	$ 137,902	$ 3,028,902	$ 15,814,801

The change in compensated absences liability is presented as a net change.

NOTE 6 – FUND BALANCES

Certain portions of fund balance 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.

A. Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable for				
Inventory	$ -	$ -	$ 35,470	$ 35,470
Total nonspendable	-	-	35,470	35,470
Restricted for				
Student Activities	126,504	-	-	126,504
Taconite Building Maintenance	1,549,429	-	-	1,549,429
Staff Development	20,328	-	-	20,328
Q Comp	33,774	-	-	33,774
School Library Aid	99,794	-	-	99,794
$25 Taconite	159,460	-	-	159,460
Gifted and Talented	110,490	-	-	110,490
Medical Assistance	100,000	-	-	100,000
Debt Service	-	998,112	-	998,112
Food Service	-	-	175,468	175,468
Community Education Programs	-	-	201,937	201,937
Early Childhood Family and Education Programs	-	-	21,393	21,393
School Readiness	-	-	7,385	7,385
Community Service	-	-	48,717	48,717
Total Restricted	2,199,779	998,112	454,900	3,652,791
Committed for				
Facility upgrades	431,115	-	-	431,115
Assigned for				
Capital projects	1,146,869	-	-	1,146,869
Unassigned for				
General Purpose	2,825,420	-	-	2,825,420
Long-Term Facilities Maintenance	(43,232)	-	-	(43,232)
Total unassigned	2,782,188	-	-	2,782,188
Total fund balances	$ 6,559,951	$ 998,112	$ 490,370	$ 8,048,433

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Restricted/Reserved for Excess Taconite Building Maintenance Funds – This balance represents resources remaining from the distribution of taconite revenue for the purpose of building maintenance and repair.

NOTE 6 – FUND BALANCES (CONTINUED)

A. Fund Equity (Continued)

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statute* § 122A.61, subdivision 1).

Restricted/Reserved for Quality Compensation – Alternative Teacher Professional Pay System – This balance represents available resources to be used for Quality Compensation – Alternative Teacher Professional Pay System.

Restricted/Reserved for School Library Aid – This balance represents resources available for the school library aid uses listed in *Minnesota Statute §* 134.356, subd. 1.

Restricted/Reserved for $25 Taconite – This balance represents available resources for outcome-based learning programs or early childhood learning programs from taconite referendum revenue.

Restricted/Reserved for Gifted and Talented – The part of General Education Aid revenue for the gifted and talented program that is unspent at year end must be restricted in this Balance Sheet account.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statute* § 123B.595, subd. 12).This balance is classified as unassigned as the balance was negative at year-end.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statute* § 125A.21, subd. 3).

Restricted for Debt Service – This balance represents the resources available for the payment of general obligation bond principal, interest and related costs.

Restricted for Food Service – This balance represents the accumulation of the activity to provide the food service program.

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education and extended day programs.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming. This balance was presented as unassigned due to the negative balance.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statute* § 124D.16).

NOTE 6 – FUND BALANCES (CONTINUED)

A. Fund Equity (Continued)

Restricted for Community Service – This balance represents the positive fund balance of the Community Service Fund.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2026, was $146,610. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

Teachers' Retirement Association

A. Plan Description

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers employed by St. Paul Schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing the 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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- 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% 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 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.

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contributions

Per *Minnesota Statute* 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. The District's contributions to TRA for the plan's fiscal year ended June 30, 2026 were $619,179. 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%
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality 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.
Post-retirement	PubT-2010(A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Pub-2010(A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

* 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 the actuary.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Private markets	25.0	5.90
Fixed income	25.0	0.75
Total	100.0 %	

Changes in actuarial assumptions since the previous 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 7.0%. 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability

As of June 30, 2026, the District reported a liability of $5,293,998 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 0.0924% at the end of the measurement period and 0.1013% 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	$ 5,293,998
State's proportionate share of the net pension liability associated with the District	328,795
Total	$ 5,622,793

For the year ended June 30, 2026, the District recognized pension expense of $313,872. Included in this amount, the District recognized ($8,234) as 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 $26,292 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

As of 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	$ 244,125	$ 51,993
Net difference between projected and actual earnings on plan investments	-	1,063,003
Changes in assumptions	299,040	560,004
Changes in proportion	273,345	539,527
District's contributions to TRA subsequent to the measurement date	619,179	-
Total	$ 1,435,689	$ 2,214,527

The $619,179 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 of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2027	$ 314,870
2028	(638,775)
2029	(587,053)
2030	(390,289)
2031	(96,770)
Total	$ (1,398,017)

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) and 1% higher (8.0%) than the current rate.

