

**BRECKENRIDGE SCHOOL BOARD MEETING
INDEPENDENT SCHOOL DISTRICT #846
TUESDAY, NOVEMBER 25, 2025
SPECIAL MEETING - 7:00 AM
BHS MEDIA CENTER ROOM #215
710 13TH STREET NORTH
BRECKENRIDGE, MN 56520**

AGENDA

- 1. Call the Meeting to Order**
 - A. Pledge of Allegiance
- 2. Approval of Agenda**
- 3. Public Input**
- 4. *Approval of Consent Agenda***
 - A. Resignations
 1. Jerry Rosenthal, Facilities Manager
 - B. Financials

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**Breckenridge Public School
Payment Reg by Bank and Check**

Bank	Batch	Pmt No	Check No	Pay Type	Grp Code	Rcd	Vendor	Tax Class	Print	Recon	Void	Pay/Void Date	Amount
FAB		47465		Wire	1 00039		MIN DEPT OF REVENUE (EFT)		No	No	No	11/14/2025	8,127.15
FAB		47466		Wire	1 00599		P.E.R.A.		No	No	No	11/14/2025	13,264.15
FAB		47467		Wire	1 00600		TEACHERS RETIREMENT ASSN.		No	No	No	11/14/2025	30,894.50
FAB		47468		Wire	1 01233		EFTPS		No	No	No	11/14/2025	61,421.85
FAB		47469		Wire	1 2277		EDUCATORS BENEFIT ACH		No	No	No	11/14/2025	8,929.20
FAB		47537		Wire	1 00039		MN DEPT OF REVENUE (EFT)		No	No	No	11/18/2025	8,201.89
FAB		47538		Wire	1 00055		BRECKENRIDGE PUBLIC UTILITIES		No	No	No	11/18/2025	6,255.09
FAB		47539		Wire	1 00860		SYSCO		No	No	No	11/18/2025	25,217.21
FAB		47540		Wire	1 2277		EDUCATORS BENEFIT ACH		No	No	No	11/18/2025	8,889.19
FAB		47541		Wire	1 3965		90 DEGREE BENEFITS		No	No	No	11/18/2025	53,904.00
FAB		47542		Wire	1 00055		BRECKENRIDGE PUBLIC UTILITIES		No	No	No	11/25/2025	7,893.42
FAB		47543		Wire	1 00193		GREAT PLAINS NATURAL GAS		No	No	No	11/25/2025	3,345.76
FAB		47544		EL	1 3732		ELAN CREDIT CARD		No	No	No	11/19/2025	1,322.32
FAB		47545		Wire	1 03359	Remit	WALMART - CAPITAL ONE		No	No	No	11/19/2025	530.82
FAB		47546		Wire	1 00860		SYSCO		No	No	No	11/25/2025	4,998.73
FAB		47547		Wire	1 00860		SYSCO		No	No	No	11/30/2025	2,620.30
FAB	N	47567		AE	1 2727		AMERICAN EXPRESS		No	No	No	11/19/2025	3,937.58
FAB		47462	130508	Check	1 00603		BRECKENRIDGE ED LOCAL 1299		Yes	No	No	11/14/2025	2,086.79
FAB		47463	130509	Check	1 01184		MN SCHOOL EMPLOYEES ASSOC		Yes	No	No	11/14/2025	860.18
FAB		47464	130510	Check	1 1292		ND CHILD SUPPORT DIVISION		Yes	No	No	11/14/2025	457.50
FAB		47471	130512	Check	1 00138	1099	ALBERTSON, SCOTT		Yes	No	No	11/30/2025	1,095.00
FAB		47529	130513	Check	1 3808		ALL STAR TROPHY AND AWARDS INC.		Yes	No	No	11/30/2025	171.50
FAB		47536	130514	Check	1 4003		ARBITERSPORTS, LLC		Yes	No	No	11/30/2025	646.85
FAB		47518	130515	Check	1 3487		BERGERS BODY & GLASS		Yes	No	No	11/30/2025	266.00
FAB		47505	130516	Check	1 2020		BLICK ART MATERIALS		Yes	No	No	11/30/2025	20.60
FAB		47492	130517	Check	1 02482		BUILDERS FIRST SOURCE		Yes	No	No	11/30/2025	656.06
FAB		47507	130518	Check	1 2235		CENGAGE LEARNING INC		Yes	No	No	11/30/2025	4,421.53
FAB		47498	130519	Check	1 1449		CLAY COUNTY PUBLIC HEALTH		Yes	No	No	11/30/2025	1,580.00
FAB		47486	130520	Check	1 01823		COMSTOCK CONSTRUCTION CO.		Yes	No	No	11/30/2025	131,252.62
FAB		47479	130521	Check	1 00545		CONTINGENT FUND		Yes	No	No	11/30/2025	2,930.72
FAB		47485	130522	Check	1 01799		DACOTAH PAPER CO.		Yes	No	No	11/30/2025	3,579.94
FAB		47519	130523	Check	1 3490		DECA INC.		Yes	No	No	11/30/2025	13.00
FAB		47508	130524	Check	1 2402		DELL MARKETING LP		Yes	No	No	11/30/2025	172.18
FAB		47489	130525	Check	1 02077	ECKRO	ECKROTH MUSIC		Yes	No	No	11/30/2025	629.23
FAB		47516	130526	Check	1 3303		ECOLAB		Yes	No	No	11/30/2025	109.91
FAB		47488	130527	Check	1 01994		FARM CITY SUPPLY		Yes	No	No	11/30/2025	62.66
FAB		47472	130528	Check	1 00153		FARMERS UNION OIL CO		Yes	No	No	11/30/2025	6,886.29
FAB		47513	130529	Check	1 2774		FIRST ADVANTAGE BACKGROUND SEF		Yes	No	No	11/30/2025	14.35

