INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2026

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ROSEAU, MINNESOTA
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INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
ROSTER OF SCHOOL OFFICIALS
June 30, 2026

Thor Didrikson	Chairperson
Neal Vatnsdal	Vice-Chairperson
Heather Magnusson	Treasurer
Jodee Haugen	Clerk
David Simmons	Director
Peter Kvien	Director
Thomas A. Jerome	Superintendent

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 682
Roseau, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 682, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 682, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Independent School District No. 682, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District No. 682'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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 682's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Independent School District No. 682's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements, schedule of changes in fund balances, and compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, schedule of changes in fund balances, and compliance table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of school officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 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 the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

BRADY MARTZ, PLLC
GRAND FORKS, NORTH DAKOTA

November 6, 2026

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This section of Independent School District No. 682's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2026. Please read it in conjunction with the District's financial statements, which immediately follow this section.

If you have questions about this report or need additional financial information, contact the Administration Offices, Independent School District No. 682, 509 3rd St. N.E., Roseau, MN 56751

Overview of the Financial Statements

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

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
    - The *governmental activities* comprise of the District's most basic functions such as elementary & secondary regular instructions and special education instruction. Governmental activities are primarily financed by taxes paid by area residents and business and grants from the State of Minnesota and the federal government.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
    - The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

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

Types of Information in the Financial Statements

District-wide Statements

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

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

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional 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 in one category:

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

Fund Financial Statements

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

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

The District has one kind of fund:

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

  The District maintains five individual governmental funds. Information is presented separately both in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, both of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.

Financial Analysis of the District as a Whole

Net Position

Table A-1
Statement of Net Position

	2026	2025	Total Percentage Change
Current and Other Assets	$ 10,641,329	$ 10,182,068	4.5 %
Capital Assets	54,404,273	55,941,591	(2.7)
Total Assets	65,045,602	66,123,659	(1.6)
Deferred Outflows of Resources	1,711,414	2,087,191	(18.0)
Long-Term Liabilities	49,989,620	52,897,285	(5.5)
Other Liabilities	2,881,908	2,773,794	3.9
Total Liabilities	52,871,528	55,671,079	(5.0)
Deferred Inflows of Resources	8,181,773	7,132,295	14.7
Net Position			
Net Investment in Capital Assets	10,183,592	9,956,072	2.3
Restricted	4,021,775	4,235,363	(5.0)
Unrestricted	(8,501,652)	(8,783,959)	3.2
Total Net Position	$ 5,703,715	$ 5,407,476	5.5 %

Table A-1 shows that as of June 30, 2026, the District's total net position – assets and deferred outflows minus liabilities and deferred inflows was $5,703,715, an increase of $296,239 or 5.5 percent from the prior year.

Change in Net Position

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

Table A-2
Change in Net Position

	2026	2025	Total
Revenues			
Program Revenues			
Charges for Services	$ 410,717	$ 349,245	17.6 %
Operating Grants and Contributions	4,246,078	4,718,714	(10.0)
Capital Grants and Contributions	52,021	62,449	(16.7)
General Revenues			
Property Taxes	4,076,111	3,954,914	3.1
Unrestricted State Aid	10,144,231	10,670,241	(4.9)
Other Sources	588,948	474,497	24.1
Total Revenues	19,518,106	20,230,060	(3.5)
Expenses			
Administration	829,481	742,164	11.8
District Support Services	546,104	595,609	(8.3)
Elementary & Secondary Regular Instruction	6,215,870	6,371,385	(2.4)
Vocational Education Instruction	324,785	307,091	5.8
Special Education Instruction	3,243,236	3,051,072	6.3
Community Education and Services	446,212	442,544	0.8
Instructional Support Services	759,325	978,625	(22.4)
Pupil Support Services	1,950,618	2,037,767	(4.3)
Sites and Buildings	2,163,516	2,258,986	(4.2)
Fixed Costs	183,801	138,464	32.7
Interest on Long-Term Debt and Lease Liabilities	1,010,133	1,043,036	(3.2)
Depreciation - Unallocated	1,548,786	1,548,165	0.0
Total Expenses	19,221,867	19,514,908	(1.5)
Change in Net Position	296,239	715,152	
Net Position - Beginning	5,407,476	4,869,903	11.0
GASB 101 Adjustment		(177,579)	
Net Position - Beginning, Restated	5,407,476	4,692,324	15.2
Net Position - Ending	$ 5,703,715	$ 5,407,476	5.5 %

The District's total revenues were $19,518,106 for the year ended June 30, 2026. Property taxes and state aid payments accounted for 91 percent of total revenue for the year. The total cost of all programs and services was $19,221,867. The revenues and expenditures resulted in an increase of net position of $296,239. Various events

contributed to this increase in net position: however, the primary factors affecting the change in net position are as follows:

- For the year ended June 30, 2026, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by $572,004. For the year ended June 30, 2025, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by $404,023.

Financial Analysis of the District's Funds

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

Table A-3
Revenues, Expenditures, and Changes in Fund Balances

	General Fund		Debt Service	
	2026	2025	2026	2025
Total Revenues	$15,168,055	$15,659,660	$2,976,407	$3,375,341
Total Expenditures	15,893,810	15,792,614	2,974,865	3,327,163
Excess (Deficiency) of Revenues over Expenditures	(725,755)	(132,954)	1,542	48,178
Other Financing Sources (Uses)				
Sale of Capital Assets	237,216	18,397	-	-
Transfers Out	-	-	-	-
Total other Financing Sources (Uses)	237,216	18,397	-	-
Net change in Fund Balance	(488,539)	(114,557)	1,542	48,178
Fund Balance - beginning of period	2,637,615	2,752,172	2,508,616	2,460,438
Fund Balances - end of period	$ 2,149,076	$ 2,637,615	$2,510,158	$2,508,616

General Fund

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

Total general fund revenue decreased by $491,605 or 3.1 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on revenue.

Total general fund expenditures increased $101,196 or 0.6 percent from the previous year.

The District saw a decrease in enrollment over the prior year by approximately 58 students. The General Education aid formula provided by the State increased 2.75% to $7,481 per student. An approved salary agreement averaged an increase of 3% for the District.

Debt Service

The Debt Service fund collected levy and State aid allowed by state statute to pay bonds issued by the District.