Sensitivity of NPL to Changes in the Discount Rate

1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 9,985,942	$ 5,293,998	$ 1,432,547

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.minnesotatra.org, or 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.

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes* Chapters 353, 353D, 353E, 353G and 356. *Minnesota Statute* Chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

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

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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any 5 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 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 the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% 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 1.0% 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 reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2026 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2026, were $202,727. The District's contributions were equal to the required contributions as set by state statute.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

As of June 30, 2026, the District reported a liability of $944,741 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 $22,790.

School's proportionate share of net pension liability	$	944,741
State's proportionate share of the net pension liability associated with the School		22,790
Total	$	967,531

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 0.0285% at the end of the measurement period and 0.0328% for the beginning of the period.

For the year ended June 30, 2026, the District recognized pension expense of ($167,262) for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized ($3,496) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

As of June 30, 2026, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 90,013	$ -
Changes in actuarial assumptions	22,763	217,381
Net difference between projected actual investments earnings	-	375,922
Change in proportion	1,086	226,389
Contributions paid to PERA subsequent to the measurement date	202,727	-
Total	$ 316,589	$ 819,692

The $202,727 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2027	$ (206,456)
2028	(240,014)
2029	(192,205)
2030	(67,155)
Total	$ (705,830)

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

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	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.5% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3.0% 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)
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%. 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 was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity
The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	$ 2,294,626	$ 944,741	$ (150,321)

I. Pension Plan Fiduciary Net Position
Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the basic financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District administers a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) which provides medical benefits to eligible retired employees and their dependents in accordance with the terms of the plan.

The District has established an irrevocable trust fund to account for accumulated plan assets available to pay for current and future postemployment health care costs. The Trust does not issue a stand-alone financial report but is included in this report of the District.

B. Benefits Provided

The District provides postemployment health insurance benefits to some retired employees as established by contracts with bargaining units or other employment contracts. These contracts state the years, age and retiring dates needed to qualify for these postemployment benefits. The contracts also establish the amount the District will contribute towards the purchase of health insurance.

C. Members

As of July 1, 2024, the following were covered by the benefit terms:

Active employees	180
Retirees receiving payments	125
Spouses receiving payments	52
Total	357

D. Actuarial Assumptions

The net OPEB liability was determined by an actuarial valuation as of July 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Net OPEB Liability

Expected Long-Term Investment Rate of Return	3.50% (net of investment expense)
Discount Rate	4.10%
20-Year Municipal Bond Yield	4.40%
Inflation	2.50%
Healthcare cost trend increases	6.50% decreasing to 5.00% over 6 years then to 4.00% over the next 48 years.
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
Salary increases	Service graded table.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Actuarial Assumptions (Continued)

The actuarial assumptions used in the valuation measured as of June 30, 2026, were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2018.

Actuary's Assumption Changes:

- The discount rate was changed from 4.40% to 4.10%.
- The long-term expected investment return was changed from 3.60% to 3.50%.

Benefit Changes:

- None

E. Discount Rate

The discount rate used to measure the net OPEB liability was 4.10 % based on the 20-year municipal bond yield.

The long-term expected rate of return on OPEB 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 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Fixed income	95.0 %	3.5 %
Cash	5.0	3.0
Total	100.0 %	3.5 %

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

F. Changes in Net OPEB Liability

Changes in the net OPEB liability are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances at July 1, 2025, restated	$ 6,288,104	$ 4,443,992	$ 1,844,112
Changes for the year			
Service cost	24,591	-	24,591
Interest	263,048	-	263,048
Differences between expected and actual economic experience	-	23,556	(23,556)
Changes in assumptions	108,843	-	108,843
Plan charges	-	-	-
Estimated benefit payments	(675,935)	(675,935)	-
Estimated employer contributions	-	101,613	(101,613)
Projected investment return	-	155,540	(155,540)
Total estimated changes	(279,453)	(395,226)	115,773
Balances at June 30, 2026	$ 6,008,651	$ 4,048,766	$ 1,959,885

G. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 4.10% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (3.10%)	Current Discount Rate (4.10%)	1% Increase in Discount Rate (5.10%)
Net OPEB liability	$ 2,357,580	$ 1,959,885	$ 1,607,286

