

**Independent School District No. 726
Becker, Minnesota**

Basic Financial Statements

June 30, 2025

Independent School District No. 726
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**Independent School District No. 726
Board of Education and Administration
June 30, 2025**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Aaron Jurek	Chair	December 31, 2026
Connie Robinson	Vice-Chair	December 31, 2028
Ryan Hubbard	Treasurer	December 31, 2028
Pete Weismann	Clerk	December 31, 2026
Troy Berning	Director - Resigned	December 31, 2028
Corey Stanger	Director	December 31, 2026
 <u>Administration</u>		
Jeremy Schmidt	Superintendent	
Kevin Januszewski	Director of Business Services	

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Independent Auditor's Report

To the School Board
Independent School District No. 726
Becker, Minnesota

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 726, Becker, Minnesota, as of and for the year ended June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 726, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The management of Independent School District No. 726 is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
October 31, 2025

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Independent School District No. 726 Management's Discussion and Analysis

This section of Independent School District 726, Becker Public Schools' (the "District"), annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Highlights

Key financial highlights for the 2024-2025 fiscal year include the following:

- Enrollment for the District decreased 4 students compared to fiscal year 2024. Projections indicate the District should experience steady enrollment or enrollment growth over the next several years.
- The unassigned fund balance of the General Fund ended at \$3,627,346 on June 30, 2025, as compared to an equivalent balance of \$4,226,779 at June 30, 2024. This is a decrease of \$599,433. Funds assigned for future use by student groups decreased by \$118,905 and non-spendable fund balance decreased by \$20,243. All of these categories represent funds available for use in future fiscal years and are included in the calculation of unrestricted fund balance; the total change in unrestricted fund balance was a decrease of \$738,581.
- General Fund revenues were over budget by \$1,835,101 (4.47%) while expenditures were over budget by \$1,383,838 (3.19%). The largest difference in expenditures over the budget was the result of increased special education costs.
- Governmental net position increased by 18% compared to June 30, 2024. Page 23 illustrates the reconciliation between the change in fund balance and the change in net position for the District, indicating a \$2,626,882 increase in net position for the current year.

Overview of the Financial Statements

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

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

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

Independent School District No. 726 Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

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 and liabilities. 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 and deferred outflows of resources, and liabilities, and deferred inflows of resources is one way to measure the District's financial health or position.

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

Independent School District No. 726 Management's Discussion and Analysis

Overview of the Financial Statements (Continued)

Fund Financial Statements (Continued)

- Proprietary Fund - The Self-Funding Health and Dental Insurance Internal Service fund is used to account for health and dental insurance for District employees.

Financial Analysis of the District as a Whole

The District's combined net position was \$16,923,443 on June 30, 2025. This was an increase of 18% from the prior year (see Table A-1).

**Table A-1
Net Position**

	Governmental Activities		Percentage
	2025	2024	Change
Assets			
Current and other assets	\$ 29,420,972	\$ 32,035,500	-8.2%
Capital and noncurrent assets	87,392,238	85,883,812	1.8%
Total assets	116,813,210	117,919,312	-0.9%
Total Deferred Outflows of Resources	5,512,975	6,593,157	-16.4%
Liabilities			
Current liabilities	11,697,941	10,578,628	10.6%
Long-term liabilities	73,955,303	84,581,543	-12.6%
Total liabilities	85,653,244	95,160,171	-10.0%
Total Deferred Inflows of Resources	19,749,498	15,055,737	31.2%
Net Position			
Net investment in capital assets	37,328,184	33,945,022	10.0%
Restricted	3,995,933	4,972,357	-19.6%
Unrestricted	(24,400,674)	(24,620,818)	0.9%
Total net position	\$ 16,923,443	\$ 14,296,561	18.4%

**Independent School District No. 726
Management's Discussion and Analysis**

Financial Analysis of the District as a Whole (Continued)

The change in the District's financial position is the product of many factors. Governmental activity changed total net position of the District by \$2,626,882 from June 30, 2024 to June 30, 2025. Current assets decreased by approximately \$2.6 million. This is largely the result of spending for the building projects approved by voters in November of 2021. The District's net investment in capital assets increased mostly as a result of paying bonds obligations related to the acquisition of assets. Unrestricted net position, decreased by \$.2 million.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Total %
	2025	2024	Change
Revenues			
Program revenues			
Charges for services	\$ 2,561,534	\$ 3,764,001	-31.9%
Operating grants and contributions	13,002,166	11,499,466	13.1%
Capital grants and contributions	556,777	675,512	-17.6%
General revenues			
Property taxes	12,444,658	12,036,409	3.4%
Unrestricted state aid	22,897,165	22,123,178	3.5%
Investment earnings	708,595	1,174,354	-39.7%
Other	246,772	226,669	8.9%
Total revenues	<u>52,417,667</u>	<u>51,499,589</u>	<u>1.8%</u>
Expenses			
Administration	1,790,219	1,722,301	3.9%
District support services	1,097,369	1,031,215	6.4%
Regular instruction	20,405,189	17,814,579	14.5%
Vocational education instruction	195,053	170,658	14.3%
Special education instruction	7,535,650	7,015,649	7.4%
Instructional support services	2,591,270	2,561,869	1.1%
Pupil support services	3,434,481	3,682,557	-6.7%
Sites and buildings	4,821,879	3,635,796	32.6%
Fiscal and other fixed cost programs	245,485	189,202	29.7%
Food service	2,464,774	2,409,484	2.3%
Community service	1,878,920	1,728,138	8.7%
Unallocated depreciation	1,993,277	1,950,406	2.2%
Interest and fiscal charges on long-term	545,981	545,310	0.1%
Total expenses	<u>48,999,547</u>	<u>44,457,164</u>	<u>10.2%</u>
Increase (Decrease) in Net Position	3,418,120	7,042,425	
Beginning net position	14,296,561	6,704,054	
Change in accounting principle	(791,238)	550,082	
Beginning net position-restated	<u>13,505,323</u>	<u>7,254,136</u>	
Ending net position	<u>\$ 16,923,443</u>	<u>\$ 14,296,561</u>	<u>18.4%</u>

Independent School District No. 726 Management's Discussion and Analysis

Financial Analysis of the District as a Whole (Continued)

The District's total revenues were \$52,417,667 for the year ended June 30, 2025. Property taxes and unrestricted state formula aid accounted for 67% of total revenue for the year. Operating grants attributed for \$13.0 million of revenues district-wide; these include state and federal aids that are set aside for specific programs, such as special education, federal title programs, food service, and aids for community education programs as well as those required to be spent for specific purposes.

The total cost of all programs and services including interest and fiscal charges was \$48,999,547. Total revenues exceeded expenses, increasing net position by \$2,626,882 from the prior year. Page 23 illustrates the reconciliation between the change in fund balance and the change in net position for the District.

The cost of all governmental activities this year was \$48,999,547.

- Some of the cost was paid by the users of the District's programs \$2,561,534.
- The federal and state governments subsidized certain programs with grants and contributions \$13,558,943.
- Most of the District's costs, however, were paid for by District taxpayers and the taxpayers of our state. Remaining governmental activities were paid for with \$12,444,658 in property taxes, with the balance from state aid based on the education aid formula and with investment earnings and other general revenues.

All governmental funds include not only funds received for the general operation of the District, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of food service and community education, and from resources for debt service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in food service or community education or for debt service to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction.

**Independent School District No. 726
Management's Discussion and Analysis**

Governmental Activities

Total costs of services increased by approximately 10.2% across all programs. The increase is due to salary increases.