Significant Capital Assets and Long-Term Financing Activity

Capital Assets

Note 4 to the financial statements presents an analysis of capital assets transactions occurring during the year ended June 30, 2026. Overall, the carrying value of capital assets – original cost minus accumulated depreciation – decreased $1,537,318. Significant additions to capital assets during the year included bleachers, stage curtains, and shop equipment. The District disposals in the current year were $22,371 for a band instrument and a shop machine. Depreciation expense accounted for $1,632,308 during the current fiscal year.

Long-Term Debt

At year-end, the District had $45,015,989 of long-term debt. This consisted of bonded indebtedness of $43,505,000, unamortized premiums of $1,118,172, lease payable of $30,980, and compensated absences payable of $361,837. Note 7 to the financial statements presents details and payment provisions of these items.

Currently Known Facts, Decisions, or Conditions

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

- Student enrollment.
- Health insurance costs.
- Uncertainty as to state funding.
- Deferred maintenance.

2026-2027 District Budget

In June of 2026, the District approved its budget for the fiscal year ending June 30, 2027. The budget anticipates an increase in general education aid of 2.7% with an estimated aid of $7,683 per adjusted pupil unit. The budget also anticipates an increase in payroll related costs of 3% over the prior year.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2026

GOVERNMENTAL ACTIVITIES		
ASSETS		
Cash and Investments	$	6,969,358
Accounts Receivable		9,589
Property Taxes Receivable, Net		2,917,809
Due From Department of Education		498,265
Due From Federal Govt. - DOE		231,672
Inventory		14,636
Capital Assets		
Land		867,888
Other Capital Assets, Net of Depreciation/Amortization		53,536,385
TOTAL ASSETS		65,045,602
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan		1,690,125
Other Postemployment Benefit		21,289
TOTAL DEFERRED OUTFLOWS OF RESOURCES		1,711,414
LIABILITIES		
Accounts Payable		186,796
Payroll Liabilities		146,439
Interest Payable		431,236
Long-Term Liabilities Due Within One Year		2,117,437
Long-Term Liabilities		
Bonds, Net Unamortized Premiums		44,623,172
Compensated Absences		361,837
Other Postemployment Benefit Liability		393,140
Net Pension Liability		6,697,928
Lease Liabilities		30,980
Less Amounts Due Within One Year		(2,117,437)
Total Long-Term Liabilities		49,989,620
TOTAL LIABILITIES		52,871,528
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied - Subs. Years		5,319,109
Cost Sharing Defined Benefit Pension Plan		2,720,743
Other Postemployment Benefit		141,921
TOTAL DEFERRED INFLOWS OF RESOURCES		8,181,773
NET POSITION		
Net Investment in Capital Assets		10,183,592
Restricted For:		
Student Activity		84,566
Student Assistance		8,853
Scholarships		46,030
Staff Development		124,339
Literacy Incentive Aid		70,121
American Indian Ed Aid		49,027
Safe Schools		91,707
LTFM		1,156,997
Medical Assistance		125,019
Debt Service		2,078,922
Food Service		118,034
ECFE		68,160
Unrestricted		(8,501,652)
TOTAL NET POSITION	$	5,703,715

See Notes to the Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Administration	$ 829,481	$	$	$	$ (829,481)
District Support Services	546,104		61,026		(485,078)
Elementary & Secondary Regular Instruction	6,215,870	139,008	919,161	30,302	(5,127,399)
Vocational Education Instruction	324,785		4,389	4,192	(316,204)
Special Education Instruction	3,243,236	41,409	2,387,403		(814,424)
Community Education and Services	446,212	133,101	107,315		(205,796)
Instructional Support Services	759,325	18,329	99,775	13,024	(628,197)
Pupil Support Services	1,950,618	74,335	667,009		(1,209,274)
Sites and Buildings	2,163,516	4,535		4,503	(2,154,478)
Fixed Costs	183,801				(183,801)
Interest on Long-Term Debt and Lease Liabilities	1,010,133				(1,010,133)
Depreciation - Unallocated	1,548,786				(1,548,786)
TOTAL GOVERNMENTAL ACTIVITIES	$ 19,221,867	$ 410,717	$ 4,246,078	$ 52,021	(14,513,051)

GENERAL REVENUES	
Taxes	
Property Taxes, Levied for General Purposes	1,836,142
Property Taxes, Levied for Community Education and Services	173,397
Property Taxes, Levied for Debt Services	2,066,572
Unrestricted State Aid	10,144,231
Unrestricted Investment Earnings	120,705
Gain on Sale of Capital Assets	237,216
Other General Revenue	231,027
TOTAL GENERAL REVENUES	14,809,290
Change in Net Position	296,239
Net Position - Beginning	5,407,476
Net Position - Ending	$ 5,703,715

See Notes to the Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2026

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 2,877,417	$ 3,564,592	$ 527,349	$ 6,969,358
Accounts Receivable			9,589	9,589
Current Property Taxes Receivable	1,200,290	1,694,358	23,998	2,918,646
Delinquent Property Taxes Receivable	42,465	358	1,340	44,163
Due From Department of Education	401,549	86,071	10,645	498,265
Due From Federal Govt. - DOE	231,672			231,672
Due From Other Funds	203,712			203,712
Inventory			14,636	14,636
TOTAL ASSETS	$ 4,957,105	$ 5,345,379	$ 587,557	$ 10,890,041
LIABILITIES				
Accounts Payable	$ 186,796	$	$	$ 186,796
Due To Other Funds			203,712	203,712
Payroll Liabilities	146,439			146,439
TOTAL LIABILITIES	333,235		203,712	536,947
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes	42,465	358	1,340	44,163
Property Taxes Levied - Subs. Years	2,432,329	2,834,863	51,917	5,319,109
TOTAL DEFERRED INFLOWS OF RESOURCES	2,474,794	2,835,221	53,257	5,363,272
FUND BALANCES				
Nonspendable for Inventory			14,636	14,636
Restricted for Student Activity	84,566			84,566
Restricted for Student Assistance	8,853			8,853
Restricted for Scholarships	46,030			46,030
Restricted for Staff Development	124,339			124,339
Restricted for Literacy Incentive Aid	70,121			70,121
Restricted for American Indian Ed Aid	49,027			49,027
Restricted for Safe Schools	91,707			91,707
Restricted for LTFM	1,156,997			1,156,997
Restricted for Medical Assistance	125,019			125,019
Restricted for Max Effort Loan		1,737,800		1,737,800
Restricted for Debt Service		772,358		772,358
Restricted for Food Service			103,398	103,398
Restricted for ECFE			68,160	68,160
Restricted for Capital Project			433,471	433,471
Committed for Severance	95,000			95,000
Unassigned	297,417		(289,077)	8,340
TOTAL FUND BALANCES	2,149,076	2,510,158	330,588	4,989,822
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 4,957,105	$ 5,345,379	$ 587,557	$ 10,890,041