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% Decrease in Trend Rate (5.00% Decreasing to 4.00% then 3.00%)	Current Trend Rate (6.00% Decreasing to 5.00% then 4.00%)	1% Increase Trend Rate (7.00% Decreasing to 6.00% then 5.00%)
Net OPEB liability	$ 1,722,111	$ 1,959,885	$ 2,218,342

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

For the year ended June 30, 2026, the District recognized OPEB expense of $252,012. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption changes	$ 205,628	$ -
Investment loses	37,741	-
Liability gains	-	226,917
Assumption changes	-	10,662
Total	$ 243,369	$ 237,579

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

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

Year Ending June 30,	Total
2027	$ 9,244
2028	(22,367)
2029	23,621
2030	(4,708)
Total	$ 5,790

NOTE 9 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 105, *Subsequent Events*. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. This Statement will be effective for the year ending June 30, 2027.

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

During the current fiscal year, the District implemented GASB Statement No. 103, Financial Reporting Model Improvements. This statement enhances the financial reporting model by standardizing presentation structures, expanding communication effectiveness and refining note disclosures. The implementation of GASB Statement No. 103 required the following presentation modifications:

- Reclassification of budgetary comparison schedules from basic financial statements to Required Supplementary Information (RSI) and including additional disclosures in the Note to the RSI – Budget section explaining significant variances between original and final budget estimates and the corresponding actual revenues and expenditures.

The District evaluated the requirements of GASB Statement No. 103 and implemented the applicable provisions during the current fiscal year. Implementation of this Statement resulted in modifications to certain financial statement presentations and disclosures. The adoption of GASB Statement No. 103 had no effect on beginning net position, fund balance, or the District's change in net position for the current year.

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 316
Budgetary Comparison Schedule
Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget - Over (Under)	Actual	Variance with Final Budget - Over (Under)
	Original	Final	Final Budget	Amounts	Actual Amounts
Revenues					
Local property taxes	$ 2,377,977	$ 2,301,669	$ (76,308)	$ 2,369,389	$ 67,720
Other local and county revenues	569,253	792,556	223,303	724,867	(67,689)
Revenue from state sources	13,677,854	13,818,335	140,481	14,030,923	212,588
Revenue from federal sources	428,552	440,958	12,406	582,559	141,601
Sales and other conversion of assets	64,000	65,903	1,903	66,919	1,016
Total revenues	17,117,636	17,419,421	301,785	17,774,657	355,236
Expenditures					
Current					
Administration	925,307	1,081,535	156,228	979,569	(101,966)
District support services	541,659	736,713	195,054	799,109	62,396
Elementary and secondary regular instruction	7,300,915	6,693,680	(607,235)	6,800,090	106,410
Vocational education instruction	227,618	531,784	304,166	293,468	(238,316)
Special education instruction	3,662,552	4,235,915	573,363	4,397,759	161,844
Instructional support services	484,263	693,342	209,079	526,878	(166,464)
Pupil support services	1,914,329	1,978,842	64,513	1,937,549	(41,293)
Sites and buildings	1,333,229	1,393,302	60,073	1,268,971	(124,331)
Fiscal and other fixed cost programs	133,910	133,910	-	133,910	-
Capital outlay					
Administration	4,000	6,734	2,734	2,158	(4,576)
District support services	50,500	500	(50,000)	292	(208)
Elementary and secondary regular instruction	12,878	61,326	48,448	202,352	141,026
Special education instruction	4,000	5,500	1,500	1,902	(3,598)
Instructional support services	6,400	6,400	-	1,462	(4,938)
Sites and buildings	255,700	445,254	189,554	474,948	29,694
Debt service					
Principal	490,513	493,513	3,000	486,937	(6,576)
Interest and fiscal charges	78,400	78,207	(193)	84,360	6,153
Total expenditures	17,426,173	18,576,457	1,150,284	18,391,714	(184,743)
Excess of revenues over (under) expenditures	(308,537)	(1,157,036)	(848,499)	(617,057)	539,979
Other Financing Sources					
Lease issuance	-	-	-	137,902	137,902
Total other financing sources	-	-	-	137,902	137,902
Net change in fund balance	$ (308,537)	$ (1,157,036)	$ (848,499)	(479,155)	$ 677,881
Fund Balance					
Beginning of year				7,039,106	
End of year				$ 6,559,951	

See notes to required supplementary information - budget.