**Table A-3
Program Expenses and Net Cost of Services**

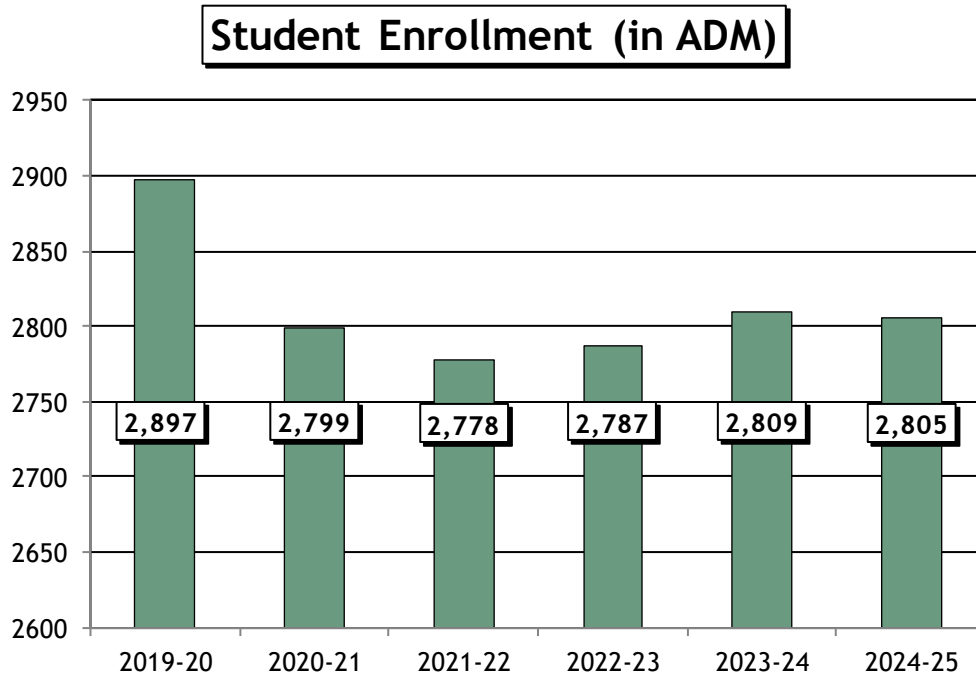
	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2025	2024		2025	2024	
Administration	\$ 1,790,219	\$ 1,722,301	3.9%	\$ 1,790,219	\$ 1,722,301	3.9%
District support services	1,097,369	1,031,215	6.4%	1,097,369	1,031,215	6.4%
Regular instruction	20,405,189	17,814,579	14.5%	16,743,120	14,211,216	17.8%
Vocational education instruction	195,053	170,658	14.3%	191,339	166,313	15.0%
Special education instruction	7,535,650	7,015,649	7.4%	888,247	2,082,289	-57.3%
Instructional support services	2,591,270	2,561,869	1.1%	2,147,573	2,142,647	0.2%
Pupil support services	3,434,481	3,682,557	-6.7%	3,193,301	3,221,805	-0.9%
Sites and buildings	4,821,879	3,635,796	32.6%	4,050,674	1,287,872	214.5%
Fiscal and other fixed cost programs	245,485	189,202	29.7%	245,485	189,202	29.7%
Food service	2,464,774	2,409,484	2.3%	(184,435)	(185,791)	-0.7%
Community service	1,878,920	1,728,138	8.7%	176,920	153,400	15.3%
Unallocated depreciation	1,993,277	1,950,406	2.2%	1,993,277	1,950,406	2.2%
Interest and fiscal charges on long-term liabilities	545,981	545,310	0.1%	545,981	545,310	0.1%
Total	\$ 48,999,547	\$ 44,457,164	10.2%	\$ 32,879,070	\$ 28,518,185	15.3%

**Independent School District No. 726
Management's Discussion and Analysis**

Enrollment

Enrollment is a critical factor in determining District revenue with approximately 90% of General Fund revenue being determined by enrollment. The following chart shows the number of students has decreased by approximately 92 average daily membership (ADM) since 2019-2020; this is an average of 0% growth per year, the district saw a decrease of 4 ADM from 2023-24. It is anticipated the District should experience 1% growth over the next several years. Of the 2,805 ADM for 2024-2025, approximately 406 are the result of net open enrollment gain for the District.

**Table A-4
Six-Year Enrollment Trend ADM**



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.

The majority of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local School Board having no meaningful authority to determine the level of resources. This includes Special Education Aid that is based primarily upon a cost reimbursement model. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

**Independent School District No. 726
Management's Discussion and Analysis**

General Fund (Continued)

The following schedule presents a summary of General Fund revenues:

**Table A-5
General Fund Revenues**

Source	Year Ended		Change	
	June 30, 2025	June 30, 2024	Increase/ (Decrease)	Percent
Local sources				
Property taxes	\$ 8,498,816	\$ 8,116,871	\$ 381,945	4.7%
Earnings on investments	344,500	361,241	(16,741)	-4.6%
Other	1,544,910	1,848,011	(303,101)	-16.4%
State sources	32,268,155	29,924,444	2,343,711	7.8%
Federal sources	219,211	515,673	(296,462)	-57.5%
 Total General Fund revenue	 <u>\$ 42,875,592</u>	 <u>\$ 40,766,240</u>	 <u>\$ 2,109,352</u>	 <u>5.2%</u>

Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state authorized revenue, including operating levy referendum and the property tax shift, also 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 total revenue.

For fiscal year 2025, local property taxes increased by \$381,945, or 4.7%, in the General Fund.

Other revenues include fees, donations, fundraising, and other payments collected. These are revenues used to offset the costs of certain programs, typically extracurricular in nature.

Of the \$2,343,711 increase in revenue from state sources. State aid for special education and general education accounted for the majority of the increase.

**Independent School District No. 726
Management's Discussion and Analysis**

General Fund (Continued)

The following schedule presents a summary of General Fund expenditures:

**Table A-6
General Fund Expenditures**

Source	Year Ended		Change	
	June 30, 2025	June 30, 2024	Increase/ (Decrease)	Percent
Salaries	\$ 23,666,047	\$ 22,265,571	\$ 1,400,476	6.3%
Employee benefits	10,601,702	9,986,409	615,293	6.2%
Purchased services	3,643,992	3,505,389	138,603	4.0%
Supplies and materials	2,441,131	2,130,284	310,847	14.6%
Capital expenditures	4,358,995	2,321,049	2,037,946	87.8%
Other expenditures	6,261	81,521	(75,260)	-92.3%
Total expenditures	<u>\$ 44,718,128</u>	<u>\$ 40,290,223</u>	<u>\$ 4,427,905</u>	<u>11.0%</u>

Total General Fund expenditures increased by 11.0% from the previous year. Salaries and benefits increased as a result of contract settlements and hiring additional staffing. Supplies and materials increased by \$310,847 in the current year.

Unassigned fund balance is an important aspect of the District's overall financial health. The unassigned fund balance of \$3,627,346 at June 30, 2025, represents 8.1% of annual expenditures. Fund balance retention of the District's minimum 8.0% Fund Balance Policy is a priority of the District in order to avoid reductions in programming and to reduce short-term borrowing costs in the future.

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget near year-end. These budget amendments fall into two general categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over.
- Legislation passed subsequent to budget adoption, changes necessitated by collective bargaining agreements, and changes in appropriations for significant unbudgeted costs or unbudgeted cost savings.

Independent School District No. 726 Management's Discussion and Analysis

Debt Service Fund

The Debt Service Fund revenues exceeded expenditures and other financing resources by \$139,941, resulting in a fund balance of \$994,478 as of June 30, 2025.

Building Construction Capital Project Fund

The building construction fund expenditures exceeded revenues and other financing resources by \$1,762,435, resulting in a fund balance of \$2,852,315 as of June 30, 2025.

Other Nonmajor Funds

In the Food Service Fund, revenues exceeded expenditures by \$25,323, resulting in a fund balance of \$1,057,345 as of June 30, 2025. In the Community Service Fund, revenues exceeded expenditures and a transfer from general fund by \$190,017, resulting in a fund balance of \$432,004 as of June 30, 2025.

Capital Asset and Debt Administration

Capital Assets

By the end of 2025, the District had invested \$143.0 million in a broad range of capital assets, including land, school buildings, athletic facilities, computer, and audiovisual equipment and administrative offices (see Table A-7). More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was \$3.9 million.

**Table A-7
Capital Assets**

Asset Category	2025	2024	Percent Change
Land	\$ 639,386	\$ 639,386	0.0%
Construction in progress	2,237,149	40,869,223	-94.5%
Land improvements	43,929,290	8,921,181	392.4%
Buildings and improvements	82,061,531	74,580,586	10.0%
Equipment	14,160,590	12,763,243	10.9%
Less: accumulated depreciation	(55,635,708)	(51,889,807)	7.2%
Total	<u>\$ 87,392,238</u>	<u>\$ 85,883,812</u>	<u>1.7%</u>

**Independent School District No. 726
Management's Discussion and Analysis**

Capital Asset and Debt Administration (Continued)

Long-Term Liabilities

At year-end, the District had \$52,869,644 in G.O. bonds, net of related premiums and discount, the result of voter-approved construction bonds, certificates of participation and note from direct borrowing issued, as shown in Note 4 to the financial statements. The District had an estimated \$233,757 in severance payable as of June 30, 2025, a decrease of \$108,029 from June 30, 2024. The District also recorded a net pension liability in the amount of \$18.9 million, compared to \$25.5 million as of June 30, 2024.

**Table A-8
Long-Term Liabilities**

Category	2025	2024	Percent Change
General obligation bonds	\$ 52,357,809	\$ 55,811,497	-6.2%
Net bond premium and discount	511,835	565,650	-9.5%
Financed purchase agreements	46,725	216,474	-78.4%
Other postemployment benefits payable	5,181,172	5,667,058	-8.6%
Net pension liability	18,864,335	25,451,555	-25.9%
Severance benefits payable	233,757	341,786	-31.6%
Compensated absences payable	1,128,750	246,853	357.3%
Total	\$ 78,324,383	\$ 88,300,873	-11.3%
Long-term liabilities			
Due within one year	\$ 4,369,080	\$ 3,719,330	
Due in more than one year	73,955,303	84,581,543	
Total	\$ 78,324,383	\$ 88,300,873	

Factors Bearing on the District's Future

With the exception of the voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

District voters approved \$525 per pupil in a November 2019 operating referendum in order to prevent significant budget reductions and to restore unassigned fund balance to the 8% level outlined in district policy.

The District will need to closely monitor these variables in the years ahead to strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**Independent School District No. 726
Management's Discussion and Analysis**

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 726, 12000 Hancock Street, Becker, Minnesota 55308.