See Notes to the Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2026

Total fund balances - governmental funds	$	4,989,822
Amounts reported for the governmental activities in the statement of net position are different because:		
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		
Cost of capital assets		80,476,526
Less accumulated depreciation/amortization		(26,072,253)
Deferred outflows of resources relating to the cost sharing defined benefit plans and other post-employment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		1,711,414
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Lease Liabilities		(30,980)
Bonds		(43,505,000)
Compensated Absences		(361,837)
Unamortized premiums		(1,118,172)
Other postemployment benefit liability		(393,140)
Net pension liability		(6,697,928)
Deferred inflows of resources relating to the cost sharing defined benefit plans and the other post-employment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		(2,862,664)
Other long-term assets are not available to pay for current period expenditures and, therefore are unavailable in the governmental funds.		44,163
An allowance has been set up for taxes receivable in the government-wide financial statements.		(45,000)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.		(431,236)
Net position of governmental activities	$	5,703,715

See Notes to the Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year End June 30, 2026

	General Fund	Debt Service Fund	Formerly Major Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 1,830,924	$ 2,067,460	$	$ 172,754	$ 4,071,138
Other Local & County Revenues	438,572	48,234		207,300	694,106
Revenue From State Sources	12,451,046	860,713		453,410	13,765,169
Revenue From Federal Sources	447,513			282,585	730,098
Sale/Other Conversion of Asset				68,342	68,342
TOTAL REVENUES	15,168,055	2,976,407		1,184,391	19,328,853
EXPENDITURES					
Current:					
Administration	829,481				829,481
District Support Services	521,190				521,190
Elementary & Secondary Regular Instruction	6,766,022				6,766,022
Vocational Education Instruction	322,253				322,253
Special Education Instruction	3,243,236				3,243,236
Community Education and Services				446,212	446,212
Instructional Support Services	719,053				719,053
Pupil Support Services	1,224,787			665,223	1,890,010
Sites and Buildings	1,931,807				1,931,807
Fixed Costs	181,901				181,901
Debt Service:					
Principal	25,597	1,870,000			1,895,597
Interest and Fees	1,523	1,104,865			1,106,388
Capital Outlay	126,960			251,135	378,095
TOTAL EXPENDITURES	15,893,810	2,974,865		1,362,570	20,231,245
Revenues Over (Under) Expenditures	(725,755)	1,542		(178,179)	(902,392)
OTHER FINANCING SOURCES					
Sale of Capital Assets	237,216				237,216
TOTAL OTHER FINANCING SOURCES	237,216				237,216
Net Change in Fund Balances	(488,539)	1,542		(178,179)	(665,176)
Fund Balances - Beginning, as previously reported	2,637,615	2,508,616	628,729	(119,962)	5,654,998
Change within financial reporting entity (major to nonmajor fund)			(628,729)	628,729	
Fund Balances - Beginning, as restated	2,637,615	2,508,616		508,767	5,654,998
Fund Balances - Ending	$ 2,149,076	$ 2,510,158	$	$ 330,588	$ 4,989,822

See Notes to the Financial Statements.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year End June 30, 2026

Total net change in fund balances - governmental funds	$	(665,176)
Amounts reported for the governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.		
Capital outlays		94,990
Depreciation/amortization expense		(1,632,308)
Change in net pension liability		860,287
Changes in deferred outflows and inflows of resources related to other postemployment benefit liability.		(79,513)
Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.		1,895,597
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 governmental funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of premiums when the debt is first issued, whereas this amount is deferred and amortized in the statement of activities.		92,832
Revenue in the statement of activities that does not provide current financial resources is not reported as revenues in the governmental funds.		4,972
Changes in deferred outflows and inflows of resources related to net pension liability		(288,283)
Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA.		
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)		
Compensated Absences		(38,972)
Other postemployment benefit liability		51,813
Change in net position of governmental activities	$	296,239

See Notes to the Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 682 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

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

C. Basic Financial Statement Presentation

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

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

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

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are generally recognized

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

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

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

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

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

Description of Funds

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

Major Governmental Funds

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

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

Nonmajor Governmental Funds

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

Food Service – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

Community Service – Accounts for the resources designated for programs other than those for elementary and secondary students.

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

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

E. Specific Account Information

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

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

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

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

Taxes Receivable – Taxes receivable represents taxes levied in 2025 which are not payable until 2026, net of the amount received prior to June 30.

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

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

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

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund-based financial statements because it is not known to be available to finance the operations of the District in the current year. The allowance for uncollectible taxes is $45,000.

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

Capital Assets – Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Capital assets are recorded in the district-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for equipment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, *property taxes levied – subs. years,* is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The third item,

Cost Sharing Defined Benefit Pension Plan, represents actuarial differences within PERA and TRA pension plans. The last item, *Other Postemployment Benefits* represents changes in OPEB.

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

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

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

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

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

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

Assigned – Consists of amounts a government intends to use for a specific purpose. These constraints are established by the Board of Education and/or management.

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

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

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements

and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates

G. Change in Accounting Principles

The District implemented GASB Statement No. 103, *Financial Reporting Model Improvements*, in the year ended June 30, 2026. The Statement enhances key components of the financial reporting model, including Management's Discussion and Analysis (MD&A) and required supplementary information. The implementation of this Statement resulted in changes to certain financial statement presentation and disclosure requirements but did not have an effect on the District's beginning net position.

NOTE 2 DEFICIT FUND BALANCE

For the year ended June 30, 2026, the community service fund had a deficit fund balance of $220,917. The District plans to cover this deficit through future revenues or transfers from other funds.

NOTE 3 DEPOSITS AND INVESTMENTS

The District maintains a cash account at its depository bank. Investments are carried at fair value. The District considers certificates of deposit to be cash.

The District's interest income and change in values of securities for the year ended June 30, 2026, was $120,705.