Independent School District No. 316
Notes to the Required Supplementary Information – Budget

Budgetary Comparison Schedules

Final Budget to Actual

Revenues
Actual revenues exceeded the final budget by $355,236 in total. This was caused almost entirely by revenue from state sources and revenue from federal sources being over budget. Revenue from state sources exceeded its budget due to special education aid exceeding expectations while revenue from federal sources exceeded the budget due to receiving more tile and special education funding than anticipated.

Expenditures
Actual expenditures were short of budgeted amounts by $184,743. Several factors assisted in this result. Actual results were lower than the updated expectations in the categories described below.

Vocational Education Instruction - Current – The expenditures are under the final budget due to budgeting for chargeback adjustments but not needing them.

Instructional Support Services - Current – The expenditures are under the final budget due to due to budgeting for chargeback adjustments but not needing them.

Sites and Buildings - Current – The expenditures are under the final budget due to conservative budgeting.

These amounts were offset slightly by the following which exceeded the budget.

Special Education Instruction - Current – The expenditures are over the final budget due to more staff benefits than anticipated.

Elementary and Secondary Regular Instruction - Capital Outlay – The expenditures are over the final budget due to not budgeting for lease transaction.

Original Budget to Final Budget

Revenues
The main variances in budgeted revenues were that other local and county revenues increased $223,303 due to changes in interest income and adding new sources through rent for the Invest Early program and auditorium, new grant amounts for opioid grants, new revenue through a new athletic structure shared with ISD No. 319 and medical assistance revenues. Revenues from State sources increased by $140,481 as a new source of revenue through unemployment taxes was added.

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Budgetary Comparison Schedules (Continued)

Original Budget to Final Budget (Continued)

Expenditures
The main variances in budgeted expenditures were:

- $156,228 increase in administration expenditures due to additional consulting fees, adding a secretary at one location, additional benefit and salary adjustments that were necessary and having fewer chargeback expenses for wages than anticipated.
- $195,054 increase in district support services due to adding expenditures related to a MN DNR error.
- $607,235 decrease to elementary and secondary regular instruction due to updated operating and staffing models and planned chargebacks.
- $573,363 increase in special education instruction due to a lack of certified staff reductions that had been budgeted to occur.
- $209,079 increase in instruction support services due to adjustments to the Indian Education program and incurring chargebacks which were not originally budgeted.
- $189,554 increase in sites and buildings capital outlay due to adding equipment and obtaining a grant that funded additional cyber equipment expenditures.

Independent School District No. 316
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service cost	$ 116,299	$ 103,781	$ 80,366	$ 95,533
Interest	343,522	328,915	375,495	305,114
Plan changes	-	-	-	-
Differences between expected and actual experience	-	-	(27,064)	-
Changes of assumptions	-	(730,313)	(1,039,380)	317,153
Benefit payments	(1,031,444)	(986,511)	(916,357)	(855,350)
Other changes	-	-	-	273,657
Net change in total OPEB liability	(571,623)	(1,284,128)	(1,526,940)	136,107
Beginning of year	13,608,496	13,036,873	11,752,745	10,225,805
End of year	$ 13,036,873	$ 11,752,745	$ 10,225,805	$ 10,361,912
Plan Fiduciary Net Pension (FNP)				
Employer contributions	$ 168,397	$ 151,832	$ -	$ 242,165
Net investment income	120,881	118,371	244,056	208,367
Differences between expected and actual experience	-	-	-	-
Benefit payments	(1,031,444)	(986,511)	(916,357)	(1,016,782)
Administrative expense	-	-	-	-
Other changes	-	-	-	(19,387)
Net change in plan fiduciary net position	(742,166)	(716,308)	(672,301)	(585,637)
Beginning of year	9,874,211	9,132,045	8,415,737	7,743,436
End of year	$ 9,132,045	$ 8,415,737	$ 7,743,436	$ 7,157,799
Net OPEB liability	$ 3,904,828	$ 3,337,008	$ 2,482,369	$ 3,204,113
Plan FNP as a percentage of the total OPEB liability	70.05%	71.61%	75.72%	69.08%
Covered-employee payroll	$ 6,467,420	$ 6,661,443	$ 6,978,806	$ 7,403,815
Net OPEB liability as a percentage of covered-employee payroll	60.38%	50.09%	35.57%	43.28%

See notes to required supplementary information – OPEB.