BASIC FINANCIAL STATEMENTS

Independent School District No. 726
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and investments	\$ 19,282,743
Cash with fiscal agent	128
Current property taxes receivable	5,970,265
Delinquent property taxes receivable	68,798
Accounts receivable	174,516
Due from Department of Education	3,164,918
Due from Federal Government through Department of Education	56,207
Due from other governmental units	206,169
Inventory	34,750
Prepaid items	462,478
Capital assets not being depreciated	
Land	639,386
Construction in progress	2,237,149
Capital assets, net of accumulated depreciation	
Land improvements	43,929,290
Buildings	82,061,531
Machinery and equipment	14,160,590
Less accumulated depreciation	(55,635,708)
Total assets	<u>116,813,210</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to other post employment benefits (OPEB)	486,571
Deferred outflows of resources related to pensions	5,026,404
Total deferred outflows of resources	<u>5,512,975</u>
 Total assets and deferred outflows of resources	 <u>\$ 122,326,185</u>
Liabilities	
Accounts and contracts payable	\$ 3,404,608
Salaries and benefits payable	3,356,825
Interest payable	235,975
Due to other Minnesota School Districts	255,075
Unearned revenue	76,378
Bonds and certificates of participation payable, net of premiums	
Payable within one year	3,288,560
Payable after one year	49,581,084
Financed purchase agreements payable	
Payable within one year	46,725
Compensated absences payable	
Payable within one year	1,010,419
Payable after one year	118,331
Severance payable	
Payable within one year	23,376
Payable after one year	210,381
Total OPEB liability	5,181,172
Net pension liability	18,864,335
Total liabilities	<u>85,653,244</u>
Deferred Inflows of Resources	
Deferred outflows of resources related to OPEB	1,170,300
Deferred inflows of resources related to pensions	6,976,551
Property taxes levied for subsequent year's expenditures	11,602,647
	<u>19,749,498</u>
Net Position	
Net investment in capital assets	37,328,184
Restricted for	
Debt service	800,532
Community service	434,961
Other purposes	2,760,440
Unrestricted	(24,400,674)
Total net position	<u>16,923,443</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 122,326,185</u>

See notes to basic financial statements.

Independent School District No. 726
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Administration	\$ 1,790,219	\$ -	\$ -	\$ -	\$ (1,790,219)
District support services	1,097,369	-	-	-	(1,097,369)
Elementary and secondary regular instruction	20,405,189	595,749	3,066,320	-	(16,743,120)
Vocational education instruction	195,053	-	3,714	-	(191,339)
Special education instruction	7,535,650	115,484	6,531,919	-	(888,247)
Instructional support services	2,591,270	-	443,697	-	(2,147,573)
Pupil support services	3,434,481	22,233	218,947	-	(3,193,301)
Sites and buildings	4,821,879	214,428	-	556,777	(4,050,674)
Fiscal and other fixed cost programs	245,485	-	-	-	(245,485)
Food service	2,464,774	188,502	2,460,707	-	184,435
Community education and services	1,878,920	1,425,138	276,862	-	(176,920)
Unallocated depreciation	1,993,277	-	-	-	(1,993,277)
Interest and fiscal charges on long-term debt	545,981	-	-	-	(545,981)
Total governmental activities	<u>\$ 48,999,547</u>	<u>\$ 2,561,534</u>	<u>\$ 13,002,166</u>	<u>\$ 556,777</u>	<u>(32,879,070)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					8,511,836
Property taxes, levied for community service					232,408
Property taxes, levied for debt service					3,700,414
State aid-formula grants					22,897,165
Other general revenues					187,217
Investment income					708,595
Gain on sale of capital assets					59,555
Total general revenues					<u>36,297,190</u>
Change in net position					<u>3,418,120</u>
Net position - beginning					14,296,561
Change in accounting principle (see Note 11)					<u>(791,238)</u>
Net position - beginning restated					<u>13,505,323</u>
Net position - ending					<u>\$ 16,923,443</u>

See notes to basic financial statements.

Independent School District No. 726
Balance Sheet - Governmental Funds
June 30, 2025

	General	Debt Service	Building Construction Capital Project	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 10,606,859	\$ 2,874,771	\$ 3,079,299	\$ 1,734,582	\$ 18,295,511
Cash with fiscal agent	128	-	-	-	128
Current property taxes receivable	4,027,556	1,826,358	-	116,351	5,970,265
Delinquent property taxes receivable	46,215	21,280	-	1,303	68,798
Accounts receivable	127,247	-	-	40,711	167,958
Due from Department of Education	3,115,271	15,982	-	33,665	3,164,918
Due from Federal Government through Department of Education	56,207	-	-	-	56,207
Due from other governmental units	201,302	-	-	4,867	206,169
Inventory	-	-	-	34,750	34,750
Prepaid items	441,008	-	-	21,470	462,478
Total assets	\$ 18,621,793	\$ 4,738,391	\$ 3,079,299	\$ 1,987,699	\$ 28,427,182
Liabilities					
Accounts and contracts payable	\$ 1,432,640	\$ 2,150	\$ 226,984	\$ 71,602	\$ 1,733,376
Salaries and benefits payable	3,237,294	-	-	119,531	3,356,825
Due to other Minnesota school district:	255,075	-	-	-	255,075
Unearned revenue	15,241	-	-	61,137	76,378
Total liabilities	4,940,250	2,150	226,984	252,270	5,421,654
Deferred Inflows of Resources					
Property taxes levied for subsequent year's expenditures	7,637,387	3,720,483	-	244,777	11,602,647
Unavailable revenue - delinquent property taxes	46,215	21,280	-	1,303	68,798
Total deferred inflows of resources	7,683,602	3,741,763	-	246,080	11,671,445
Fund Balances					
Nonspendable	441,008	-	-	56,220	497,228
Restricted	1,703,095	994,478	2,852,315	1,434,783	6,984,671
Assigned	226,492	-	-	-	226,492
Unassigned	3,627,346	-	-	(1,654)	3,625,692
Total fund balances	5,997,941	994,478	2,852,315	1,489,349	11,334,083
Total liabilities, deferred inflows of resources, and fund balances	\$ 18,621,793	\$ 4,738,391	\$ 3,079,299	\$ 1,987,699	\$ 28,427,182

Independent School District No. 726
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2025

Total fund balances - governmental funds	\$ 11,334,083
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	143,027,946
Less accumulated depreciation	(55,635,708)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bonds and certificates of participation payable	(52,357,809)
Premiums on bonds payable	(511,835)
Financed purchase agreements payable	(46,725)
Compensated absences payable	(1,128,750)
Severance payable	(233,757)
Total OPEB liability	(5,181,172)
Net pension liability	(18,864,335)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	5,026,404
Deferred inflows of resources related to pensions	(6,976,551)
Deferred outflows of resources are created as a result of various differences related to postemployment benefits that are not recognized in the governmental funds.	
Deferred outflows of resources related to OPEB	486,571
Deferred inflows of resources related to OPEB	(1,170,300)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	68,798
The health and dental self insured benefit plan internal service fund is used by management to charge the costs of the self-insured health and dental plans. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.	(677,442)
Governmental funds do not report a liability for accrued interest on bonds, certificates of participation, note, and financed purchases until due and payable.	(235,975)
Total net position - governmental activities	<u>\$ 16,923,443</u>

Independent School District No. 726
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2025

	General	Debt Service	Building Construction Capital Project	Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 8,498,816	\$ 3,695,038	\$ -	\$ 232,055	\$ 12,425,909
Other local and county revenues	1,943,313	100,442	303,321	1,497,106	3,844,182
Revenue from state sources	32,152,671	159,818	7,643	1,859,353	34,179,485
Revenue from federal sources	219,211	-	-	881,192	1,100,403
Sales and other conversion of assets	61,581	-	-	188,502	250,083
Total revenues	<u>42,875,592</u>	<u>3,955,298</u>	<u>310,964</u>	<u>4,658,208</u>	<u>51,800,062</u>
Expenditures					
Current					
Administration	1,840,930	-	-	-	1,840,930
District support services	1,075,633	-	-	-	1,075,633
Elementary and secondary regular instruction	19,953,551	-	-	-	19,953,551
Vocational education instruction	196,994	-	-	-	196,994
Special education instruction	7,745,114	-	-	-	7,745,114
Instructional support services	2,486,393	-	-	-	2,486,393
Pupil support services	3,202,510	-	-	-	3,202,510
Sites and buildings	3,622,266	-	3,321	-	3,625,587
Fiscal and other fixed cost programs	245,485	-	-	-	245,485
Food service	-	-	-	2,455,548	2,455,548
Community education and services	-	-	-	1,927,820	1,927,820
Capital outlay					
Administration	185	-	-	-	185
District support services	127,777	-	-	-	127,777
Elementary and secondary regular instruction	301,008	-	-	-	301,008
Special education instruction	727	-	-	-	727
Instructional support services	491,411	-	-	-	491,411
Pupil support services	670,748	-	-	-	670,748
Sites and buildings	2,330,719	-	2,070,078	-	4,400,797
Food service	-	-	-	219,500	219,500
Debt service					
Principal	369,830	3,253,607	-	-	3,623,437
Interest and fiscal charges	56,847	561,750	-	-	618,597
Total expenditures	<u>44,718,128</u>	<u>3,815,357</u>	<u>2,073,399</u>	<u>4,602,868</u>	<u>55,209,752</u>
Excess of revenues over (under) expenditures	(1,842,536)	139,941	(1,762,435)	55,340	(3,409,690)
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	65,270	-	-	-	65,270
Insurance recovery	15,425	-	-	-	15,425
Transfers in	-	-	-	160,000	160,000
Transfers out	(160,000)	-	-	-	(160,000)
Total other financing sources (uses)	<u>(79,305)</u>	<u>-</u>	<u>-</u>	<u>160,000</u>	<u>80,695</u>
Net change in fund balances	(1,921,841)	139,941	(1,762,435)	215,340	(3,328,995)
Fund Balances					
Beginning of year	<u>7,919,782</u>	<u>854,537</u>	<u>4,614,750</u>	<u>1,274,009</u>	<u>14,663,078</u>
End of year	<u>\$ 5,997,941</u>	<u>\$ 994,478</u>	<u>\$ 2,852,315</u>	<u>\$ 1,489,349</u>	<u>\$ 11,334,083</u>

See notes to basic financial statements.