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

	Total
Cash	$ 4,333,361
Investments	2,635,997
Total	$ 6,969,358

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

		Investment Maturities (in Years)	
Investments	Fair Value	<1	1-5
US Treasury	$ 1,356,381	$ 1,356,381	$
Minnesota School District Liquid Asset Fund	1,279,616	1,279,616	
Total Investments	$ 2,635,997	$ 2,635,997	$

Investments	Fair Value Level 1	Fair Value Level 2	Total
US Treasury	$	$ 1,356,381	$ 1,356,381
Minnesota School District Liquid Asset Fund	1,279,616		1,279,616
Total Investments by Fair Value Level	$ 1,279,616	$ 1,356,381	$ 2,635,997

The Minnesota School District Liquid Asset Fund is a common law trust organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Statutes, which govern the temporary

investment of School District monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective.

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

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

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

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

The Minnesota School District Liquid Asset Fund is rated AAA by Standard & Poor’s.

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

Custodial Credit Risk - Deposits – The District does not have a policy for custodial credit risk. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's board, all of which are members of the Federal Reserve System. Minnesota Statutes require that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of June 30, 2026, the District was not exposed to custodial credit risk.

Custodial Credit Risk - Investments - The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 867,888	$	$	$ 867,888
Total Capital Assets, Not Being Depreciated	867,888			867,888
Capital Assets, Being Depreciated:				
Buildings	75,105,563	8,817		75,114,380
Equipment	4,305,888	86,173	22,371	4,369,690
Lease Assets - Equipment	124,568			124,568
Total Capital Assets, Being Depreciated	79,536,019	94,990	22,371	79,608,638
Less Accumulated Depreciation For:				
Land Improvements				
Buildings	20,871,268	1,464,401		22,335,669
Equipment	3,520,459	142,993	22,371	3,641,081
Lease Assets - Equipment	70,589	24,914		95,503
Total Accumulated Depreciation	24,462,316	1,632,308	22,371	26,072,253
Total Capital Assets, Being Depreciated, Net	55,073,703	(1,537,318)		53,536,385
Governmental Activities Capital Assets, Net	$ 55,941,591	$ (1,537,318)	$	$ 54,404,273

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

District Support Services	$ 24,914
Pupil Support Services	58,608
Unallocated	1,548,786
Total Depreciation/Amortization Expense	$ 1,632,308

NOTE 5 DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

Disclosures relating to these plans follow:

A. Public Employees Retirement Association

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

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

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

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2025 annual increase was 1.25 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of June 30 before the effective date of the increase will receive a prorated increase.

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

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2026 and the District was required to contribute 7.50 percent for General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2026, were $224,463. The District's contributions were equal to the required contributions for each year as set by state statute.

Pension Costs – At June 30, 2026, the District reported a liability of $1,055,844 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 $25,447.

District's proportionate share of net pension liability	$ 1,055,844
State of Minnesota's proportionate share of the net pension liability associated with the District	25,447
Total	$ 1,081,291

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 proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 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 0.0319% at the end of the measurement period and 0.0327% for the beginning of the period.

For the year ended June 30, 2026, the District recognized pension expense of $(45,432) for its proportionate share of General Employee Plan's pension expense. In addition, the District recognized an additional $(3,909) 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.

At 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 economic experience	$ 100,599	$
Net difference between projected and actual earning on pension plan inv.		420,130
Changes in actuarial assumptions	25,440	242,946
Changes in proportion		85,088
Employer contributions subsequent to the measurement date	224,463	
Total	$ 350,502	$ 748,164

$224,463 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows and inflows of resources related pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2027	$ (178,352)
2028	(161,740)
2029	(146,031)
2030	(136,002)

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

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

Actuarial Methods and Assumptions – The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25 percent for the General Employees Plan.
- Benefit increases after retirement are assumed to be 1.50 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.50 percent after one year of service to 3.0 percent after 27 years of service.

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

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

The following changes in actuarial assumptions and plan provisions occurred in 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.

Discount Rate – The discount rate used to measure the total pension liability in 2025 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity Analysis- NPL at Different Discount Rates		
1% Decrease	Current	1% Increase
(6.0%)	(7.0%)	(8.0%)
$ 2,564,479	$ 1,055,844	$ (167,999)

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

B. Teachers Retirement Association

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

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

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

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

Tier I Benefits:

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

With these provisions:

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

or

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

Tier II Benefits:

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 65 effective July 1, 2024. An early retirement reduction is applied to members retiring before age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

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

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

Contributions – Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2026 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2026 were $676,261. The District's contributions were equal to the required contributions for each year as set by state statute.

Actuarial Assumptions - The total pension liability in the July 1, 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 studies	August 2, 2023 (demographic and economic assumptions) *
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.0%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028, and 3.25 to 9.25% after June 30, 2028
Cost of Living Adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy Retirees	PubT-2010 (A) 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.*

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 weighing 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	33.50%	5.10%
International Equity	16.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%

Changes in actuarial assumptions since the 2023 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%.

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. There was no change in discount rates 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 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.

Net Pension Liability - On June 30, 2026, the District reported a liability of $5,642,084 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. The District's proportionate share was 0.0985% at the end of the measurement period and 0.0999% 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	$	5,642,084
State's proportionate share of the net pension liability associated with the district	$	350,529

For the year ended June 30, 2026, the District recognized pension expense of $382,590. It also recognized $(8,778) as a decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2025, the State of Minnesota contributed $28.462 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the $28.462 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $37,224 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.

At June 30, 2026, the District had deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 260,176	$ 55,411
Net difference between projected and actual earning on pension plan inv.		1,132,898
Changes in actuarial assumptions	318,703	596,826
Changes in proportion	84,483	187,444
District contributions subsequent to the measurement date	676,261	
Total	$ 1,339,623	$ 1,972,579

$676,261 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2027	$ 345,956
2028	(690,955)
2029	(608,002)
2030	(349,080)
2031	(7,136)

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

Sensitivity Analysis- NPL at Different Discount		
1% Decrease (6.00%)	Current (7.00%)	1% Increase (8.00%)
$ 10,642,540	$ 5,642,084	$ 1,526,741

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

The District recognized total pension expense of $337,158 for all of the pension plans in which it participates.

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS

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

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

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

Employees Covered by Benefit Term – At June 30, 2026, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	2
Active plan members	163
Total Members	165

Total OPEB Liability – The District's total OPEB liability of $393,140 was measured as of July 1, 2025 and was determined by an actuarial valuation as of July 1, 2025.

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

Inflation	2.5 percent
Salary increases	Service graded table
Healthcare Cost Trend Rates	6.50 percent decreasing to 5.0 percent over 6 years and then to 4.0 percent over the next 48 years

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

The discount rate is based on the estimated yield of 20-year municipal bonds. The overall single discount rate is 4.90%.