June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024	June 30, 2025	June 30, 2026
$ 84,487	$ 75,050	$ 48,867	$ 41,207	$ 22,622	$ 24,591
261,555	229,300	288,772	306,050	293,119	263,048
-	44,413	-	-	44,297	-
(225,462)	-	(563,840)	-	(453,835)	-
125,761	(650,190)	(51,492)	(42,648)	247,992	108,843
(778,212)	(706,028)	(762,721)	(748,949)	(706,658)	(675,935)
-	-	-	(497,265)	-	-
(531,871)	(1,007,455)	(1,040,414)	(941,605)	(552,463)	(279,453)
10,361,912	9,830,041	8,822,586	7,782,172	6,840,567	6,288,104
$ 9,830,041	$ 8,822,586	$ 7,782,172	$ 6,840,567	$ 6,288,104	$ 6,008,651
$ 265,189	$ 73,906	$ 65,272	$ 93,342	$ 107,558	$ 101,613
97,610	(115,915)	169,089	261,177	172,864	155,540
-	-	-	(27,351)	(5,631)	23,556
(941,889)	(706,028)	(762,721)	(748,949)	(706,658)	(675,935)
-	-	-		-	-
-	-	-	(78,764)	-	74,092
(579,090)	(748,037)	(528,360)	(500,545)	(431,867)	(321,134)
7,157,799	6,578,709	5,830,672	5,302,312	4,801,767	4,369,900
$ 6,578,709	$ 5,830,672	$ 5,302,312	$ 4,801,767	$ 4,369,900	$ 4,048,766
$ 3,251,332	$ 2,991,914	$ 2,479,860	$ 2,038,800	$ 1,918,204	$ 1,959,885
66.92%	66.09%	68.13%	70.20%	69.49%	67.38%
$ 7,808,489	$ 8,042,743	$ 8,024,018	$ 8,264,739	$ 9,414,575	$ 9,697,012
41.64%	37.20%	30.91%	24.67%	20.37%	20.21%

Independent School District No. 316
Schedule of Investment Returns

	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Annual money-weighted rate of return, net of investment expense	2.70%	1.40%	-1.80%	1.40%

	June 30, 2024	June 30, 2025	June 30, 2026
Annual money-weighted rate of return, net of investment expense	4.50%	3.50%	4.00%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Post Employment Health Care Plan

2026 Changes

Changes in Actuarial Assumptions

- The long-term expected investment return was changed from 3.6% to 3.5%.
- The discount rate was changed from 4.40% to 4.10%.

2025 Changes

Changes in Actuarial Assumptions

- The health care trend rates were updated.
- The expected long-term investment return was changed from 5.00% to 3.60%.
- The discount rate was changed from 4.50% to 4.40%.

2024 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 4.40% to 4.50%.

2023 Changes

Changes in Actuarial Assumptions

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

2022 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.40% to 3.40%.

Changes in Plan Provisions

- A Principal will earn 8 days of longevity pay per year of service up to a maximum accumulation of 80 days. This sum shall be paid by the Principals daily rate of pay and will be paid into a Health Care Savings Plan at retirement. Eligibility for this benefit is 57 years of age and 7 years of service.

2021 Changes

Changes in Actuarial Assumptions

- The health care trend rates, mortality tables and salary increase rates were updated. The discount rate was changed from 2.60% to 2.40%.

Independent School District No. 316
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0382%	$ 3,101,651	$ 40,510	$ 3,142,161	$ 2,369,240	132.6%	68.9%
2017	0.0364%	2,323,752	29,207	2,352,959	2,343,973	100.4%	75.9%
2018	0.0351%	1,947,204	63,957	2,011,161	2,351,187	85.5%	79.5%
2019	0.0334%	1,846,611	57,498	1,904,109	2,374,280	80.2%	80.2%
2020	0.0335%	2,008,478	61,875	2,070,353	2,398,427	86.3%	79.1%
2021	0.0361%	1,541,632	47,075	1,588,707	2,597,120	61.2%	87.0%
2022	0.0353%	2,795,772	82,111	2,877,883	2,645,280	108.8%	76.7%
2023	0.0328%	1,834,139	50,555	1,884,694	2,607,347	72.3%	83.1%
2024	0.0328%	1,213,566	31,380	1,244,946	2,778,267	44.8%	89.1%
2025	0.0285%	944,741	22,790	967,531	2,581,960	37.5%	90.8%

Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0919%	$ 21,902,343	$ 2,199,700	$ 24,102,043	$ 4,778,320	458.4%	44.9%
2017	0.0902%	18,005,556	1,740,199	19,745,755	4,854,107	370.9%	51.6%
2018	0.0900%	5,654,093	531,339	6,185,432	4,973,507	113.7%	78.1%
2019	0.0929%	5,921,466	523,921	6,445,387	5,332,348	111.0%	78.2%
2020	0.0948%	7,003,951	586,697	7,590,648	5,511,843	127.1%	75.5%
2021	0.0944%	4,131,226	348,553	4,479,779	5,649,705	73.1%	86.6%
2022	0.0960%	7,687,172	570,158	8,257,330	5,934,940	129.5%	76.2%
2023	0.1010%	8,338,786	584,256	8,923,042	6,421,614	129.9%	76.4%
2024	0.1013%	6,436,927	420,996	6,857,923	6,711,166	95.9%	82.1%
2025	0.0924%	5,293,998	328,795	5,622,793	6,425,097	82.4%	84.5%

See notes to required supplementary information - pension.

Independent School District No. 316
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2017	$ 175,798	$ 175,798	$ -	$ 2,343,973	7.50%
2018	176,339	176,339	-	2,351,187	7.50%
2019	178,071	178,071	-	2,374,280	7.50%
2020	179,882	179,882	-	2,398,427	7.50%
2021	194,784	194,784	-	2,597,120	7.50%
2022	198,396	198,396	-	2,645,280	7.50%
2023	195,551	195,551	-	2,607,347	7.50%
2024	208,370	208,370	-	2,778,267	7.50%
2025	193,647	193,647	-	2,581,960	7.50%
2026	202,727	202,727	-	2,703,027	7.50%

Schedule Of District Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2017	$ 364,058	$ 364,058	$ -	$ 4,854,107	7.50%
2018	373,013	373,013	-	4,973,507	7.50%
2019	411,124	411,124	-	5,332,348	7.71%
2020	436,538	436,538	-	5,511,843	7.92%
2021	459,321	459,321	-	5,649,705	8.13%
2022	494,974	494,974	-	5,934,940	8.34%
2023	549,048	549,048	-	6,421,614	8.55%
2024	587,227	587,227	-	6,711,166	8.75%
2025	562,196	562,196	-	6,425,097	8.75%
2026	619,179	619,179	-	6,311,713	9.81%

See notes to required supplementary information - pension.

TRA Retirement Fund

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%.

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 Pub-2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint and Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

Changes of Benefit Terms
- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.

2023 Changes
Changes in Actuarial Assumptions
- None

2022 Changes
Changes in Actuarial Assumptions
- None

2021 Changes
Changes in Actuarial Assumptions
- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes
Changes in Actuarial Assumptions
- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes
Changes in Actuarial Assumptions
- None

TRA Retirement Fund (Continued)

2018 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- 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 0% 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.

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 lowered 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.

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.

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- 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.
- 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.

General Employees Fund

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

- 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 6.5% to 7.0%.

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.

General Employees Fund (Continued)

2022 Changes (Continued)
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 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- 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 changes 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.
- 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and 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% thereafter. 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.

General Employees Fund (Continued)

2019 Changes (Continued)
Changes in Plan Provisions
- The employer supplemental contribution was changed prospectively, decreasing from $31 million to $21 million per year. The State's special funding contribution was changed prospectively, requiring $16 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 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% 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 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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. This 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.

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% 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 post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.

General Employees Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

SUPPLEMENTARY INFORMATION

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Independent School District No. 316
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2026

	Special Revenue Funds		
	Food Service	Community Service	Total Nonmajor Funds
Assets			
Cash and investments	$ 173,044	$ 279,408	$ 452,452
Accounts receivable	1,856	2,210	4,066
Due from Department of Education	-	15,410	15,410
Due from Federal Government through Department of Education	8,858	-	8,858
Inventory	35,470	-	35,470
Total assets	$ 219,228	$ 297,028	$ 516,256
Liabilities			
Accounts payable	$ 3,330	$ -	3,330
Salaries and benefits payable	1,420	17,432	18,852
Due to other Minnesota school districts	-	164	164
Unearned revenue	3,540	-	3,540
Total liabilities	8,290	17,596	25,886
Fund Balances			
Nonspendable	35,470	-	35,470
Restricted	175,468	279,432	454,900
Total fund balances	210,938	279,432	490,370
Total liabilities, deferred inflows of resources, and fund balances	$ 219,228	$ 297,028	$ 516,256

Independent School District No. 316
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2026