**Independent School District No. 726
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended June 30, 2025**

Net change in fund balances - total governmental funds	\$ (3,328,995)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	5,450,136
Depreciation expense	(3,935,995)
Disposal of capital assets	(5,715)

OPEB, severance and compensated absences payable are not reported as expenditures in the governmental funds because funds do not require the use of current financial resources; instead, they are expensed in the Statement of Activities.

273,535

Principal payments on long-term debt and leases are recognized as expenditures in the governmental funds but have no effect on the net position in the Statement of Activities.

3,623,437

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

18,801

Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

53,815

Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

1,100,492

The dental and health self insured benefit plan internal service fund is used by management to charge the costs of the self-insured health and dental plans. The increase in net position is reported within the governmental activities column in the Statement of Activities.

149,860

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

18,749

Change in net position - governmental activities	\$ <u>3,418,120</u>
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Independent School District No. 726
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
Revenues				
Local property taxes	\$ 8,433,662	\$ 8,433,662	\$ 8,498,816	\$ 65,154
Other local and county revenues	1,747,009	1,341,009	1,943,313	602,304
Revenue from state sources	30,758,875	31,052,566	32,152,671	1,100,105
Revenue from federal sources	177,154	177,154	219,211	42,057
Sales and other conversion of assets	36,100	36,100	61,581	25,481
Total revenues	41,152,800	41,040,491	42,875,592	1,835,101
Expenditures				
Current				
Administration	1,803,883	1,803,883	1,840,930	37,047
District support services	1,099,387	1,099,387	1,075,633	(23,754)
Elementary and secondary regular instruction	20,511,780	20,718,718	19,953,551	(765,167)
Vocational education instruction	55,000	55,000	196,994	141,994
Special education instruction	7,127,770	7,127,770	7,745,114	617,344
Instructional support services	2,005,468	2,164,986	2,486,393	321,407
Pupil support services	2,894,278	2,894,278	3,202,510	308,232
Sites and buildings	3,304,985	3,456,985	3,622,266	165,281
Fiscal and other fixed cost programs	162,000	162,000	245,485	83,485
Capital outlay				
Administration	-	-	185	185
District support services	100,000	100,000	127,777	27,777
Elementary and secondary regular instruction	111,000	111,000	301,008	190,008
Vocational education instruction	3,900	3,900	-	(3,900)
Special education instruction	5,000	5,000	727	(4,273)
Instructional support services	528,438	513,902	491,411	(22,491)
Pupil support services	539,933	672,344	670,748	(1,596)
Sites and buildings	947,634	1,972,634	2,330,719	358,085
Debt service				
Principal	402,875	415,657	369,830	(45,827)
Interest and fiscal charges	58,553	56,846	56,847	1
Total expenditures	41,661,884	43,334,290	44,718,128	1,383,838
Excess of revenues over (under) expenditures	(509,084)	(2,293,799)	(1,842,536)	451,263
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	30,000	65,270	35,270
Insurance recovery	-	-	15,425	15,425
Transfers out	-	-	(160,000)	(160,000)
Total other financing sources (uses)	-	30,000	(79,305)	(109,305)
Net change in fund balances	\$ (509,084)	\$ (2,263,799)	(1,921,841)	\$ 341,958
Fund Balances				
Beginning of year			7,919,782	
End of year			\$ 5,997,941	

See notes to basic financial statements.

Independent School District No. 726
Statement of Net Position - Proprietary Fund
June 30, 2025

	Governmental Activities - Internal Service Fund
Assets	
Cash	\$ 987,232
Accounts receivable	<u>6,558</u>
Total assets	<u><u>\$ 993,790</u></u>
Liabilities	
Accounts payable	\$ 400
Medical and dental withholding payable	<u>1,670,832</u>
Total liabilities	<u><u>1,671,232</u></u>
Net Position	
Unrestricted	<u><u>\$ (677,442)</u></u>

Independent School District No. 726
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Fund
Year Ended June 30, 2025

	Governmental Activities - Internal Service Fund
Operating Revenues	
Charges for services	<u>\$ 7,231,452</u>
Operating Expenses	
Employee benefits	7,057,073
Professional services	24,159
Supplies	360
Total operating expenses	<u>7,081,592</u>
Operating income (loss)	149,860
Net Position	
Beginning of year	<u>(827,302)</u>
End of year	<u><u>\$ (677,442)</u></u>

Independent School District No. 726
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2025

	Governmental Activities - Internal Service Fund
Cash Flows - Operating Activities	
Receipts from employee contributions	\$ 7,231,516
Employee claims and fees paid	(6,244,284)
Net cash flows - operating activities	<u>987,232</u>
Cash and Cash Equivalents	
Beginning of year	<u>-</u>
End of year	<u><u>\$ 987,232</u></u>
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income (loss)	\$ 149,860
Adjustments to reconcile net cash flows - operating activities	
Accounts receivable	64
Accounts payable	837,308
Net adjustments	<u>837,372</u>
Net cash flows - operating activities	<u><u>\$ 987,232</u></u>

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Independent School District No. 726
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

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

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. Revenue Recognition

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

2. Recording of Expenditures

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

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

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund are employee and District contributions. Operating expenses for proprietary funds include claims paid and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Description of Funds:

Major Funds:

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

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

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Major Funds: (Continued)

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

Nonmajor Funds:

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

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

Proprietary Fund:

Self-Funding Health and Dental Insurance Internal Service Fund - This fund is used to account for health and dental insurance for District employees.

D. Deposits and Investments

Cash and 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 individual funds based on the average of month-end cash and investment balances.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

Cash and investments at June 30, 2025, were comprised of deposits, and investments as outlined in Note 2.

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

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

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2024, less various components, and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in the fiscal year 2025. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

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

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

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

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

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Group purchases for technology, furniture, or other equipment that is purchased as a per quantity that otherwise may be below the individual item threshold, the total threshold is \$25,000. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition cost.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

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 purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 20 years for machinery and equipment.

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

K. Deferred Outflows/Inflows of Resources

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

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item, property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item, deferred inflows of resources related to pensions, is recorded on the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years. The last item, deferred inflows of resources related to OPEB, is recorded on the government-wide Statement of Net Position for various estimate differences that will be amortized and recognized over future years.

L. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

M. Compensated Absences

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

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions

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

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

O. Severance

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. For substantially all employees, early retirement incentive benefits are eliminated if retirement occurs at the normal retirement age of 65 as specified in their contracts. In addition, certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination, subject to certain conditions.

Severance and sick leave that are earned and unused as of June 30, 2025, are shown as a liability in the Statement of Net Position.

P. Fund Equity

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

- **Nonspendable Fund Balances** - These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include items that are inherently not spendable, such as, but not limited to, inventory, prepaid items, long-term receivables, nonfinancial assets held for resale, or the permanent principal of endowment funds.
- **Restricted Fund Balances** - These are amounts that are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.
- **Committed Fund Balances** - These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision-making authority) through resolution.

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Equity (Continued)

- **Assigned Fund Balances** - These are amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the Director of Business Services or the Superintendent.
- **Unassigned Fund Balances** - This is the amount that is the residual in the General Fund not reported in any other classification. The unassigned amount in the General Fund is technically available for expenditure for any purpose. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.
- **Minimum Fund Balance Policy** - The District will strive to maintain a minimum unassigned General Fund balance of one month, or 8%, of the annual budget.

Q. Net Position

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

R. Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

S. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Budgetary control for governmental funds is established by each fund's total appropriations.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Debt Service Funds.

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Budgetary Information (Continued)

4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy that requires the District's deposits to be collateralized as required by *Minnesota Statutes* § 118.03 for an amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage. As of June 30, 2025, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

The District's deposits had a book balance as follows:

Pooled	
Checking	\$ (88,417)
Nonpooled	
Checking	<u>128</u>
Total deposits	<u><u>\$ (88,289)</u></u>

B. Investments

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

Investment Type	Total	Less than 1 year	Rating
Pooled			
MNTrust Investment Shares	\$ 15,497,943	\$ 15,497,943	AAA
LTD	660,527	660,527	AAA
MSDLAF	118,148	118,148	AAA
MSDLAF MAX	2	2	AAA
Nonpooled			
MNTrust Investment Shares	19,907	1,907	AAA
Money Market	<u>3,074,633</u>	<u>3,074,633</u>	AAA
Total investments	<u><u>\$ 19,371,160</u></u>	<u><u>\$ 19,353,160</u></u>	

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The District has a formal investment policy in place as of June 30, 2025, to address the following risks:

Credit Risk: This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District's investment policy refers to *Minnesota Statutes* §§ 118A.01 through 118A.06. Statutes limit investments by type. The District's investments were rated in the table above by Standard & Poor's (S&P).