Breckenridge Public School

Payment Reg by Bank and Check

Bank	Batch	Pmt No	Check No	Pay Type	Grp Code	Rcd	Vendor	Tax Class	Print	Recon	Void	Pay/Void Date	Amount
FAB		47527	130530	Check	1	3789	FIRST CHOICE FOOD & BEVERAGE SO		Yes	No	No	11/30/2025	656.89
FAB		47484	130531	Check	1	01666	GERRELLS SPORTS CENTER, INC.		Yes	No	Yes	11/30/2025	0.00
FAB		47499	130532	Check	1	1499	GOPHER STATE ONE-CALL		Yes	No	No	11/30/2025	4.05
FAB		47533	130533	Check	1	4000	HELM, MICHAEL		Yes	No	No	11/30/2025	130.00
FAB		47483	130534	Check	1	01529	HILLYARD/HUTCHINSON		Yes	No	No	11/30/2025	636.48
FAB		47535	130535	Check	1	4002	ISD #549		Yes	No	No	11/30/2025	305.00
FAB		47496	130536	Check	1	03428	JAWASKI GLASS & REPAIR, INC.		Yes	No	No	11/30/2025	835.00
FAB		47491	130537	Check	1	02325	JOHN DEERE FINANCIAL		Yes	No	No	11/30/2025	112.50
FAB		47502	130538	Check	1	1929	JOSTENS		Yes	No	No	11/30/2025	2,355.99
FAB		47477	130539	Check	1	00518	LAKES COUNTRY SERVICE COOP		Yes	No	No	11/30/2025	3,560.00
FAB		47493	130540	Check	1	02873	LANDMARK LANDSCAPING		Yes	No	No	11/30/2025	330.00
FAB		47517	130541	Check	1	3328	MARCO TECHNOLOGIES, LLC		Yes	No	No	11/30/2025	2,264.55
FAB		47473	130542	Check	1	00300	MASTER TEACHER		Yes	No	No	11/30/2025	328.00
FAB		47482	130543	Check	1	01216	MINN STATE UNIV. -- MOORHEAD		Yes	No	No	11/30/2025	1,250.00
FAB		47512	130544	Check	1	2718	MN STATE COMMUNITY AND TECHNICAL		Yes	No	No	11/30/2025	38,412.39
FAB		47474	130545	Check	1	00360	NDSCS		Yes	No	No	11/30/2025	13,181.32
FAB		47514	130546	Check	1	2855	NEW DOMINION SCHOOL		Yes	No	No	11/30/2025	8,093.36
FAB		47495	130547	Check	1	03307	NORTH CENTRAL BUS SALES		Yes	No	No	11/30/2025	123.00
FAB		47497	130548	Check	1	1055	NOVA FIRE PROTECTION, LLC		Yes	No	No	11/30/2025	1,582.00
FAB		47534	130549	Check	1	4001	OAK GROVE LUTHERAN SCHOOL		Yes	No	No	11/30/2025	100.00
FAB		47494	130550	Check	1	03157	OTTERTAIL/ MINN-DAKOTA COACHES		Yes	No	No	11/30/2025	1,926.90
FAB		47524	130551	Check	1	3703	PAYSCHOOLS		Yes	No	No	11/30/2025	3,135.00
FAB		47506	130552	Check	1	2193	PEMBERTON LAW, P.L.L.P.		Yes	No	No	11/30/2025	775.00
FAB		47475	130553	Check	1	00385	PERMA BOUND		Yes	No	No	11/30/2025	169.83
FAB		47503	130554	Check	1	1967	PIZZA RANCH		Yes	No	No	11/30/2025	840.00
FAB		47481	130555	Check	1	00682	POPPLER'S MUSIC STORE		Yes	No	No	11/30/2025	123.55
FAB		47525	130556	Check	1	3704	PRAIRIE FARMS		Yes	No	No	11/30/2025	3,550.90
FAB		47511	130557	Check	1	2600	RAM MUTUAL INSURANCE COMPANY		Yes	No	No	11/30/2025	4,374.00
FAB		47521	130558	Check	1	3572	RED RIVER TELEPHONE ASSN		Yes	No	No	11/30/2025	737.28
FAB		47515	130559	Check	1	3224	SANFORD HEALTH OCCUPATION MEDI		Yes	No	No	11/30/2025	115.00
FAB		47487	130560	Check	1	01853	SCHOLASTIC INC.		Yes	No	No	11/30/2025	664.07
FAB		47532	130561	Check	1	3999	SERVICE MASTER		Yes	No	No	11/30/2025	531,450.30
FAB		47509	130562	Check	1	2412	REMIT SHI INTERNATIONAL CORP		Yes	No	No	11/30/2025	85.25
FAB		47480	130563	Check	1	00647	SMITH MOTORS INC		Yes	No	No	11/30/2025	655.46
FAB		47520	130564	Check	1	3524	SOLUTIONS		Yes	No	No	11/30/2025	624.00
FAB		47510	130565	Check	1	2524	ST. FRANCIS MEDICAL CENTER		Yes	No	No	11/30/2025	540.00
FAB		47526	130566	Check	1	3760	TECHCHECK		Yes	No	No	11/30/2025	48.75
FAB		47504	130567	Check	1	2012	TK ELEVATOR CORPORATION		Yes	No	No	11/30/2025	1,400.00