	Special Revenue Funds		Capital Projects Fund	
	Food Service	Community Service	Building Construction	Total Nonmajor Funds
Revenues				
Local property taxes	$ -	$ 68,684	$ -	$ 68,684
Other local and county revenues	6,551	41,655	3,534	51,740
Revenue from state sources	341,711	188,848	-	530,559
Revenue from federal sources	505,334	-	-	505,334
Sales and other conversion of assets	68,867	-	-	68,867
Total revenues	922,463	299,187	3,534	1,225,184
Expenditures				
Current				
Sites and buildings	-	-	4,329	4,329
Food service	928,719	-	-	928,719
Community education and services	-	308,449	-	308,449
Capital outlay				
Sites and buildings	-	-	144,056	144,056
Food service	18,907	-	-	18,907
Debt service				
Principal	-	2,079	-	2,079
Interest and fiscal charges	-	12	-	12
Total expenditures	947,626	310,540	148,385	1,406,551
Excess of revenues over (under) expenditures	(25,163)	(11,353)	(144,851)	(181,367)
Other Financing Uses				
Transfers out	-	-	(32,343)	(32,343)
Total other financing uses	-	-	(32,343)	(32,343)
Net change in fund balances	(25,163)	(11,353)	(177,194)	(213,710)
Fund Balances				
Beginning of year	236,101	290,785	177,194	704,080
End of year	$ 210,938	$ 279,432	$ -	$ 490,370

Independent School District No. 316
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2026

		Audit	UFARS	Audit-UFARS
01 General Fund				
Total revenue		$ 17,774,657	$ 17,774,653	$ 4
Total expenditures		18,391,714	18,391,709	5
Nonspendable:				
4.60	Nonspendable Fund Balance	-	-	-
Restricted/reserved:				
4.01	Student Activities	126,504	126,505	(1)
4.02	Scholarships	-	-	-
4.03	Staff Development	20,328	20,328	-
4.07	Capital Projects Levy	-	-	-
4.08	Cooperative Programs	-	-	-
4.12	Literacy Incentive Aid	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	1,549,429	1,549,429	-
4.20	American Indian Education Aid	-	-	-
4.24	Operating Capital	-	-	-
4.26	$25 Taconite	159,460	159,460	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	-	-	-
4.35	Contracted Alt. Programs	-	-	-
4.36	State Approved Alt. Program	-	-	-
4.37	Q Comp	33,774	33,774	-
4.38	Gifted and Talented	110,490	110,490	-
4.39	English Learner	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	-	-	-
4.43	School Library Aid	99,794	99,794	-
4.49	Safe School Levy	-	-	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liab Not in Trust	-	-	-
4.53	Unfunded Sev & Retirement Levy	-	-	-
4.56	READ Act - Literacy Aid	-	-	-
4.57	READ Act - Tchr Training Compensaton	-	-	-
4.67	LTFM	(43,232)	(43,232)	-
4.71	Student Support Personnel Aid	-	-	-
4.72	Medical Assistance	100,000	100,000	-
Restricted:				
4.64	Restricted Fund Balance	-	-	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Committed:				
4.18	Committed for Separation	-	-	-
4.61	Committed Fund Balance	431,115	431,115	-
Assigned:				
4.62	Assigned Fund Balance	1,146,869	1,146,869	-
Unassigned:				
4.22	Unassigned Fund Balance	2,825,420	2,825,421	(1)
02 Food Services Fund				
Total revenue		$ 922,463	$ 922,462	$ 1
Total expenditures		947,626	947,625	1
Nonspendable:				
4.60	Nonspendable Fund Balance	35,470	35,470	-
Restricted/reserved:				
4.52	OPEB Liab Not in Trust	-	-	-
Restricted:				
4.64	Restricted Fund Balance	175,468	175,468	-
Unassigned:				
4.63	Unassigned Fund Balance	-	-	-
04 Community Service Fund				
Total revenue		$ 299,187	$ 299,187	$ -
Total expenditures		310,540	310,539	1
Nonspendable:				
4.60	Nonspendable Fund Balance	-	-	-
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	201,937	201,937	-
4.32	E.C.F.E.	21,393	21,393	-
4.37	Q Comp	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	7,385	7,385	-
4.47	Adult Basic Education	-	-	-
4.52	OPEB Liab Not in Trust	-	-	-
4.56	READ Act - Literacy Aid	-	-	-
4.57	READ Act - Tchr Training Compensation	-	-	-
Restricted:				
4.64	Restricted Fund Balance	48,717	48,717	-
Unassigned:				
4.63	Unassigned Fund Balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 Building Construction Fund				
Total revenue		$ 3,534	$ 3,534	$ -
Total expenditures		148,385	148,385	-
Nonspendable:				
4.60	Nonspendable Fund Balance	-	-	-
Restricted/reserved:				
4.07	Capital Projects Levy	-	-	-
4.13	Funded by COP/FP	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted Fund Balance	-	-	-
Unassigned:				
4.63	Unassigned Fund Balance	-	-	-
07 Debt Service Fund				
Total revenue		$ 2,819,838	$ 2,819,839	$ (1)
Total expenditures		2,982,533	2,982,533	-
Nonspendable:				
4.60	Nonspendable Fund Balance	-	-	-
Restricted/reserved:				
4.25	Bond Refunding	-	-	-
4.33	Maximum Effort Loan Aid	-	-	-
4.51	QZAB Payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted Fund Balance	998,112	998,112	-
Unassigned:				
4.63	Unassigned Fund Balance	-	-	-
08 Trust Fund				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.22	Unassigned Fund Balance (Net Assets)	-	-	-
18 Custodial Fund				
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.48	Achievement and Integration	-	-	-
4.64	Restricted Fund Balance	-	-	-
20 Internal Service Fund				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Unassigned Fund Balance (Net Assets)	-	-	-
25 OPEB Revocable Trust				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Unassigned Fund Balance (Net Assets)	-	-	-
45 OPEB Irrevocable Trust				
Total revenue		$ 547,316	$ 547,316	$ -
Total expenditures		958,435	958,435	-
Unassigned:				
4.22	Unassigned Fund Balance (Net Assets)	4,032,873	4,032,872	1
47 OPEB Debt Service				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable Fund Balance	-	-	-
Restricted:				
4.25	Bond Refundings	-	-	-
4.64	Restricted Fund Balance	-	-	-
Unassigned:				
4.63	Unassigned Fund Balance	-	-	-