Concentration of Credit Risk: The District's investment policy indicates the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The District's investment policy places no specific limits on the amount the District may invest in any one issuer.

Interest Rate Risk: This is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy states the portfolio shall be managed in a manner to attain a market rate of return through budgetary and economic cycles while preserving and protecting capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Custodial Credit Risk - Investments: This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states all investment securities purchased shall be held in third party safekeeping by an institution designated as custodial agent.

The District had the following fair value measurements as of June 30, 2025:

Type of Investments	Total	Level 1
Money market	\$ 3,074,633	\$ 3,074,633
Investments at amortized cost	16,296,527	
Total investments	\$ 19,371,160	

C. Deposits and Investments

Summary of cash, deposits, and investments as of June 30, 2025:

Deposits	\$ (88,289)
Investments	19,371,160
Total deposits and investments	\$ 19,282,871

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Cash, deposits, and investments are presented in the June 30, 2025, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 19,282,743
Cash with fiscal agent	<u>128</u>
Total	<u><u>\$ 19,282,871</u></u>

NOTE 3 - INTERFUND ACTIVITY

The District transferred \$160,000 from the General fund to the Community Service nonmajor special revenue fund to offset revenue shortfalls in the early childhood screening program and deficit community education costs.

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 639,386	\$ -	\$ -	\$ 639,386
Construction in progress	40,869,223	3,375,607	42,007,681	2,237,149
Total capital assets not depreciated	<u>41,508,609</u>	<u>3,375,607</u>	<u>42,007,681</u>	<u>2,876,535</u>
Capital assets being depreciated				
Land improvements	8,921,181	35,008,109	-	43,929,290
Buildings	74,580,586	7,480,945	-	82,061,531
Machinery and equipment	12,763,243	1,593,156	195,809	14,160,590
Total capital assets being depreciated	<u>96,265,010</u>	<u>44,082,210</u>	<u>195,809</u>	<u>140,151,411</u>
Less accumulated depreciated for				
Land improvements	5,473,956	1,166,564	-	6,640,520
Buildings	37,730,466	1,897,647	-	39,628,113
Machinery and equipment	8,685,385	871,784	190,094	9,367,075
Total accumulated depreciation	<u>51,889,807</u>	<u>3,935,995</u>	<u>190,094</u>	<u>55,635,708</u>
Total capital assets being depreciated, net	<u>44,375,203</u>	<u>40,146,215</u>	<u>5,715</u>	<u>84,515,703</u>
Governmental activities, capital assets, net	<u><u>\$ 85,883,812</u></u>	<u><u>\$ 43,521,822</u></u>	<u><u>\$ 42,013,396</u></u>	<u><u>\$ 87,392,238</u></u>

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2025, was charged to the following functions:

Administration	\$ 3,102
District Support Services	8,510
Elementary and Secondary Regular Instruction	693,404
Special Education Instruction	578
Instructional Support Services	125,530
Pupil Support Services	318,069
Sites and Buildings	730,212
Food Service	62,193
Community Service	1,120
Unallocated	<u>1,993,277</u>
Total depreciation expense	<u><u>\$ 3,935,995</u></u>

NOTE 5 - LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds						
2013A G.O. School Building Bonds	04/09/13	3.00%	\$ 10,000,000	02/01/30	\$ 7,685,000	\$ 1,625,000
2016A G.O. Crossover Refunding Bonds	10/24/16	2.0%-2.5%	2,235,000	02/01/32	1,275,000	170,000
2022A G.O. School Building Bonds	02/15/22	1.0%-2.93%	37,498,444	02/01/43	36,002,809	1,288,560
2022B G.O. School Building Bonds	02/15/22	3.0%-4.0%	6,510,000	02/01/46	5,935,000	205,000
Total G.O. bonds					<u>50,897,809</u>	<u>3,288,560</u>
Certificates of Participation 2018A	06/15/18	3.0%-4.0%	2,325,000	02/01/33	1,460,000	165,000
Unamortized premiums on bonds					511,835	-
Financed purchase agreements from direct borrowing					46,725	46,725
Compensated absences					1,128,750	1,010,419
Severance					<u>233,757</u>	<u>23,376</u>
Total long-term liabilities					<u><u>\$ 54,278,876</u></u>	<u><u>\$ 4,534,080</u></u>

The long-term bonds and certificate of participation liabilities listed on above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. The note from direct borrowing is payable to the Sherburne and Northern Wright Special Education Cooperative for the District's share of the Cooperative's lease purchase agreement debt. The District entered into various financed purchase agreements for the acquisition of school buses and a fuel tank.

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 5 - LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds

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

Year Ending June 30,	G.O. Bonds	
	Principal	Interest
2026	\$ 3,288,560	\$ 523,528
2027	3,315,375	491,362
2028	3,348,145	461,442
2029	3,379,989	430,548
2030	3,276,873	537,615
2031-2035	14,587,235	4,450,490
2036-2040	12,496,833	6,518,668
2041-2045	6,834,799	4,156,701
2046	370,000	11,100
Total	<u>\$ 50,897,809</u>	<u>\$ 17,581,454</u>

Year Ending June 30,	Certificates of Participation	
	Principal	Interest
2026	\$ 165,000	\$ 48,100
2027	165,000	43,150
2028	175,000	38,200
2029	180,000	32,513
2030	185,000	26,663
2031-2033	590,000	41,825
Total	<u>\$ 1,460,000</u>	<u>\$ 230,451</u>

Year Ending June 30,	Financed Purchase Agreements from Direct Borrowing	
	Principal	Interest
2026	\$ 46,725	\$ 1,042
Total	<u>\$ 46,725</u>	<u>\$ 1,042</u>

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 5 - LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance, as Restated	Additions	Reductions	Ending Balance
Long-Term Liabilities				
G.O. Bonds	\$ 54,151,416	\$ -	\$ 3,253,607	\$ 50,897,809
Certificates of participation	1,620,000	-	160,000	1,460,000
Note from direct borrowing	40,081	-	40,081	-
Bond premiums	565,650	-	53,815	511,835
Financed purchase agreements	216,474	-	169,749	46,725
Compensated absences	1,038,091	90,659	-	1,128,750
Severance	341,786	-	108,029	233,757
Total long-term liabilities	<u>\$ 57,973,498</u>	<u>\$ 90,659</u>	<u>\$ 3,785,281</u>	<u>\$ 54,278,876</u>

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

NOTE 6 - FUND BALANCES/NET POSITION

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

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances

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

	General Fund	Debt Service	Building Construction Capital Project	Nonmajor Funds	Total
Nonspendable for					
Inventory	\$ -	\$ -	\$ -	\$ 34,750	\$ 34,750
Prepaid items	441,008	-	-	21,470	462,478
Total nonspendable	441,008	-	-	56,220	497,228
Restricted/reserved for					
Operating Capital	336,342	-	-	-	336,342
Scholarships	7,061	-	-	-	7,061
Student Activities	18,031	-	-	-	18,031
Long-term Facilities Maintenance	1,223,253	-	-	-	1,223,253
Literacy Incetive Aid	574	-	-	-	574
Literacy Aid	81,064	-	-	-	81,064
READ Act	36,770	-	-	-	36,770
Early Childhood and Family Education	-	-	-	-	-
School Readiness	-	-	-	293,293	293,293
Community Service	-	-	-	119,126	119,126
Debt Service	-	994,478	-	5,086	994,478
Building Construction	-	-	2,852,315	-	2,852,315
Food Service	-	-	-	1,017,278	1,017,278
Total restricted/reserved	1,703,095	994,478	2,852,315	1,434,783	6,984,671
Assigned for					
Building Level Activity	226,492	-	-	-	226,492
Unassigned					
General Purposes	3,627,346	-	-	-	3,627,346
Community Education	-	-	-	(1,654)	(1,654)
Total unassigned	3,627,346	-	-	(1,654)	3,625,692
Total fund balance	\$ 5,997,941	\$ 994,478	\$ 2,852,315	\$ 1,489,349	\$ 11,334,083

Nonspendable for Inventory - This balance represents the portion of fund balance that is not available as amounts have already been spent on inventory.

Nonspendable for Prepaid Items - This balance represents the portion of fund balance that is not available as the amounts have already been spent by the District on items for the next year.

Restricted/Reserved for Operating Capital - This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Scholarships - This balance represents available resources for the scholarship funds.

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

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 6 - FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) - This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* § 123B.595, subd. 12).

Restricted/Reserved for Literacy Incentive Aid - This balance represents the resources available to support implementation of evidence-based reading instruction.

Restricted/Reserved for Literacy Aid - This balance represents resources available for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy.