Breckenridge Public School
Payment Reg by Bank and Check

Bank	Batch	Pmt No	Check No	Pay Type	Grp Code	Rcd	Vendor	Tax Class	Print	Recon	Void	Pay/Void Date	Amount
FAB		47522	130568	Check	1	3656	TRIPLE S SERVICES LLC		Yes	No	No	11/30/2025	4,800.00
FAB		47530	130569	Check	1	3861	TWOTREES TECHNOLOGIES		Yes	No	No	11/30/2025	494.12
FAB		47501	130570	Check	1	1774	VIKING COCA-COLA BOTTLING CO.		Yes	No	No	11/30/2025	504.10
FAB		47500	130571	Check	1	1569	WAHPETON AUTO VALUE		Yes	No	No	11/30/2025	240.48
FAB		47476	130572	Check	1	00482	WAHPETON DAILY NEWS		Yes	No	No	11/30/2025	1,187.46
FAB		47523	130573	Check	1	3682	WALLY'S PLUMBING SERVICES, LLC		Yes	No	No	11/30/2025	810.00
FAB		47490	130574	Check	1	02267	WASTE MANAGEMENT		Yes	No	No	11/30/2025	1,501.46
FAB		47528	130575	Check	1	3801	WILKIN COUNTY HEALTH & HUMAN SE		Yes	No	No	11/30/2025	393.75
FAB		47478	130576	Check	1	00536	ZANER-BLOSER, INC		Yes	No	No	11/30/2025	726.00
FAB		47531	130577	Check	1	3915	ZERR BERG ARCHITECTS		Yes	No	No	11/30/2025	5,000.00
FAB		47566	130578	Check	1	01779	NCPEERS GROUP LIFE INS		Yes	No	No	11/30/2025	32.00
FAB		47548	130579	Check	1	02482	BUILDERS FIRST SOURCE		Yes	No	No	11/25/2025	486.40
FAB		47550	130580	Check	1	1879	CI SPORT, INC		Yes	No	No	11/25/2025	27.50
FAB		47565	130581	Check	1	4005	COMFY VIBES		Yes	No	No	11/25/2025	805.00
FAB		47554	130582	Check	1	2265	EDUCATORS BENEFIT CONSULTANTS-		Yes	No	No	11/25/2025	141.72
FAB		47557	130583	Check	1	3175	FREDERICKSEN, CHAD		Yes	No	No	11/25/2025	1,995.00
FAB	4	47552	130584	Check	1	1906	GENERAL PARTS, LLC		Yes	No	No	11/25/2025	1,031.54
FAB		47549	130585	Check	1	1505	INNOVATIVE OFFICE SOLUTIONS		Yes	No	No	11/25/2025	586.00
FAB		47551	130586	Check	1	1900	INTERQUEST DETECTION CANINES		Yes	No	No	11/25/2025	340.00
FAB		47564	130587	Check	1	4004	MINNESOTA HISTORICAL SOCIETY		Yes	No	No	11/25/2025	490.00
FAB		47558	130588	Check	1	3350	MINNKOTA ENVIRO SERVICES		Yes	No	No	11/25/2025	96.00
FAB		47560	130589	Check	1	3704	PRAIRIE FARMS		Yes	No	No	11/25/2025	655.83
FAB		47562	130590	Check	1	3831	RELIANCE STANDARD LIFE INSURANC		Yes	No	No	11/25/2025	1,578.03
FAB		47556	130591	Check	1	2524	ST. FRANCIS MEDICAL CENTER		Yes	No	No	11/25/2025	480.00
FAB		47553	130592	Check	1	2131	SUMMIT FIRE PROTECTION		Yes	No	No	11/25/2025	2,321.00
FAB		47563	130593	Check	1	3917	Tobii Dynavox LLC		Yes	No	No	11/25/2025	199.99
FAB		47555	130594	Check	1	2343	VALLEY FAB AND REPAIR		Yes	No	No	11/25/2025	625.58
FAB		47561	130595	Check	1	3801	WILKIN COUNTY HEALTH & HUMAN SE		Yes	No	No	11/25/2025	135.00
FAB		47559	130596	Check	1	3485	WORLDS FINEST CHOCOLATE, INC		Yes	No	No	11/25/2025	9,971.00

Bank Total: \$1,070,796.85
Report Total: \$1,070,796.85

- C. Committee Reports
- 5. Communications
 - A. Business Manager
 - B. Superintendent
- 6. **Junior Class Fundraiser**
- 7. Snow Removal Proposal

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Proposal



PROPOSAL SUBMITTED TO Breckenridge Public Schools	PHONE 218.643.6822	DATE 11.7.25
STREET 810 Beede Avenue	JOB NAME AND LOCATION Snow Removal of Parking and Sidewalks 2025 – 2026	
CITY, STATE AND ZIP CODE Breckenridge, MN 56520		

We hereby submit specifications and estimates, subject to all terms and considerations as set forth on both sides, as follows:

To provide the services of snow removal for the parking lots around the area of Elementary School and High School. Triple S Services will help where needed throughout the school facilities when needed or requested. Hauling of Snow would be done at the equipment rates provided for annual contracts.

To Provide the Following:

Shoveling of Doorways and Steps: \$55.00 Per HR

Skid Steer:

Snow Bucket/ Snow blower: \$110.00 Per HR

Plow Pickup:

Pickup Blade: \$85.00 per HR

John Deere Blower/Sweeper:

Blower/Sweeper: \$95.00

Payloader:

Bucket/Push Blade: \$185.00 per HR

Proposal

Hauling of Snow:

Truck: \$125.00 Per HR

Payloader: \$185.00 Per HR

Salting:

Spreading of Salt - \$90/100lbs

Elementary Middle School:

Average Price Per Time/ NO Shoveling - \$390.00

Average Price Per Time Shoveling all Doorways and Steps - \$555.00

Annual Contract/ No Shoveling (November-April) - \$10,920.00

Annual Contract Shoveling all Doorways and Steps Salting and Sanding Included - \$16,095.00

High School:

Average Price Per Time/ NO Shoveling - \$375.00

Average Price Per Time Shoveling all Doorways and Steps - \$500.00

Annual Contract/ No Shoveling (November-April) - \$10,500.00

Annual Contract Shoveling all Doorways and Steps Salting and Sanding Included - \$14,500.00

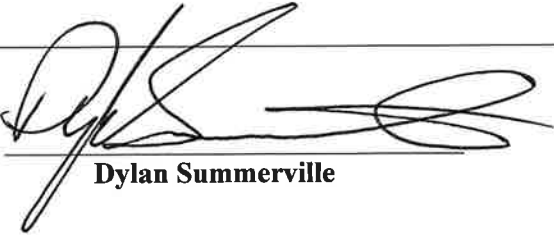
Annual Contract: (November – April) Both School

Snow Removal - \$27,535.00

Hauling of Snow - Extra

Note: This proposal may be withdrawn by us if not accepted within **30** days.

Authorized
Signature



Dylan Summerville

Acceptance of Proposal – The above prices, specifications and conditions and satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above.

Signature _____

Date of Acceptance: _____ Signature _____



October 28th, 2025

Breckenridge Public School District
Attn: Business Manager Dessica Komestakes

Re: 2025 – 2026 Snow Removal Rates

The following are our snow and deicing rates for the upcoming season. We look forward to keeping your business operational this winter!

Description	Unit	Rate
Payloader	Hour	\$183.00
Skid Steer	Hour	\$160.00
Tandem Truck	Hour	\$155.00
Two-Ton Plow Truck	Hour	\$179.00
Pickup Plow Truck	Hour	\$150.00
Hand Shoveling	Hour	\$105.00
Snow Hauling*	Load	\$9.15
Liquid Deicing**	Gallon	\$7.80
Salt-Sand Deicing**	Cubic Yard	\$195.00

*The snow hauling load charge is the fee for stockpiling on Comstock Construction property. This is additional fee to the hourly rates of the payloader and tandem truck. If the snow is stockpiled on non-Comstock property, there would not be an additional fee.

**Deicing rates include the application.

Respectfully submitted,

Joe Johnson
Comstock Construction, Inc.

**INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA**

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
OFFICIAL DIRECTORY
JUNE 30, 2025

Brett Johnson	Chairman
Ann Hiederman	Vice-Chairman
Justin Neppl	Treasurer
Clayton Ernst	Clerk
Marc Hasbargen	Director
Calvin Hop	Director
Ty Mikkelson	Director
Kristie Sullivan	Superintendent
Dessica Komestakes	Business Manager

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 846
Breckenridge, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No 846, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No 846, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our 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

Correction of Error

As described in Note 2 to the financial statements, the District corrected an error in capital assets and net position as of June 30, 2025. Our opinions are not modified with respect to this matter.