In the July 1, 2025 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 6/30/2025	$ 444,953
Changes for the year:	
Service Cost	38,692
Interest Cost	18,423
Assumption Changes	(18,780)
Differences Between Expected and Actual Experience	(67,417)
Benefit Payments	(22,731)
Net Changes	(51,813)
Balance at 6/30/2026	$ 393,140

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.9 percent) or one percentage point higher (5.9 percent) than the current rate:

District Total OPEB Liability		
1% Decrease (3.9%)	Current (4.9%)	1% Increase (5.9%)
$ 421,694	$ 393,140	$ 365,890

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.50 percent decreasing to 4.0 percent over 6 years) or one percentage point higher (7.50 percent decreasing to 6.0 percent over 6 years) than the current healthcare cost trend rates:

District Healthcare Cost Trend Rates		
(5.50% decreasing to 4.0% over 6 years)	(6.50% decreasing to 5.0% over 6 years)	(7.50% decreasing to 6.0% over 6 years)
$ 349,170	$ 393,140	$ 444,868

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 $38,391. 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	$ 5,878	$ 38,751
Differences between expected and actual experience	4,720	103,170
Employer contributions paid subsequent to the measurement date	10,691	
Total	$ 21,289	$ 141,921

$10,691 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total other postemployment benefit liability in the year ending June 30, 2027. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ending June 30	OPEB Expense Amount
2027	$ (18,728)
2028	(29,326)
2029	(29,326)
2030	(29,316)
2031	(12,314)
Thereafter	(12,313)

NOTE 7 LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2026 are as follows:

	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
GO School Building Refunding Bonds	$ 6,905,000	$	$ 565,000	$ 6,340,000	$ 575,000
GO School Building Bond	36,330,000		1,180,000	35,150,000	1,230,000
GO Maintenance Bond	2,140,000		125,000	2,015,000	135,000
Unamortized Premium	1,182,671		64,499	1,118,172	64,499
Total Bonds	46,557,671		1,934,499	44,623,172	2,004,499
Lease	56,577		25,597	30,980	26,479
Compensated Absences	322,865	38,972		361,837	86,459
Total Long-Term Liabilities	$ 46,937,113	$ 38,972	$ 1,960,096	$ 45,015,989	$ 2,117,437

Compensated absences are presented net of additions and retirements. The District's interest expense for the year ended June 30, 2026 was $1,010,133.

Leases are generally liquidated by the general fund.

A. General Obligation Bonds

Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 6/30/2026	Amounts Due in 2026-2027 Principal	Amounts Due in 2026-2027 Interest
2016	2.0-2.75%	2027/36	$ 8,395,000	$ 565,000	$ 6,340,000	$ 575,000	$ 153,363
2020	2.0-4.0%	2027/46	39,970,000	1,080,000	34,655,000	1,115,000	799,825
2022	3.0-4.0%	2027/37	2,500,000	125,000	2,015,000	135,000	66,600
2023	2.95-3.2%	2027/30	790,000	100,000	495,000	115,000	15,178
				$ 1,870,000	$ 43,505,000	$ 1,940,000	$ 1,034,966

Annual debt service requirements to maturity are as follows:

Year Ending June 30	G.O. School Building Principal	G.O. School Building Interest
2027	$ 1,940,000	$ 1,034,966
2028	2,020,000	970,073
2029	2,090,000	902,223
2030	2,155,000	843,746
2031	2,085,000	781,713
2032-2036	11,170,000	3,182,050
2037-2041	10,540,000	1,961,175
2042-2046	11,505,000	788,063
	$ 43,505,000	$ 10,464,009

B. Leases

The District leases copy machines and printers. The term of the copier lease is for a period of 60 months, commencing in September 2022 and terminating August 2027, with a monthly payment of $2,260.

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

Maturity Analysis	Principal	Interest	Total Payments
2027	$ 26,479	$ 641	$ 27,120
2028	4,501	19	4,520
Total Future Payments	$ 30,980	$ 660	$ 31,640

NOTE 8 COMPENSATED ABSENCES

The District has compensated absences consisting of severance plans, vacation plans, and sick leave. The District accounts for compensated absences using a days-used approach. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability. At June 30, 2026, the estimated liability under this plan was $361,837.

NOTE 9 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2026 is as follows:

Interfund Receivables/Payables:

Receivable Fund	Payable Fund		Amount
General Fund	Nonmajor Governmental Fund	$	203,712

The purpose of the interfund receivables and payables are to cover negative cash in the community service fund.

NOTE 10 CONTINGENCIES

The District receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2026.

NOTE 11 RISK MANAGEMENT

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

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

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

NOTE 12 NEW PRONOUNCEMENTS

GASB Statement No. 105, *Subsequent Events*, defines subsequent events as transactions or other events occurring after the financial statement date but before the statements are available for issuance. Financial statements are considered available for issuance when they are complete in accordance with generally accepted accounting principles and have received all required approvals. The Statement also requires disclosure of the date through which subsequent events were evaluated and clarifies the distinction between recognized and non-recognized subsequent events, including related note disclosure requirements. This statement is effective for fiscal years beginning after June 15, 2026. Earlier application is encouraged. Management has not yet determined the effect these Statements will have on the District's financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget Over (Under)		Variance with Final Budget Over (Under)
	Original	Final	Final Budget	Actual	Actual
REVENUES					
Local Property Tax Levies	$ 1,865,626	$ 1,969,196	$ 103,570	$ 1,830,924	$ (138,272)
Other Local & County Revenues	327,943	377,343	49,400	438,572	61,229
Revenue From State Sources	12,962,335	12,367,014	(595,321)	12,451,046	84,032
Revenue From Federal Sources	592,527	542,527	(50,000)	447,513	(95,014)
TOTAL REVENUES	15,748,431	15,256,080	(492,351)	15,168,055	(88,025)
EXPENDITURES					
Current					
Administration	829,009	824,557	(4,452)	829,481	4,924
District Support Services	172,513	618,880	446,367	521,190	(97,690)
Elementary & Secondary					
Regular Instruction	6,688,350	6,494,909	(193,441)	6,766,022	271,113
Vocational Education Instruction	284,174	309,175	25,001	322,253	13,078
Special Education Instruction	3,416,723	3,358,605	(58,118)	3,243,236	(115,369)
Instructional Support Services	507,678	566,281	58,603	719,053	152,772
Pupil Support Services	1,287,231	1,313,390	26,159	1,224,787	(88,603)
Sites and Buildings	2,022,192	1,942,226	(79,966)	1,931,807	(10,419)
Fixed Costs	263,467	299,207	35,740	181,901	(117,306)
Debt Service:					
Principal				25,597	25,597
Interest				1,523	1,523
Capital Outlay	167,193	167,193		126,960	(40,233)
TOTAL EXPENDITURES	15,638,530	15,894,423	255,893	15,893,810	(613)
Revenues Over (Under) Expenditures	109,901	(638,343)	(748,244)	(725,755)	(87,412)
OTHER FINANCING SOURCES					
Sale of Capital Assets		238,000	238,000	237,216	(784)
TOTAL OTHER FINANCING SOURCES		238,000	238,000	237,216	(784)
Net Change in Fund Balances	109,901	(400,343)	(510,244)	(488,539)	(88,196)
Fund Balances - Beginning	2,637,615	2,637,615	2,637,615	2,637,615	
Fund Balances - Ending	$ 2,747,516	$ 2,237,272	$ 2,127,371	$ 2,149,076	$ (88,196)