Restricted/Reserved for Teacher Compensation for READ Act Training - This balance represents resources available for teacher compensation for Read Act training.

Restricted/Reserved for Early Childhood and Family Education - This balance represents the resources available to provide for services for early childhood and family education programming.

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

Restricted/Reserved for Community Service - This balance represents the positive remaining fund balance of Community Service Fund.

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

Restricted for Building Construction - This balance represents the unspent bond proceeds available for future construction costs.

Restricted for Food Service - This balance represents the resources available for food service.

Assigned for Building Level Activity - This balance represents unspent amounts carried over for the subsequent year, which is tracked at each respective school.

Unassigned for Community Education - This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, youth development and youth service programming, early childhood and family education, and extended day programs. This balance was negative as of June 30, 2025.

B. Net Position

Net position restricted for other purposes on the Statement of Net Position is comprised of the total positive restricted fund balances of the General and Food Service Fund adjusted to full accrual.

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2025, was \$1,620,176. The components of pension expense are noted in the following plan summaries.

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

Teachers' Retirement Association

A. Plan Description

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

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

B. Benefits Provided

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

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

Tier I Benefits

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

Independent School District No. 726
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Or

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

Tier II Benefits

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

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

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

Independent School District No. 726
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

C. Contributions

Per *Minnesota Statutes* Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The district's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$1,578,867. The district's contributions were equal to the required contributions for each year as set by state statute.

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

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

Mortality Assumptions

Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Post-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Pub-2010(A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Post-Disability	
Disabled retirees	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

Independent School District No. 726
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

* 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Do Checking	33.5 %	5.10 %
International stocks	16.5	5.30
Private markets	25.0	5.90
Fixed income	25.0	0.75
	<hr/>	
Total	100.0 %	
	<hr/> <hr/>	

Changes in actuarial assumptions since the previous valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub-2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint and Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

Independent School District No. 726
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Net Pension Liability

On June 30, 2025, the District reported a liability of \$16,167,269 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.2544% at the end of the measurement period and 0.2570% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid and total portion of the net pension liability that was associated with the district were as follows:

District's proportionate share of net pension liability	\$ 16,167,269
State's proportionate share of the net pension liability associated with the District	1,057,406

For the year ended June 30, 2025, the District recognized pension expense of \$1,425,560. Included in this amount, the District recognized \$58,126 as pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$12,935 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

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

Independent School District No. 726
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 773,865	\$ 211,630
Net collective difference between projected and actual investment earnings on plan investments	-	2,309,860
Changes of assumptions	1,647,026	1,927,991
Changes in proportion	114,149	402,973
Contributions to TRA subsequent to the measurement date	<u>1,578,867</u>	<u>-</u>
	<u>\$ 4,113,907</u>	<u>\$ 4,852,454</u>
Total		

The \$1,578,867 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
	<u> </u>
2026	\$ (1,140,194)
2027	1,339,439
2028	(1,230,063)
2029	(995,667)
2030	<u>(290,929)</u>
	<u>\$ (2,317,414)</u>
Total	

Independent School District No. 726
Notes to Basic Financial Statements

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

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
\$ 28,468,202	\$ 16,165,393	\$ 6,039,888

H. Pension Plan Fiduciary Net Position

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

B. Benefits Provided

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

Independent School District No. 726
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$509,491. The District's contributions were equal to the required contributions as set by state statute.

Independent School District No. 726
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$2,697,066 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 \$69,741.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0730% at the end of the measurement period and 0.0757% for the beginning of the period.

School's proportionate share of net pension liability	\$ 2,697,066
State of Minnesota's proportionate share of the net pension liability associated with the School	<u>69,741</u>
Total	<u><u>\$ 2,766,807</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$194,616 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$1,870 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedule for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$124,095 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

Independent School District No. 726
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At June 30, 2025, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 258,628	\$ -
Changes in actuarial assumptions	15,197	1,048,851
Net collective difference between projected and actual investment earnings	-	623,489
Change in proportion	129,181	451,757
Contributions paid to PERA subsequent to the measurement date	509,491	-
	<u>\$ 912,497</u>	<u>\$ 2,124,097</u>
Total		

The \$509,491 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2026	\$ (853,283)
2027	(288,924)
2028	(372,170)
2029	(206,714)
	<u>(1,721,091)</u>
Total	

Independent School District No. 726
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Do Checking	33.5 %	5.10 %
International stocks	16.5	5.30
Private markets	25.0	5.90
Fixed income	25.0	0.75
	<hr/>	
Total	100.0 %	
	<hr/> <hr/>	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

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

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

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

Independent School District No. 726
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

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

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

G. Discount Rate

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

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	\$ 5,890,829	\$ 2,697,067	\$ 69,907

Independent School District No. 726
Notes to Basic Financial Statements

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

Public Employees' Retirement Association (Continued)

I. Pension Plan Fiduciary Net Position

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

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health and dental insurance to eligible employees and their spouses through the District's self-insured health insurance plan. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. No assets have been acculturated in a trust.

B. Benefits Paid

Teachers hired prior to July 1, 2015, who have reached 55 years of age and 18 years of service are eligible for District contributions towards single medial insurance until Medicare eligible. Principals hired prior to August 1, 2011, who have 15 years of service are eligible for full family premiums until age 65. Other employees are also eligible for District contributions towards medical insurance as dictated in their contracts until age 65.

C. Members

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

Inactive employees or beneficiaries currently receiving benefits	31
Active employees	433
	<hr/>
Total	464
	<hr/> <hr/>

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2025, the District contributed \$427,614 to the plan.

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount rate	4.10%
Salary increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.50% as of July 1, 2024, decreasing to 5.0% over 6 years, then to 4.0% over the following 48 years.
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

Changes in actuarial assumptions and benefits:

- The discount rate was changed from 3.9% to 4.1%.
- The health care trend rates were updated.

F. Total OPEB Liability

The District's total OPEB liability was measured as of July 1, 2024, and was determined by an actuarial valuation as of July 1, 2024.

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at July 1, 2024	<u>\$ 5,667,058</u>
Changes for the year	
Service cost	279,111
Interest	222,089
Assumption changes	34,960
Plan changes	42,641
Benefit payments	(508,038)
Differences between expected and actual experience	<u>(556,649)</u>
Net changes	<u>(485,886)</u>
Balances at June 30, 2025	<u><u>\$ 5,181,172</u></u>

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 4.1% as well as the liability measured using 1 percentage point lower and 1 percentage point higher than the current discount rate.

	1% Decrease in Discount Rate (3.1%)	Current Discount Rate (4.1%)	1% Increase in Discount Rate (5.1%)
Total OPEB liability	\$ 5,473,716	\$ 5,181,172	\$ 4,896,094

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 1% lower and 1% higher than the current healthcare cost trend rates.

	1% Decrease in Trend Rate (5.25% Decreasing to 4.0%, then 3.0%)	Current Trend Rate (6.25% Decreasing to 5.0%, then 4.0%)	1% Increase in Trend Rate (7.25% Decreasing to 6.0%, then 5.0%)
Total OPEB liability	\$ 4,800,844	\$ 5,181,172	\$ 5,616,107

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 8 - POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The trend rate assumption has not changed since the initial valuation date of July 1, 2024.

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$173,840. As of June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gain or loss	\$ -	\$ 940,735
Changes of assumptions	58,957	229,565
Contributions made subsequent to the measurement date	427,614	-
	<u>427,614</u>	<u>-</u>
Total	<u>\$ 486,571</u>	<u>\$ 1,170,300</u>

The \$427,614 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources will be recognized as OPEB expense as follows:

Year Ending June 30,	Total
2026	\$ (397,418)
2027	(260,574)
2028	(275,006)
2029	(91,396)
2030	(86,949)
Total	<u>\$ (1,111,343)</u>

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2025.

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 9 - RISK MANAGEMENT (CONTINUED)

In 2013, the District began to self-insure for dental insurance. Under this program, the fund provides up to a maximum of \$1,250 for each dental care claim. The General, Food Service, and Community Service Funds of the District participate in the program. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated.

In 2014, the District began to self-insure for health insurance. Under this program, the fund provides up to a maximum of \$2,000,000 for total claims and fixed costs for 2025. The General, Food Service, and Community Service Funds of the District participate in the program. Based on the requirements of GASB Statement No. 10, a liability is reported if information prior to the issuance of the basic financial statements indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated.

Changes in the Fund's dental claims liability amounts for the past three years were as follows:

Year End	Beginning of Year	Expense and Estimates	Claims Payments	End of Year
2023	\$ 38,953	369,310	(377,489)	\$ 30,774
2024	30,774	370,415	(368,112)	33,077
2025	33,077	387,088	(391,195)	28,970

Changes in the fund's health claims liability amounts for the past three years were as follows:

Year End	Beginning of Year	Expense and Estimates	Claims Payments	End of Year
2023	\$ 294,822	7,314,713	(6,948,947)	\$ 660,588
2024	660,588	6,954,805	(6,972,726)	642,667
2025	642,667	6,669,985	(5,670,790)	1,641,862

NOTE 10 - CONTINGENCIES AND COMMITMENTS

A. Program Compliance

Federal and state program activities are subject to financial and compliance regulation. To the extent any expenditures are disallowed, or other compliance features are not met, a liability to the respective grantor agencies could result.