Change in Accounting Principle

As described in Note 2 to the financial statements, the District has adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements, schedule of changes in fund balances and compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 combining statements, schedule of changes in fund balances, compliance table, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

November XX, 2025

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS-
FOR THE YEAR ENDED JUNE 30, 2025

This section of Independent School District No. 846's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights **MD&A NOT UPDATED**

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

- Net position decreased by \$1,053,149 in the current year.
- Overall, actual revenues in the Statement of Activities were \$11,758,016 and expenses were \$10,704,867.
- General Fund increased by \$257,081.

Overview of the Financial Statements

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

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

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

District-wide Statements

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

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial 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, pupil support services, administration, sites and buildings, and community education. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

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

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

The District has one type of fund:

- **Governmental funds**: The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.
- The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, building fund and debt service fund, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.
- **Fiduciary funds**: The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities (consisting of a Scholarship Trust Fund) are reported in a separate Statement of Fiduciary Net Position. We

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was \$8,100,712 on June 30, 2025 (see details in Table A-1). This was a decrease of 10.9 percent from the prior year.

	2025	2024	Total Percentage Change
Current and Other Assets	\$ 6,139,289	\$ 5,875,455	4.5 %
Capital Assets	12,482,607	12,299,792	1.5
Total Assets	<u>18,621,896</u>	<u>18,175,247</u>	2.5
Deferred Outflows of Resources	<u>1,141,070</u>	1,368,884	(16.6)
Long-Term Liabilities	8,957,122	11,276,642	(20.6)
Other Liabilities	<u>1,492,067</u>	<u>1,531,082</u>	(2.5)
Total Liabilities	<u>10,449,189</u>	<u>12,807,724</u>	(18.4)
Deferred Inflows of Resources	<u>3,660,792</u>	<u>2,592,790</u>	41.2
Net Position			
Net Investment in Capital Assets	12,482,607	6,461,624	93.2
Restricted	804,443	723,812	11.1
Unrestricted	<u>(7,634,065)</u>	<u>(3,041,819)</u>	151.0
Total Net Position	<u>\$ 5,652,985</u>	<u>\$ 4,143,617</u>	(36.4) %

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

Change in Net Position

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

Table A-2			
Change in Net Position			
	2025	2024	% Change
Revenues			
Program Revenues			
Charges for Services	\$ 464,868	\$ 339,611	36.9 %
Operating Grants and Contributions	3,094,129	1,659,200	86.5
General Revenues			
Property Taxes	1,404,359	1,452,879	(3.3)
Unrestricted State Aid	6,501,197	7,414,228	(12.3)
Other Sources	293,463	193,496	51.7
Total Revenues	11,758,016	11,059,414	6.3
Expenses			
Administration	669,632	635,053	5.4
District Support Services	355,974	276,874	28.6
Regular Instruction	4,216,964	3,344,274	26.1
Vocational Education Instruction	108,245	145,300	(25.5)
Special Education Instruction	1,636,155	1,370,385	19.4
Community Education and Services	502,848	753,620	(33.3)
Instructional Support Services	363,823	281,833	29.1
Pupil Support Services	1,360,017	1,528,078	(11.0)
Sites and Buildings	1,383,034	1,427,975	(3.1)
Fiscal and other fixed-cost programs	108,175	235,281	(54.0)
Total Expenses	10,704,867	9,998,673	7.1
Change in Net Position	1,053,149	1,060,741	0.7 %
Net Position - Beginning	4,143,617	3,082,876	34.4
Corrections and Implementation- See Notes 2 and 3	612,624	-	
Net Position - Beginning, Restated	4,756,241	3,082,876	54.3
Net Position - Ending	\$ 5,809,390	\$ 4,143,617	40.2

The District's total revenues were \$11,758,016 for the year ended June 30, 2025. Property taxes and unrestricted aid payments accounted for 67 percent of total revenue for the year.

The total cost of all programs and services was \$10,704,867. The District's expenses are predominantly related to educating and caring for students.

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

Total revenues surpassed expenses, increased net position \$1,053,149 over last year. The net cost of governmental activities is their total costs less program revenues applicable to each category.

Table A-3 presents these net costs.

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2025	2024		2025	2024	
Expenses						
Administration	\$ 669,632	\$ 635,053	5.4 %	\$ 669,632	\$ 635,053	5.4 %
District Support Services	355,974	276,874	28.6	355,974	271,463	31.1
Elementary and Secondary						
Regular Instruction	4,216,964	3,344,274	26.1	3,074,145	2,706,657	13.6
Vocational Education Instruction	108,245	145,300	(25.5)	108,245	145,300	(25.5)
Special Education Instruction	1,636,155	1,370,385	19.4	402,716	1,344,574	(70.0)
Community Education and Services	502,848	753,620	(33.3)	160,163	253,411	(36.8)
Instructional Support Services	363,823	281,833	29.1	234,636	281,833	(16.7)
Pupil Support Services	1,360,017	1,528,078	(11.0)	650,368	698,315	(6.9)
Sites and Buildings	1,383,034	1,427,975	(3.1)	1,331,993	1,427,975	(6.7)
Fiscal and Other Fixed Cost Programs	108,175	235,281	(54.0)	108,175	235,281	(54.0)
	<u>\$ 10,704,867</u>	<u>\$ 9,998,673</u>	<u>7.1 %</u>	<u>\$ 7,096,047</u>	<u>\$ 7,999,862</u>	<u>(11.3) %</u>

Financial Analysis of the District's Funds

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

A summary of the fund balance is as follows:

	Fund Balance		Percentage	
	2025	2023	Increase (Decrease)	Increase (Decrease)
Governmental Funds				
General	\$ 3,212,748	\$ 2,955,667	\$ 257,081	8.7 %
Debt Service	161,789	153,729	8,060	5.2

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

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.

Table A-5 presents a summary of general fund revenue.

	2025	2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ -	\$ 1,422,261	\$ (1,422,261)	(100.0) %
Other	-	562,694	(562,694)	(100.0)
State Sources	-	8,683,889	(8,683,889)	(100.0)
Federal Sources	-	2,244,138	(2,244,138)	(100.0)
Other	-	-	-	-
Total General Fund Revenue	<u>\$ -</u>	<u>\$ 12,912,982</u>	#####	(100.0) %

Total general fund revenue decreased by \$12,912,982 or (100.0) percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

Table A-6 presents a summary of general fund expenditures.