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS

	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total OPEB Liability									
Service Cost	$ 38,470	$ 39,624	$ 34,584	$ 35,622	$ 42,928	$ 44,216	$ 41,441	$ 42,684	$ 38,692
Interest	15,818	15,700	16,307	13,232	13,953	11,186	11,340	17,146	18,423
Assumption Changes			(13,442)		35,278		(39,649)		(18,780)
Difference Between Expected and Actual Experience			(57,319)		28,330		(79,425)		(67,417)
Benefit payments	(89,181)	(28,122)	(36,803)	(31,007)	(34,871)	(43,467)	(47,141)	(23,460)	(22,731)
Net Change in Total OPEB Liability	(34,893)	27,202	(56,673)	17,847	85,618	11,935	(113,434)	36,370	(51,813)
Total OPEB Liability - Beginning	470,981	436,088	463,290	406,617	424,464	510,082	522,017	408,583	444,953
Total OPEB Liability - Ending	$ 436,088	$ 463,290	$ 406,617	$ 424,464	$ 510,082	$ 522,017	$ 408,583	$ 444,953	$ 393,140
Covered Payroll	$ 7,012,762	$ 7,223,145	$ 7,582,543	$ 7,810,019	$ 7,979,271	$ 8,218,649	$ 8,783,432	$ 9,046,935	$ 9,214,234
District's Total OPEB Liability as a Percentage of a Covered Payroll	6.22%	6.41%	5.36%	5.43%	6.39%	6.35%	4.65%	4.92%	4.27%

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

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SCHEDULE OF DISTRICT CONTRIBUTIONS
Last 10 Years

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
PERA					
2017	$ 159,370	$ 159,402	$ (32)	$ 2,124,933	7.50 %
2018	160,631	160,631		2,141,752	7.50
2019	170,841	170,841		2,270,246	7.53
2020	168,960	168,960		2,252,789	7.50
2021	172,717	172,717		2,303,813	7.50
2022	195,731	195,731		2,619,308	7.47
2023	200,751	200,751		2,676,679	7.50
2024	207,800	207,800		2,770,667	7.50
2025	216,420	216,420		2,885,598	7.50
2026	224,463	224,463		2,992,828	7.50
TRA					
2017	$ 406,816	$ 406,816	$	$ 5,424,207	7.50 %
2018	418,279	418,279		5,577,045	7.50
2019	448,223	448,223		5,816,067	7.71
2020	458,079	458,079		5,783,820	7.92
2021	487,513	487,513		5,996,464	8.13
2022	517,106	517,106		6,205,450	8.33
2023	554,472	554,472		6,485,064	8.55
2024	579,365	579,365		6,621,314	8.75
2025	599,163	599,163		6,847,583	8.75
2026	676,261	676,261		6,893,586	9.81

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

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SCHEDULE OF DISTRICT SHARE OF NET PENSION LIABILITY
Last 10 Years

Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA							
2016	0.0332 %	$ 2,695,675	$ 35,276	$ 2,730,951	$ 2,062,548	130.70 %	68.90 %
2017	0.0330	2,106,698	26,526	2,133,224	2,124,933	99.14	75.90
2018	0.0319	1,769,681	57,967	1,827,648	2,141,752	82.63	79.53
2019	0.0321	1,774,737	55,164	1,829,901	2,270,246	78.17	80.23
2020	0.0317	1,900,560	58,647	1,959,207	2,252,789	84.36	79.06
2021	0.0320	1,366,543	41,760	1,408,303	2,303,813	59.32	87.00
2022	0.0348	2,756,171	80,757	2,836,928	2,619,308	105.23	76.67
2023	0.0337	1,884,466	51,905	1,936,371	2,676,679	70.40	83.10
2024	0.0327	1,210,248	53,705	1,263,953	2,770,667	43.68	89.08
2025	0.0319	1,055,844	25,447	1,081,291	2,885,598	36.59	90.78
TRA							
2016	0.1035 %	$ 24,687,220	$ 2,478,199	$ 27,165,419	$ 5,385,130	458.43 %	44.88 %
2017	0.1008	20,121,509	1,944,307	22,065,816	5,424,207	370.96	51.57
2018	0.1009	6,340,230	595,533	6,935,763	5,577,045	113.68	78.07
2019	0.1024	6,526,998	577,816	7,104,814	5,816,067	112.22	78.21
2020	0.0995	7,351,193	615,832	7,967,025	5,783,820	127.10	75.48
2021	0.1002	4,385,052	369,998	4,755,050	5,996,464	73.13	86.63
2022	0.1003	8,031,493	595,396	8,626,889	6,205,450	129.43	76.17
2023	0.1020	8,421,348	589,661	9,011,009	6,485,064	129.86	76.42
2024	0.0999	6,347,967	575,608	6,923,575	6,621,314	95.87	82.07
2025	0.0985	5,642,084	350,529	5,992,613	6,847,583	82.40	84.51

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

NOTE 1 BUDGETARY DATA

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

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

NOTE 2 ACTUAL BUDGET RESULTS

General Fund

Differences – Original Budget to Final Budget:

- The District reduced the final budget for Revenue from State Sources by $595,321 after receiving enrollment numbers for post secondary education students that should not be included.
- The District Support Services expenditures in the original budget included chargebacks with negative expenditures which reduced the total budget. In the final budget these chargebacks were removed causing an increase of $446,367 over the original budget.
- The District reduced the final budget for Elementary & Secondary Regular Instruction expenditures by $193,441 to account for staffing reductions that were made after the original budget was finished.