B. Constructions Commitments

As of June 30, 2025, the District had construction commitments totaling \$4,768,349 related to various projects in process.

Independent School District No. 726
Notes to Basic Financial Statements

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE

As of July 1, 2024, the District implemented changes related to GASB Statement No. 101, Compensated Absences. The liability was previously calculated based on vacation balances accrued as of year-end as well as sick leave balances that were accrued as of year-end for vested employees. The liability is now consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave. The resulted in a change in accounting principle on the Statement of Activities in the amount of \$791,238.

Reporting Units Affected by Adjustments to and Restatements of Beginning Balances

	<u>Governmental Activities</u>
Net Position 6/30/24, as previously presented	\$ 14,296,561
Accounting change GASB Statement No. 101 implementation	<u>(791,238)</u>
Net Position 6/30/24, as restated	<u><u>\$ 13,505,323</u></u>

NOTE 12 - GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 103, *Financial Reporting Model Improvements*. The changes required by this Statement provide clarity, enhance the relevance of information, provide more useful information for decision-making and provide for greater comparability amongst government entities. This Statement will be effective for the year ending June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets. This Statement will be effective for the year ending June 30, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 726
Schedule of Changes in Total OPEB Liability
and Related Ratios
June 30, 2025

	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Total OPEB Liability				
Service cost	\$ 326,423	\$ 355,562	\$ 391,174	\$ 366,377
Interest	193,678	203,461	236,128	223,986
Difference between expected and actual experience	-	406,024	-	(826,829)
Changes of assumptions	-	17,196	164,512	5,765
Changes of benefit terms	-	9,754	-	-
Benefit payments	<u>(257,839)</u>	<u>(258,377)</u>	<u>(271,712)</u>	<u>(304,622)</u>
Net change in total OPEB liability	<u>262,262</u>	<u>733,620</u>	<u>520,102</u>	<u>(535,323)</u>
Beginning of year	<u>5,494,158</u>	<u>5,756,420</u>	<u>6,490,040</u>	<u>7,010,142</u>
End of year	<u><u>\$ 5,756,420</u></u>	<u><u>\$ 6,490,040</u></u>	<u><u>\$ 7,010,142</u></u>	<u><u>\$ 6,474,819</u></u>
Covered employee payroll	\$ 16,807,857	\$ 18,597,413	\$ 19,155,335	\$ 19,232,979
Total OPEB Liability as a percentage of covered employee payroll	34.25%	34.90%	36.60%	33.67%

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

<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>	<u>June 30, 2025</u>
\$ 394,491	\$ 296,389	\$ 300,592	\$ 279,111
159,931	142,655	216,754	222,089
-	(678,114)	-	(556,649)
86,592	(423,534)	(26,698)	34,960
-	-	-	42,641
<u>(413,484)</u>	<u>(413,454)</u>	<u>(449,881)</u>	<u>(508,038)</u>
<u>227,530</u>	<u>(1,076,058)</u>	<u>40,767</u>	<u>(485,886)</u>
<u>6,474,819</u>	<u>6,702,349</u>	<u>5,626,291</u>	<u>5,667,058</u>
<u>\$ 6,702,349</u>	<u>\$ 5,626,291</u>	<u>\$ 5,667,058</u>	<u>\$ 5,181,172</u>
\$ 19,809,968	\$ 20,447,465	\$ 21,060,889	\$ 22,471,461
33.83%	27.52%	26.91%	23.06%

Independent School District No. 726
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered 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
2015	0.0723%	\$ 3,746,961	\$ -	\$ 3,746,961	\$ 4,306,773	87.0%	78.19%
2016	0.0695%	5,643,055	73,692	5,716,747	4,602,013	122.6%	68.91%
2017	0.0714%	4,558,129	57,343	4,615,472	4,985,000	91.4%	75.90%
2018	0.0742%	4,116,312	134,963	4,251,275	5,354,427	76.9%	79.53%
2019	0.0757%	4,185,283	129,994	4,315,277	5,327,947	78.6%	80.23%
2020	0.0747%	4,478,606	138,098	4,616,704	5,193,520	86.2%	79.06%
2021	0.0721%	3,078,993	94,024	3,173,017	6,307,653	48.8%	87.00%
2022	0.0842%	6,668,668	195,576	6,864,244	6,019,253	110.8%	76.67%
2023	0.0757%	4,233,059	116,711	4,349,770	6,156,640	68.8%	83.10%
2024	0.0730%	2,697,066	69,741	2,766,807	6,793,213	39.7%	89.08%

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

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered 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
2015	0.2400%	\$ 14,846,374	\$ 1,820,790	\$ 16,667,164	\$ 12,623,680	117.6%	76.77%
2016	0.2427%	57,889,741	5,811,474	63,701,215	13,423,853	431.2%	44.88%
2017	0.2494%	49,784,764	4,812,380	54,597,144	14,116,960	352.7%	51.57%
2018	0.2555%	16,047,791	1,507,712	17,555,503	14,918,599	107.6%	78.07%
2019	0.2628%	16,750,927	1,482,629	18,233,556	15,371,679	109.0%	78.21%
2020	0.2645%	19,541,614	1,637,839	21,179,453	15,381,882	127.0%	75.48%
2021	0.2570%	11,247,088	948,651	12,195,739	15,777,206	71.3%	86.63%
2022	0.2552%	20,435,066	1,515,685	21,950,751	16,341,064	125.1%	76.17%
2023	0.2570%	21,218,496	1,486,312	22,704,808	16,918,686	125.4%	76.42%
2024	0.2544%	16,167,269	1,057,406	17,224,675	18,044,194	89.6%	82.07%

See notes to required supplementary information.

Independent School District No. 726
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

<u>For Fiscal Year Ended June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2016	\$ 323,008	\$ 323,008	\$ -	\$ 4,306,773	7.50%
2017	345,151	345,151	-	4,602,013	7.50%
2018	373,875	373,875	-	4,985,000	7.50%
2019	401,582	401,582	-	5,354,427	7.50%
2020	399,596	399,596	-	5,327,947	7.50%
2021	389,514	389,514	-	5,193,520	7.50%
2022	473,074	473,074	-	6,307,653	7.50%
2023	451,444	451,444	-	6,019,253	7.50%
2024	461,748	461,748	-	6,156,640	7.50%
2025	509,491	509,491	-	6,793,213	7.50%

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

<u>For Fiscal Year Ended June 30,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2014	\$ 801,657	\$ 801,657	\$ -	\$ 11,452,243	7.00%
2016	946,776	946,776	-	12,623,680	7.50%
2017	1,006,789	1,006,789	-	13,423,853	7.50%
2018	1,058,772	1,058,772	-	14,116,960	7.50%
2019	1,150,224	1,150,224	-	14,918,599	7.71%
2020	1,217,437	1,217,437	-	15,371,679	7.92%
2021	1,250,547	1,250,547	-	15,381,882	8.13%
2022	1,315,819	1,315,819	-	15,777,206	8.34%
2023	1,397,161	1,397,161	-	16,341,064	8.55%
2024	1,480,385	1,480,385	-	16,918,686	8.75%
2025	1,578,867	1,578,867	-	18,044,194	8.75%

Independent School District No. 726
Notes to the Required Supplementary Information

TRA Retirement Fund

2024 Changes

Changes in Actuarial Assumptions

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub-2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint and Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

Changes of Benefit Terms

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

2023 Changes

Changes in Actuarial Assumptions

- None

2022 Changes

Changes in Actuarial Assumptions

- None

2021 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

2018 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 726
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2018 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The cost-of-living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

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

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.

Independent School District No. 726
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

Independent School District No. 726
Notes to the Required Supplementary Information

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.

Independent School District No. 726
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.

Independent School District No. 726
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions (Continued)

- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no change since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Independent School District No. 726
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2015 Changes (Continued)

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Independent School District No. 726
Notes to the Required Supplementary Information

Post Employment Health Care Plan

2025 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.9% to 4.1%.
- The health care trend rates were updated.

2024 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.8% to 3.9%.

2023 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.1% to 3.8%.
- The healthcare trend rates, mortality tables, salary increased rates for non-teachers, and withdrawal rates were updated.

2022 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.4% to 2.1%.

2021 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.0% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.1% to 2.4%.

2020 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.5% to 3.1%.

2019 Changes

Changes in Actuarial Assumptions

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with the MP-2017 Generational Scale.
- The discount rate was changed from 3.4% to 3.5%.