	2025	2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and Benefits	\$ 8,942,251	\$ 8,596,034	\$ 346,217	4.0 %
Purchased Services	3,163,398	3,000,867	162,531	5.4
Supplies and Materials	581,770	689,990	(108,220)	(15.7)
Capital Expenditures	307,942	634,255	(326,313)	(51.4)
Other Expenditures	56,923	42,885	14,038	32.7
Total General Fund Expenditures	<u>\$ 13,052,284</u>	<u>\$ 12,964,031</u>	<u>\$ 88,253</u>	0.7 %

Total general fund expenditures increased \$88,253 or 0.7 percent from the previous year.

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget.

Although the District's final budget for the general fund anticipated that by \$67,612, the actual results show by \$257,081.

- Revenues were \$31,804 less than projections, largely due to more revenues from federal sources than budgeted.
- The actual expenditures were \$356,497 less than the budgeted figure.

Capital Assets and Debt Administration

Capital Assets

Note 3 to the financial statements presents an analysis of capital asset transactions that occurred during the year ended June 30, 2025. Major capital asset events during the year included construction costs relating to the elementary facilities, high school, parking lot and athletic complex projects, as well as playground equipment, and a router system.

Long-Term Liabilities

At year-end, the District had \$5,190,971 of long-term debt. This consisted of bonds payable of \$4,880,000, certificates of participation of \$225,828, compensated absences of \$5,105,828, lease liabilities of \$15,477 and unamortized premium of \$225,828. Notes 6 to the financial statements presents details and payment provisions of these items.

Factors Bearing on the District's Future

- Due to the financial condition of the State of Minnesota providing a flat funding formula for K-12 education, the District expects a financial strain with a minimal increase in the basic funding formula but anticipated increased costs for operations.
- Costs of operations are expected to rise, namely increases in energy and transportation costs and with employee bargaining outcomes.
- The District has been experiencing a decrease in enrollment over the last several years. To offset the financial impact of these enrollment losses, the District has been and will continue to reduce expenses.

Contacting the District's Financial Management

This financial report is designed to provide the District's 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 Manager at the District Office in the District Office, 305 Lake St N, Breckenridge, Minnesota 56544.

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
STATEMENT OF NET POSITION
JUNE 30, 2025

GOVERNMENTAL ACTIVITIES
ASSETS

Cash and Investments	\$ 3,803,208
Current Property Taxes	1,017,799
Delinquent Property Taxes	8,342
Accounts Receivable	58,400
Due from Department of Education	988,712
Due from Federal - DOE	149,237
Due from Other MN District	34,452
Due from Federal	40,342
Prepaid Items	27,450
Inventory	11,347

Capital Assets:

Non Depreciable	
Land	186,000

Depreciable Capital Assets:

Land Improvements	892,990
Buildings	19,994,299
Machinery and Equipment	2,133,818
Right-to-Use Leased Equipment	91,476
Less Accumulated Depreciation/Amortization	<u>(10,815,976)</u>
Total Capital Assets, Net of Depreciation/Amortization	<u>12,482,607</u>

TOTAL ASSETS	<u>18,621,896</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension Plans	1,121,105
Other Post-Employment Benefit	<u>19,965</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,141,070</u>
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LIABILITIES

Current Liabilities	
Accounts Payable	126,296
Due to other Governments	34,961
Unearned Revenue	14,256
Payroll Deductions	286,890
Salary Payable	364,577
Interest Payable	74,281
Long-Term Liabilities Due Within One Year	590,806

Long-Term Liabilities:

General Obligation Bonds Payable, Net of Premium	5,105,828
Lease Payable	69,666
Compensated Absences	15,477
Other Post-Employment Benefit Liability	138,108
Net Pension Liability	4,218,849
Less Current Portion of Liabilities	<u>(590,806)</u>
Total Long-Term Liabilities	<u>8,957,122</u>

TOTAL LIABILITIES	<u>10,449,189</u>
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DEFERRED INFLOWS OF RESOURCES

Property Taxes Levied - Subs. Years	1,665,351
Pension Plans	1,971,829
Other Post-Employment Benefit	<u>23,612</u>

TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,660,792</u>
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**INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
STATEMENT OF NET POSITION - CONTINUED
JUNE 30, 2025**

NET POSITION	
Net Investment in Capital Assets	12,482,607
Restricted for:	
Student Activities	64,382
Staff Development	91,426
American Indian Education Aid	28,889
Operating Capital	10,215
Gifted and Talented	69
Literacy Aid	10,451
Teacher Comp Read Act	7,889
Student Support Personnel Aid	4,000
Medical Assistance	235,536
Community Service	63,505
School Readiness	67,399
Food Service	133,174
Debt Service	87,508
Unrestricted	<u>(7,634,065)</u>
TOTAL NET POSITION	<u>\$ 5,652,985</u>

DRAFT

**INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Administration	\$ 669,632	\$ -	\$ -	\$ -	\$ (669,632)
District Support Services	355,974	-	-	-	(355,974)
Regular Instruction	4,216,964	235,235	907,584	-	(3,074,145)
Vocational Education Instruction	108,245	-	-	-	(108,245)
Special Education Instruction	1,636,155	80,171	1,153,268	-	(402,716)
Community Education and Services	502,848	86,209	256,476	-	(160,163)
Instructional Support Services	363,823	-	129,187	-	(234,636)
Pupil Support Services	1,360,017	62,035	647,614	-	(650,368)
Sites and Buildings	1,383,034	1,218	-	49,823	(1,331,993)
Fiscal and other Fixed-Cost Programs	108,175	-	-	-	(108,175)
Interest on Long-Term Liabilities	206,228	-	-	-	(206,228)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 10,911,095	\$ 464,868	\$ 3,094,129	\$ 49,823	\$ (7,302,275)
GENERAL REVENUES & EXPENSES					
					965,388
					75,453
					363,518
					6,501,197
					148,529
					144,934
					<u>8,199,019</u>
					896,744
					4,143,617
					612,624
					4,756,241
					<u>\$ 5,652,985</u>