Differences – Final Budget to Actual Expenditures

- Local Property Tax Levies revenue received were $138,272 less than the anticipated final budget due to less miscellaneous county tax dollars being received as well as over stating the Ramspor property tax levy in the budget by about $58,000 in error.
- Elementary & Secondary Regular Instruction expenditures were over the final budget by $271,113 due to additional salaries and benefits recorded in June that were not reflected in the budget.
- Instructional Support Services expenditure were $152,772 over the final budget due to underbudgeting supplies, as well as software by almost $55,000 and textbooks by about $94,000.

NOTE 3 DEFINED BENEFIT PLANS

PERA

2025 Changes
Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

TRA

Changes in actuarial assumptions since the 2023 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%.

NOTE 4 OTHER POSTEMPLOYMENT BENEFITS

For the fiscal year ending June 30, 2026:

Plan Changes: None

Assumption Changes:

- The health care trend rates and mortality tables were updated.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The discount rate was changed from 3.90% to 4.90%.

Method Changes: None

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2026

	Special Revenue			Total
	Food Service Fund	Community Service Fund	Building Construction Fund	Nonmajor Governmental Funds
ASSETS				
Cash and Investments	$ 93,878	$	$ 433,471	$ 527,349
Accounts Receivable	9,520	69		9,589
Current Property Taxes Receivable		23,998		23,998
Delinquent Property Taxes Receivable		1,340		1,340
Due From Department of Education		10,645		10,645
Inventory	14,636			14,636
TOTAL ASSETS	$ 118,034	$ 36,052	$ 433,471	$ 587,557
LIABILITIES				
Due to Other Funds	$	$ 203,712	$	$ 203,712
TOTAL LIABILITIES		203,712		203,712
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Taxes		1,340		1,340
Property Taxes Levied - Subs. Years		51,917		51,917
TOTAL DEFERRED INFLOWS OF RESOURCES		53,257		53,257
FUND BALANCES				
Nonspendable for Inventory	14,636			14,636
Restricted for Food Service	103,398			103,398
Restricted for ECFE		68,160		68,160
Restricted for Capital Projects			433,471	433,471
Unassigned		(289,077)		(289,077)
TOTAL FUND BALANCES	118,034	(220,917)	433,471	330,588
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 118,034	$ 36,052	$ 433,471	$ 587,557

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2026

	Special Revenue		Formerly Major Fund	Total
	Food Service Fund	Community Service Fund	Building Construction Fund	Nonmajor Governmental Funds
REVENUES				
Local Property Tax Levies	$	$ 172,754	$	$ 172,754
Other Local & County Revenues	5,993	145,430	55,877	207,300
Revenue From State Sources	344,651	108,759		453,410
Revenue From Federal Sources	282,585			282,585
Sale/Other Conversion of Asset	68,342			68,342
TOTAL REVENUES	701,571	426,943	55,877	1,184,391
EXPENDITURES				
Current:				
Community Education and Services		446,212		446,212
Pupil Support Services	665,223			665,223
Capital Outlay			251,135	251,135
TOTAL EXPENDITURES	665,223	446,212	251,135	1,362,570
Net Change in Fund Balances	36,348	(19,269)	(195,258)	(178,179)
Fund Balances - Beginning, as previously reported	81,686	(201,648)		(119,962)
Change within financial reporting entity (major to nonmajor fund)			628,729	628,729
Fund Balances - Beginning, as restated	81,686	(201,648)	628,729	508,767
Fund Balances - Ending	$ 118,034	$ (220,917)	$ 433,471	$ 330,588

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2026

	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	Sale of Capital Assets	UFARS Balance End of Year	Reclass-ification	Financial Statement Balance End of Year
General Fund								
Restricted for:								
Student Activity	$ 95,843	$ 120,180	$ 131,457	$	$	$ 84,566	$	$ 84,566
Student Assistance	9,738	629	1,514			8,853		8,853
Scholarships	41,150	18,580	13,700			46,030		46,030
Staff Development	103,895	60,716	139,405	99,133		124,339		124,339
Literacy Incentive Aid	91,633	45,636	67,148			70,121		70,121
American Indian Ed	12,993	47,000	10,966			49,027		49,027
Operating Capital	229,978	259,239	489,217					
English Learner		25,598	68,110	42,512				
LTFM	1,233,885	260,031	336,919			1,156,997		1,156,997
Medical Assistance	83,610	41,409				125,019		125,019
Safe School	131,351	44,691	84,335			91,707		91,707
Literacy Aid	27,071		27,071					
Committed for:								
Severance	95,000					95,000		95,000
Unassigned	481,468	14,244,346	14,523,968	(141,645)	237,216	297,417		297,417
Food Service Fund								
Nonspendable for Inventory	8,322			6,314		14,636		14,636
Restricted for Food Service	73,364	701,571	665,223	(6,314)		103,398		103,398
Community Service Fund								
Restricted for:								
Community Education	(124,193)	291,661	294,518			(127,050)	127,050	
ECFE	43,483	58,433	33,756			68,160		68,160
School Readiness	(156,705)	71,986	114,790			(199,509)	199,509	
Community Service	35,767	4,863	3,148			37,482	(37,482)	
Unassigned							(289,077)	(289,077)
Building Construction Fund								
Restricted for Capital Project	380,916	55,877	3,322			433,471		433,471
Restricted for LTFM	247,813		247,813					
Debt Service Fund								
Restricted for Max Effort Loan	1,737,800					1,737,800		1,737,800
Restricted for Debt Service	770,816	2,976,407	2,974,865			772,358		772,358

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education
Independent School District No. 682
Roseau, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 682 as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2026.

Legal Compliance

In connection with our audit, we noted that the District failed to comply with provisions of the claims and disbursements section of the *Minnesota Legal Compliance Audit Guide for School Districts,* promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters as described in the schedule of findings as item 2026-004. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of contracting – bid laws, depositories of public funds and public investments, public indebtedness, conflicts of interest, 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*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Purpose of the Report

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

Brady Martz

BRADY MARTZ, PLLC
GRAND FORKS, NORTH DAKOTA

November 6, 2026

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

To the Board of Education
Independent School District No. 682
Roseau, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 682, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings as item 2026-003 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings as items 2026-001 and 2026-002 to be significant deficiencies.