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CP ASSURANCE

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the School Board
Independent School District No. 316
Coleraine, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 316, Coleraine, Minnesota, as of and for the year ending June 30, 2026, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 20, 2026.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2026-001, that we consider to be a material weakness.

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

District's Response to the Finding
Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of 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.

CP Assurance, Ltd.

St. Cloud, Minnesota
October 20, 2026

Independent School District No. 316
Schedule of Findings and Responses on Internal Control

CURRENT YEAR AND PRIOR YEAR INTERNAL CONTROL FINDING

Audit Finding 2026-001

Criteria:
Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:
The District has a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

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

In order to ensure the basic financial statements were free from material misstatements, an audit adjustment adjusting delinquent property taxes receivable and deferred inflows of resources - unavailable revenue - delinquent property taxes was required.

Context:
This finding impacts the internal control for all significant accounting functions.

Cause:
There are a limited number of office employees.

Effect or Potential Effect:
The lack of adequate segregation of accounting duties could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation:
Continue to review the accounting system and year-end closing process, including changes that may occur. Implement segregation whenever practical.

Independent School District No. 316
Schedule of Findings and Responses on Internal Control

CURRENT YEAR AND PRIOR YEAR INTERNAL CONTROL FINDING (CONTINUED)

Audit Finding 2026-001 (Continued)

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   Administration will review current segregation of accounting duties to determine if further segregation is possible.

3. Official Responsible for Ensuring CAP
   David Pace, Superintendent, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2027.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP

CP ASSURANCE

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 316
Coleraine, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 316, Coleraine, Minnesota, as of and for the year ended June 30, 2026, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 20, 2026.

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

The purpose of this report is 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.

CP Assurance, Ltd.

St. Cloud, Minnesota
October 20, 2026

Independent School District No. 316
Schedule of Findings and Responses on Legal Compliance

PRIOR YEAR LEGAL COMPLIANCE FINDING

Prompt Payment to Subcontractors
Minnesota Statutes § 471.425, Subd. 4a requires contracts of a municipality to have the prime contractor pay any subcontractor within ten days of the prime contractor's receipt of payment. The contract also must require that the prime contractor pay interest of 1.5 % per month or any part of a month to the subcontractor for any undisputed amount not paid to the subcontractor within the ten days.

For contracts entered into during 2025, the District did not include this verbiage in the contracts.

Corrective Action Taken:

No applicable contracts were entered into in Fiscal Year 2026 to document corrective actions taken.