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 3,191,042	\$ 280,872	\$ 331,294	\$ 3,803,208
Current Property Taxes Receivable	463,433	517,969	36,397	1,017,799
Delinquent Property Taxes Receivable	4,387	3,600	355	8,342
Accounts Receivable	58,400	-	-	58,400
Due from Department of Education	932,231	46,135	10,346	988,712
Due from Federal - DOE	149,237	-	-	149,237
Due from Other MN District	34,452	-	-	34,452
Due from Federal	40,342	-	-	40,342
Prepaid Items	27,450	-	-	27,450
Inventory	-	-	11,347	11,347
TOTAL ASSETS	<u>\$ 4,900,974</u>	<u>\$ 848,576</u>	<u>\$ 389,739</u>	<u>\$ 6,139,289</u>
LIABILITIES				
Accounts Payable	\$ 99,636	\$ -	\$ 26,660	\$ 126,296
Due to other Governments	34,961	-	-	34,961
Unearned Revenue	-	-	14,256	14,256
Payroll Deductions	286,890	-	-	286,890
Salary Payable	356,084	-	8,493	364,577
TOTAL LIABILITIES	<u>777,571</u>	<u>-</u>	<u>49,409</u>	<u>826,980</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	4,387	3,600	355	8,342
Property Taxes Levied - Subs. Years	906,268	683,187	75,897	1,665,352
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>910,655</u>	<u>686,787</u>	<u>76,252</u>	<u>1,673,694</u>
FUND BALANCES				
Nonspendable	27,450	-	11,347	38,797
Restricted	452,857	161,789	252,731	867,377
Assigned	20,886	-	-	20,886
Unassigned	2,711,555	-	-	2,711,555
TOTAL FUND BALANCES	<u>3,212,748</u>	<u>161,789</u>	<u>264,078</u>	<u>3,638,615</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 4,900,974</u>	<u>\$ 848,576</u>	<u>\$ 389,739</u>	<u>\$ 6,139,289</u>

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balances - governmental funds	\$ 3,638,615
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	23,298,584
Less accumulated depreciation/amortization	(10,815,976)
Deferred outflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
	1,141,070
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
General Obligation Bonds, Net of Premium	(5,105,828)
Lease Payable	(69,666)
Compensated Absences	(15,477)
Total Other Postemployment Benefit Liability	(138,108)
Net pension liability	(4,218,849)
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
	(74,281)
Delinquent property taxes are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	
	8,342
Deferred inflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
	<u>(1,995,441)</u>
Net position - governmental activities	<u>\$ 5,652,985</u>

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Major Fund</u>			
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Property Tax Levies	\$ 943,024	\$ 363,371	\$ 74,030	\$ 1,380,425
Other Local and Sources	589,502	-	165,635	755,137
Revenue From State Sources	7,670,197	462,564	366,925	8,499,686
Revenue From Federal Sources	695,685	-	431,237	1,126,922
Investment Earnings	-	-	56,200	56,200
TOTAL REVENUES	<u>9,898,408</u>	<u>825,935</u>	<u>1,094,027</u>	<u>11,818,370</u>
EXPENDITURES				
Current:				
Administration	665,625	-	-	665,625
District Support Services	351,142	-	-	351,142
Regular Instruction	4,633,486	-	-	4,633,486
Vocational Education Instruction	108,245	-	-	108,245
Special Education Instruction	1,636,155	-	-	1,636,155
Community Education and Services	-	-	502,852	502,852
Instructional Support Services	363,823	-	-	363,823
Pupil Support Services	733,806	-	546,884	1,280,690
Sites and Buildings	951,538	-	-	951,538
Fiscal and Other Fixed Cost Programs	107,881	-	-	107,881
Debt Service:				
Principal	21,811	625,000	-	646,811
Interest and Fees	2,789	192,875	-	195,664
Capital Outlay	65,026	-	-	65,026
TOTAL EXPENDITURES	<u>9,641,327</u>	<u>817,875</u>	<u>1,049,736</u>	<u>11,508,938</u>
Excess (Deficiency) of Revenues Over Expenditures	257,081	8,060	44,291	309,432
Fund Balances - Beginning	<u>2,955,667</u>	<u>153,729</u>	<u>219,787</u>	<u>3,329,183</u>
Fund Balances - Ending	<u>\$ 3,212,748</u>	<u>\$ 161,789</u>	<u>\$ 264,078</u>	<u>\$ 3,638,615</u>

INDEPENDENT SCHOOL DISTRICT NO. 846

BRECKENRIDGE, MINNESOTA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

Total net change in fund balances - governmental funds \$ 309,432

Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlays	71,921
Depreciation/amortization expense	(516,761)

The net effect of the disposal of capital and lease assets is to decrease net position. 5,892

Change in net pension liability. 1,743,236

Change in deferred outflows and inflows of resources related to net pension liability. (1,369,121)

Change in deferred outflows and inflows of resources related to other postemployment benefit liability. 18,706

Payment of principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. 671,813

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of premiums when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (36,116)

Revenue in the statement of activities that does not provide current financial resources is not reported as revenues in the governmental funds. 3,067

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).

Compensated Absences	-
Other postemployment benefit liability	<u>(5,325)</u>

Change in net position - governmental activities \$ 896,744

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 846 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

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

C. Basic Financial Statement Presentation

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

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

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

Description of Funds

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

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

Major Governmental Funds

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

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

Nonmajor Governmental Funds

Special Revenue Funds – These funds account for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for specified purposes.

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

Community Service – Accounts for all resources restricted for programs other than those for elementary and secondary students.

Fiduciary Fund

Scholarship Trust Fund – A private-purpose trust fund used to administer resources received and held by the District as trustees for others relating to scholarships.

E. Specific Account Information

Cash 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 investments of the Capital Projects Fund are not pooled and earnings on those investments are allocated directly to that Fund.

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

Fair Value Measurements – The organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosure about fair value measurements.

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

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

Taxes Receivable – Taxes receivable represents taxes levied in 2024, which are not payable until 2025, net of the amount received prior to June 30.

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

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

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

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

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

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

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

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

Capital Assets – Capital assets are capitalized at historical cost, or estimated historical cost. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

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

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

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

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

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

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

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

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

Unearned Revenue – Unearned revenue represents revenues, other than property taxes, collected before they are earned.

Compensated Absences – The District compensates substantially all full-time noncertified employees for unused vacation upon termination; however, no employee is allowed to accumulate more than a one-year vacation allowance. As of June 30, 2025, this amount did not exceed a normal year's accumulation. In the fund financial statements, the expenditure for vacation pay is recognized when payment is made, and a liability is recorded only for amounts payable in the current period. In the government-wide statements, vacation expense is recognized as earned and a liability is recorded for all earned vacation pay.