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SUPPLEMENTARY INFORMATION

Independent School District No. 726
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Assets			
Cash and investments	\$ 1,101,233	\$ 633,349	\$ 1,734,582
Current property taxes receivable	-	116,351	116,351
Delinquent property taxes receivable	-	1,303	1,303
Accounts receivable	153	40,558	40,711
Due from Department of Education	-	33,665	33,665
Due from other governmental units	-	4,867	4,867
Inventory	34,750	-	34,750
Prepaid Items	5,317	16,153	21,470
Total assets	<u>\$ 1,141,453</u>	<u>\$ 846,246</u>	<u>\$ 1,987,699</u>
Liabilities			
Accounts payable	\$ 58,190	\$ 13,412	\$ 71,602
Salaries and benefits payable	-	119,531	119,531
Unearned revenue	25,918	35,219	61,137
Total liabilities	<u>84,108</u>	<u>168,162</u>	<u>252,270</u>
Deferred Inflows of Resources			
Property taxes levied for subsequent year's expenditures	-	244,777	244,777
Unavailable revenue - delinquent property taxes	-	1,303	1,303
Total deferred inflows of resources	<u>-</u>	<u>246,080</u>	<u>246,080</u>
Fund Balances			
Nonspendable	40,067	16,153	56,220
Restricted	1,017,278	417,505	1,434,783
Unassigned	-	(1,654)	(1,654)
Total fund balances	<u>1,057,345</u>	<u>432,004</u>	<u>1,489,349</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,141,453</u>	<u>\$ 846,246</u>	<u>\$ 1,987,699</u>

Independent School District No. 726
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2025

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Revenues			
Local property taxes	\$ -	\$ 232,055	\$ 232,055
Other local and county revenues	51,162	1,445,944	1,497,106
Revenue from state sources	1,579,515	279,838	1,859,353
Revenue from federal sources	881,192	-	881,192
Sales and other conversion of assets	188,502	-	188,502
Total revenues	<u>2,700,371</u>	<u>1,957,837</u>	<u>4,658,208</u>
Expenditures			
Current			
Food service	2,455,548	-	2,455,548
Community education and services	-	1,927,820	1,927,820
Capital outlay			
Food service	219,500	-	219,500
Total expenditures	<u>2,675,048</u>	<u>1,927,820</u>	<u>4,602,868</u>
Excess of revenue over (under) expenditures	25,323	30,017	55,340
Other Financing Sources			
Transfers in	-	160,000	160,000
Net change in fund balances	25,323	190,017	215,340
Fund Balances			
Beginning of year	<u>1,032,022</u>	<u>241,987</u>	<u>1,274,009</u>
End of year	<u>\$ 1,057,345</u>	<u>\$ 432,004</u>	<u>\$ 1,489,349</u>

Independent School District No. 726
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2025

	Audited	UFARS	Audit-UFARS		Audited	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 42,875,592	\$ 42,875,593	\$ (1)	Total revenue	\$ 310,964	\$ 310,963	\$ 1
Total expenditures	44,718,128	44,718,131	(3)	Total expenditures	2,073,399	2,073,398	1
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	441,008	441,008	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	18,031	18,031	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	7,061	7,061	-	4.13 Building Projects Funded By COP	-	-	-
4.03 Staff Development	-	-	-	4.67 LTFM	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	2,852,315	2,852,316	(1)
4.12 Literacy Incentive Aid	574	574	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maint	-	-	-	07 DEBT SERVICE FUND			
4.20 American Indian Ed Aid	-	-	-	Total revenue	\$ 3,955,298	\$ 3,955,298	\$ -
4.24 Operating Capital	336,342	336,342	-	Total expenditures	3,815,357	3,815,358	(1)
4.26 \$25 Taconite	-	-	-	<i>Nonspendable:</i>			
4.27 Disabled Accessibility	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.28 Learning and Development	-	-	-	<i>Restricted/reserved:</i>			
4.34 Area Learning Center	-	-	-	4.25 Bond refundings	-	-	-
4.35 Contracted Alternative Programs	-	-	-	4.33 Maximum Effort Loan Aid	-	-	-
4.36 State Approved Alternative Learning Program	-	-	-	4.51 QZAB Payments	-	-	-
4.37 Quality Compensation - Alternative Teacher Professional Pay System	-	-	-	4.67 LTFM	-	-	-
4.38 Gifted and Talented	-	-	-	<i>Restricted:</i>			
4.39 English Learner	-	-	-	4.64 Restricted fund balance	994,478	994,478	-
4.40 Teacher Development And Evaluation	-	-	-	<i>Unassigned:</i>			
4.41 Basic Skills Programs	-	-	-	4.63 Unassigned fund balance	-	-	-
4.43 School Library Aid	-	-	-				
4.48 Achievement and Integration Revenue	-	-	-	08 TRUST FUND			
4.49 Safe School Revenue	-	-	-	Total revenue	\$ -	\$ -	\$ -
4.51 QZAB Payments	-	-	-	Total expenditures	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-	<i>Unassigned:</i>			
4.56 Read Act	81,064	81,064	-	4.01 Student Activities	-	-	-
4.57 Teacher Compensation for Read Act Training	36,770	36,770	-	4.02 Scholarships	-	-	-
4.67 Long-term Facilities Maintenance	1,223,253	1,223,253	-	4.22 Unassigned fund balance (net position)	-	-	-
4.71 Student Support Personnel	-	-	-				
4.72 Medical Assistance	-	-	-	18 CUSTODIAL			
<i>Restricted:</i>				Total revenue	\$ -	\$ -	\$ -
4.64 Restricted fund balance	-	-	-	Total expenditures	-	-	-
4.75 Title VII - Impact Aid	-	-	-	<i>Restricted/Reserved:</i>			
4.76 Payments in Lieu of Taxes	-	-	-	4.01 Student Activities	-	-	-
<i>Committed:</i>				4.02 Scholarships	-	-	-
4.18 Committed for separation	-	-	-	4.48 Achievement and Integration	-	-	-
4.61 Committed	-	-	-	4.64 Restricted	-	-	-
<i>Assigned:</i>							
4.62 Assigned fund balance	226,492	226,492	-	20 INTERNAL SERVICE FUND			
<i>Unassigned:</i>				Total revenue	\$ 7,231,452	\$ 7,231,451	\$ 1
4.22 Unassigned fund balance (net position)	3,627,346	3,627,344	2	Total expenditures	7,081,592	7,081,592	-
				<i>Unassigned:</i>			
02 FOOD SERVICES FUND				4.22 Net position	(677,442)	(677,442)	-
Total revenue	\$ 2,700,371	\$ 2,700,370	\$ 1				
Total expenditures	2,675,048	2,675,047	1	25 OPEB REVOCABLE TRUST			
<i>Nonspendable:</i>				Total revenue	\$ -	\$ -	\$ -
4.60 Nonspendable fund balance	40,067	40,068	(1)	Total expenditures	-	-	-
<i>Restricted/reserved:</i>				<i>Unassigned:</i>			
4.52 OPEB Liabilities not held in trust	-	-	-	4.22 Net position	-	-	-
<i>Restricted:</i>							
4.64 Restricted fund balance	1,017,278	1,017,278	-	45 OPEB IRREVOCABLE TRUST			
<i>Unassigned:</i>				Total revenue	\$ -	\$ -	\$ -
4.63 Unassigned fund balance	-	-	-	Total expenditures	-	-	-
				<i>Unassigned:</i>			
04 COMMUNITY SERVICE FUND				4.22 Net position	-	-	-
Total revenue	\$ 1,957,837	\$ 1,957,838	\$ (1)				
Total expenditures	1,927,820	1,927,819	1	47 OPEB DEBT SERVICE			
<i>Nonspendable:</i>				Total revenue	\$ -	\$ -	\$ -
4.60 Nonspendable fund balance	16,153	16,153	-	Total expenditures	-	-	-
<i>Restricted/reserved:</i>				<i>Nonspendable:</i>			
4.26 \$25 Taconite	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.31 Community Education	(1,654)	(1,654)	-	<i>Restricted:</i>			
4.32 ECFE	293,293	293,293	-	4.25 Bond refundings	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	4.64 Restricted fund balance	-	-	-
4.44 School Readiness	119,126	119,126	-	<i>Unassigned:</i>			
4.47 Adult Basic Education	-	-	-	4.63 Unassigned fund balance	-	-	-
4.52 OPEB Liabilities not Held In Trust	-	-	-				
<i>Restricted:</i>							
4.64 Restricted fund balance	5,086	5,088	(2)				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				



**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***

Independent Auditor's Report

To the School Board
Independent School District No. 726
Becker, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 726, Becker, Minnesota, as of and for the year ending June 30, 2025, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 31, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses, or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance as Audit Finding 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic 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 basic financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to the Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
October 31, 2025

**Independent School District No. 726
Schedule of Findings on Internal Control**

CURRENT AND PRIOR YEAR INTERNAL CONTROL FINDING:

Significant Deficiency: Audit Finding 2025-001

Criteria:

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

Condition:

The District does not have adequate segregation of accounting duties.

Context:

This finding impacts the internal control for all significant accounting functions. Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

Effect or Potential Effect:

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

Cause:

There are a limited number of office employees.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

**Independent School District No. 726
Schedule of Findings on Internal Control**

Audit Finding 2025-001 (Continued)

Views of the Responsible Officials and Planned Corrective Actions:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
The District reviews and makes improvements to its internal controls on an ongoing basis and attempts to maximize the segregation of duties in all areas within the limits of the staff available.
3. Official Responsible for Ensuring CAP
Kevin Januszewski, Director of Business Services, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP
The School Board will be monitoring this CAP.



Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 726
Becker, 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. 726, Becker, Minnesota, as of and for the year ended June 30, 2025, and the related notes to basic financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2025.

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
October 31, 2025