Report on Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

Brady Martz

BRADY MARTZ, PLLC
GRAND FORKS, NORTH DAKOTA

November 6, 2026

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2026-001 FINDING

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

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

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

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

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

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

2026-002 FINDING

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

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

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

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

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

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

2026-003 FINDING

Criteria
An appropriate system of internal controls requires the District to perform monthly bank reconciliations over all accounts that it has to ensure that all transactions are properly recorded.

Condition
The District's investment accounts were not reconciled, and the transactions were not recorded in fiscal year 2026.

Cause
Oversight.

Effect
There is an increased risk of material misstatement to the District's financial statements due to the investment accounts not being reconciled.

Recommendation
We recommend the District reconcile all cash and investment accounts on a monthly basis.

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

2026-004 FINDING

Criteria
Minnesota Statute §471.425, subdivision 2 requires bills to be paid within the time period set by the terms of the contract or within the standard payment period. For school districts that meet once a month, that standard payment period is 35 days.

Condition
During the course of our engagement, we noted 2 checks out of 25 that were selected for testing that were not paid within the 35 day requirement.

Cause
The District had turnover in the business manager position during the period these payments were made late.

Effect
The District is not in compliance with Minnesota Legal Compliance.

Recommendation
We recommend that the District review and update their procedures to ensure that invoices are paid timely.

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

2026-001 FINDING

Contact Person – Thomas A. Jerome, Superintendent

Corrective Action Plan – Will establish policy to document review of financial statements and notes.

Completion Date – Ongoing

2026-002 FINDING

Contact Person – Thomas A. Jerome, Superintendent

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

Completion Date – Ongoing

2026-003 FINDING

Contact Person – Thomas A. Jerome, Superintendent

Corrective Action Plan – Will reconcile cash balances monthly.

Completion Date – Immediately

2026-004 FINDING

Contact Person – Thomas A. Jerome, Superintendent

Corrective Action Plan – The District will review and update its procedures to ensure invoices are paid timely.

Completion Date – Immediately

INDEPENDENT SCHOOL DISTRICT NO. 682
ROSEAU, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2026

District Name: INDEPENDENT SCHOOL DISTRICT NO. 682 **District Number:** 682

	Audit	UFARS	Variance
01 GENERAL FUND			
Total Revenue	15,168,055	15,168,055	
Total Expenditures	15,893,810	15,893,810	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
401 Student Activity	93,419	93,421	(2)
402 Scholarships	46,030	46,030	
403 Staff Development	124,339	124,340	(1)
407 Capital Projects Levy			
408 Cooperative Revenue			
412 Literacy Incentive Aid	70,121	70,121	
414 Operating Debt			
416 Levy Reduction			
417 Taconite Building Maintenance			
420 American Indian Ed Aid	49,027	49,026	1
424 Operating Capital			
426 $25 Taconite			
427 Disabled Accessibility			
428 Learning & Development			
434 Area Learning Center			
435 Contracted Alt Programs			
436 State Approved Alt Program			
437 Q Comp			
438 Gifted & Talented			
439 English Learner			
440 Teacher Development and Eval			
441 Basic Skills Programs			
443 School Library Aid			
448 Achievement and Integration			
449 Safe Schools Levy	91,707	91,707	
451 QZAB Payments			
452 OPEB Liab Not In Trust			
453 Unfunded Sev & Retiremt Levy			
459 Basic Skills Ext Time			
456 Literacy Aid			
457 Teacher Comp Read Act			
467 LTFM	1,156,997	1,156,997	
471 Student Support Personnel			
472 Medical Assistance	125,019	125,019	
Restricted			
464 Restricted Fund Balance			
475 Title VII - Impact Aid			
476 PILT			
Committed			
418 Committed for Separation	95,000	95,000	
461 Committed			
Assigned			
462 Assigned Fund Balance			
Unassigned:			
422 Unassigned Fund Balance	297,417	297,408	9
Reconciliation of General	33,210,941	33,210,934	7
02 FOOD SERVICE			
Total Revenue	701,571	701,571	
Total Expenditures	665,223	665,223	
Non Spendable			
460 Non Spendable Fund Balance	14,636	14,636	
Restricted/Reserved:			
452 OPEB Liab Not In Trust			
Restricted			
464 Restricted Fund Balance	103,398	103,395	3
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of Food Service	1,484,828	1,484,825	3
04 COMMUNITY SERVICE			
Total Revenue	426,943	426,943	
Total Expenditures	446,212	446,212	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
426 $25 Taconite			
431 Community Education	(127,050)	(127,049)	(1)
432 E.C.F.E.	68,160	68,159	1
437 Q Comp			
440 Teacher Development and Eval			
444 School Readiness	(199,509)	(199,508)	(1)
447 Adult Basic Education			
452 OPEB Liab Not In Trust			
456 Literacy Aid			
457 Teacher Comp Read Act			
Restricted			
464 Restricted Fund Balance	37,482	37,483	(1)
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of Community Service	652,238	652,240	(2)
06 BUILDING CONSTRUCTION			
Total Revenue	55,877	55,877	
Total Expenditures	251,135	251,135	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
407 Capital Projects Levy			
413 Projects Funded By COP			
467 LTFM			
Restricted			
464 Restricted Fund Balance	433,471	433,471	
Unassigned:			
463 Unassigned Fund Balance			
Reconciliation of Building Construction	740,483	740,483	
07 DEBT SERVICE			
Total Revenue	2,976,407	2,976,407	
Total Expenditures	2,974,865	2,974,865	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
425 Bond Refundings			
433 Max Effort Loan	1,737,800	1,737,801	(1)
451 QZAB Payments			
467 LTFM			
Restricted			
464 Restricted Fund Balance	772,358	772,362	(4)
Unassigned:			
463 Unassigned Fund Balance			
Reconciliation of Debt Service	8,461,430	8,461,435	(5)
08 TRUST			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of Trust			
20 INTERNAL SERVICE			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of Internal Service			
25 OPEB REVOCABLE TRUST FUND			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of OPEB Revocable Trust			
45 OPEB IRREVOCABLE TRUST FUND			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of OPEB Irrevocable Trust			
47 OPEB DEBT SERVICE FUND			
Total Revenue			
Total Expenditures			
Non Spendable			
460 Non Spendable Fund Balance			
Restricted			
425 Bond Refundings			
464 Restricted Fund Balance			
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of OPEB Debt Service			