Severance Pay – The District compensates full-time certified employees hired before July 1, 1990, who have completed at least twenty years of full-time service to the School District, and who are at least 55 years of age for severance pay based on accumulated sick leave, of up to 90 days, at the Teacher's base teaching contract rate. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/ expenditure) until then. The District has two items reported on the statement of net position as deferred outflows of resources. The first is *cost sharing defined benefit pension plan*, which represents actuarial differences within the PERA and TRA pension plans as well as amounts paid to the plans after the measurement date. The second is *deferred outflows* related to OPEB, which represents the amounts paid to the plan after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four types of items, one of which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, *property taxes levied – subs. years* is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as this amount represents property tax revenue levied for a subsequent period. The District has a third item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the PERA and TRA pension plans. The fourth item, deferred inflows of resources related to *OPEB* is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

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

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

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

Pensions and OPEB - 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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. Information about the fiduciary net position of the Teacher's Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Under the provisions of the various employee and union contracts, the District provides certain postemployment benefits other than pensions to eligible retirees. These OPEB obligations are funded on a pay-as-you-go basis. The total OPEB liability, deferred outflows/inflows of resources, and OPEB expense were actuarially determined in accordance with GASB Statement No. 75. Additional information can be found in Note 5.

Fund Balance Classifications – In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Non-spendable - consists of amounts that are not in spendable form, such as inventory and prepaid items.

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

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the Board of Education. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management. Pursuant to Board Resolution, the District's Business Manager is authorized to establish assignments of fund balance.

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2025

Unassigned - is the residual classification for the general fund. Positive amounts are reported only in the general fund.

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

The District will strive to maintain a minimum unrestricted General Fund balance of 8.33% of the General Fund operating budget. When the unrestricted General Fund balance is projected to drop below 8.33%, the District shall initiate measures to either generate additional revenue or reduce expenditures through budget reductions, or a combination of both.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

NOTE 2 CORRECTION OF ERROR

The District implemented GASB Statement No. 100, *Accounting Change and Error Correction – An Amendment to GASB Statement No. 62*, during the year ended June 30, 2025. GASB Statement No. 100 enhances the accounting and financial reporting requirements for accounting changes and error corrections

During the fiscal year 2025, the District determined that capital assets, leased assets, and lease liability were misstated in the current year.

The effects of the misstatements on net position are summarized below:

	<u>Affect to Net Position</u>
Increase in Buildings	\$ (722,000)
Increase in Accumulated Depreciation	79,420
Increase in Leased Asset	20,817
Decrease in Lease Liability	9,139
Total Correction of Net Postion as of July 1, 2024.	\$ (612,624)

NOTE 3 CHANGE IN ACCOUNTING PRINCIPLES

The District implemented GASB Statement No. 101, *Compensated Absences*, in the fiscal year ended June 30, 2025. GASB Statement No. 101 establishes uniform accounting and financial reporting requirements for compensated absences.

The adoption of GASB 101 resulted in the recognition of an additional compensated absence liability of \$XXX,XXX as of July 1, 2024.

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

NOTE 4 DEPOSITS AND INVESTMENTS

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

The District's interest income for the year ended June 30, 2025, was \$148,529.

The pooled cash and investment accounts are comprised of the following:

Cash	\$ 277,502
Investments	<u>3,525,706</u>
	<u>\$ 3,803,208</u>

As of June 30, 2025, the District's investments were in the Minnesota School District Liquid Asset Fund Plus, which is an external investment pool.

Investment	Fair Value (Level 1)
Minnesota School District Liquid Asset Fund	\$3,525,706

The Minnesota School District Liquid Asset Fund is a common law trust organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of School District monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective.

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

Interest Rate Risk

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

Credit Risk

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

- (a) Direct obligations or obligations guaranteed or insured issues by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- (b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated "A" or better.

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

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

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

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk – Deposits

The District does not have a formal custodial credit risk policy. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District’s board, all of which are members of the Federal Reserve System. Minnesota Statutes require that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

At June 30, 2025, the carrying amount of the District’s deposits was \$412,649 and the bank balance was \$277,502. The bank balance was covered by Federal Depository Insurance and by collateral held by the District’s agent in the District’s name.

Custodial Credit Risk – Investments

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

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

NOTE 5 CAPITAL ASSETS

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

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 186,000	\$ -	\$ -	\$ 186,000
Total Capital Assets, Not Being Depreciated	<u>186,000</u>	<u>-</u>	<u>-</u>	<u>186,000</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	19,994,299	-	-	19,994,299
Equipment	2,081,947	71,921	20,050	2,133,818
Land improvements	892,990	-	-	892,990
Right to use assets	91,476	-	-	91,476
Total Capital Assets, Being Depreciated	<u>23,060,712</u>	<u>71,921</u>	<u>20,050</u>	<u>23,112,583</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	7,969,129	380,258	-	8,349,387
Equipment	1,529,380	119,645	17,544	1,631,481
Land improvements	794,895	16,858	-	811,753
Right to use assets	31,753	-	8,398	23,355
Total Accumulated Depreciation	<u>10,325,157</u>	<u>516,761</u>	<u>25,942</u>	<u>10,815,976</u>
Total Capital Assets, Being Depreciated, Net	<u>12,735,555</u>	<u>(444,840)</u>	<u>(5,892)</u>	<u>12,296,607</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,921,555</u>	<u>\$ (444,840)</u>	<u>\$ (5,892)</u>	<u>\$ 12,482,607</u>

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

Administration	\$ 4,007
District Support Services	4,831
Regular Instruction	10,678
Pupil Support Services	79,326
Sites and Buildings	409,777
Fixed Costs	<u>8,142</u>
Total Depreciation Expense/Amortization	<u>\$ 516,761</u>

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NOTE 6 DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

Disclosures relating to these plans follow:

Public Employees Retirement Association

A. Plan Description

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

General Employees Retirement Plan (General Plan)

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

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.

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

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Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a 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 Plan Members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$156,539. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

At June 30, 2025, the District reported a liability of \$793,870 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 \$20,501.

District's proportionate share of the net pension liability	\$	793,870
State of Minnesota's proportionate share of the net pension liability associated with the District		20,501
Total	<u>\$</u>	<u>814,371</u>

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. At June 30, 2024, the District's proportionate share was 0.0215% at the end of the measurement period and 0.0232% for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$52,274 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$550 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 schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a

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special funding situation. The District recognized \$3,520 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 General Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 76,869	\$ -
Net difference between projected and actual earnings on pension plan investments	-	265,859
Changes in actuarial assumptions	4,332	318,203
Changes in proportion	3,378	115,550
Employer contributions subsequent to the measurement date	156,539	-
Total	<u>\$ 241,118</u>	<u>\$ 699,612</u>

The \$156,539 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2026	\$ (353,892)
2027	(74,070)
2028	(126,151)
2029	(60,920)

E. Long-Term Expected Return on Investments

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

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

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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 to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

Inflation is assumed to be 2.25 percent. Benefit increases after retirement are assumed to be 1.25 percent.

Salary growth assumptions range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

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

Actuarial assumptions are reviewed every four years. The most recent four-year experience study was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 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 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. 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.

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H. Pension Liability Sensitivity

The following 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 one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis - NPL at Different Discount Rates			
	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the General Employees Fund net pension liability:	\$ 1,733,940	\$ 793,870	\$ 20,577

Pension Plan Fiduciary Net Position

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

Teachers Retirement Association

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 employed by St. Paul schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage within one year of eligible employment or elect coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing DCR plan is not a member of TRA except for purposes of social security coverage.

B. Benefits Provided

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

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

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Tier I Benefits

Basic	First ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2 percent per year
	First ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are up to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

With these provisions:

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

Or

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated members and 2.7 percent per year for Basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent for Basic members applies. An early retirement reduction is applied to members retiring prior to age 65. 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.

C. Contribution Rate

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

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District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were \$332,043. 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 Assumption	
Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP- 2021 scale.
Healthy Retirees	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP- 2021 scale.
Beneficiaries	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
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.

* The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Geometric Mean)</u>
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year is six years. The “Difference Between Expected and Actual Experience,” “Changes of Assumptions,” and “Changes in Proportion” use the amortization period of six years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2023 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 Pub2010 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 & 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.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.00 percent. 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, District reported a liability of \$3,424,979 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 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. The District proportionate

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share was 0.0565% at the end of the measurement period and 0.0578% 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	\$ 3,424,979
State's proportionate share of the net pension liability associated with the District	223,909

For the year ended June 30, 2025, the District recognized pension expense of \$963,194. It also recognized \$12,308 as an increase to 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 \$20,427 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.

On June 30, 2025, the District had deferred resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 165,779	\$ 46,616
Net difference between projected and actual investment earnings	-	464,930
Changes in actuarial assumptions	364,670	408,440
Changes in proportion	17,495	352,231
District contributions subsequent to the measurement date	332,043	-
Total	<u>\$ 879,987</u>	<u>\$ 1,272,217</u>

\$332,043 is 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 ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year ending	<u>Pension Expense Amount</u>	
June 30:		
2026	\$	(338,760)
2027		250,029
2028		(291,268)
2029		(258,314)
2030		(85,960)

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G. Pension Liability Sensitivity

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

Sensitivity Analysis - NPL at Different Discount Rates

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of NPL related to TRA	\$ 6,031,588	\$ 3,424,979	\$ 1,279,678

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 report can be obtained at www.MinnesotaTRA.org, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

The District recognized total pension expense of \$1,015,468 for all of the pension plans in which it participates.

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees who have reached age 55, with teachers needing at least 3 years of service and all other district employees needing 5 years of service. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. A separately issued report is not available.

Benefit Provided – The contract groups have access to other post-retirement benefits of blended medical premiums ranging from \$648 for single and \$1,731 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment dental or life insurance benefits.

Employees Covered by Benefit Terms – At July 1, 2024, the measurement date of the total OPEB liability, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	97
	99

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Total OPEB Liability

At June 30, 2025, the District reported a liability of \$138,108 for the defined benefit healthcare plan. The total OPEB liability was measured as of July 1, 2024, and was determined by an actuarial valuation as of July 1, 2023.

Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Rates vary by service and contract group
Discount rate	3.90%
Healthcare cost trend	6.5% decreasing to 5.00% over 6 years, then 4.00%
Retiree plan participation	
Pre-65 subsidy available	N/A
Pre-65 subsidy not available	25%
Percent of married retirees electing spouse coverage	
Spouse subsidy available	N/A
Spouse subsidy not available	25%

The discount rate was based on the 20-year AA rated municipal bond yield.

The valuation uses mortality rates based the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Amortization of deferred resource flows are based on the average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.

In the July 1, 2023 actuarial valuation, the entry age, normal level percentage of pay actuarial cost method was used.

Retirees and their spouses contribute to the healthcare plan according to their benefit received at retirement. Since the premium is a blended rate determined on the entire active retiree population, the retirees are receiving an implicit rate subsidy for which the District has historically funded on a pay-as-you-go basis. All of the active employees who have access to healthcare and all retirees who have elected to continue coverage on the employer's medical plan after retirement have been included in this valuation.

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Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2024	\$ 132,783
Changes for the year:	
Service cost	12,367
Interest	5,420
Assumption changes	
Plan Changes	
Benefit payments	(12,462)
Net changes	5,325
Balance at June 30, 2025	\$ 138,108

Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability as of June 30, 2025, calculated using the discount rate of 3.9%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.9 percent) or 1-percentage-point higher (4.9 percent) than the current rate:

1% Decrease (2.9%)	Discount Rate (3.9%)	1% Increase (4.9%)
\$ 144,823	\$ 138,108	\$ 131,614

The following presents the total OPEB liability as of June 30, 2025, calculated using the healthcare cost trend rate of 6.5% grading to 5.0%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

1% Decrease (5.5% decreasing to 4.0% then 3.0%)	Discount Rate (6.5% decreasing to 5.0% then 4.0%)	1% Increase (7.5% decreasing to 6.0% then 5.0%)
\$ 126,183	\$ 138,108	\$ 152,113

OPEB Liabilities, OPEB Expenses, 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 \$3,255. At 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 gains/losses	\$ -	\$ 18,133
Changes in actuarial assumptions subsequent to the measurement date	3,329 16,636	5,479 -
Total	\$ 19,965	\$ 23,612

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

\$16,636 is reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total other postemployment benefit liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ending June 30:	OPEB Expense Amount
2026	(4,257)
2027	(4,258)
2028	(5,887)
2029	(5,881)

NOTE 8 LONG-TERM LIABILITIES

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

Summary of Long-Term Liabilities

	Beginning Balance Restated	Additions	Retired	Ending Balance	Due Within One Year
Bonds Payable	\$ 5,505,000	\$ -	\$ 625,000	\$ 4,880,000	\$ 550,000
Unamortized Premium	250,830	-	25,002	225,828	18,455
Lease Liabilities	91,477	-	21,811	69,666	22,351
Compensated Absences	15,477	-	-	15,477	-
	<u>\$ 5,862,784</u>	<u>\$ -</u>	<u>\$ 671,813</u>	<u>\$ 5,190,971</u>	<u>\$ 590,806</u>

Compensated absences are presented net of additions and retirements. The District's interest expense for the year ended June 30, 2025, was \$206,228.

A. General Obligation Bonds

Description	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 2025	Amounts Due in 2025-2026	
							Principal	Interest
General Obligation Alternative Facilities Bonds Series 2014A	2014	2.00 - 4.00%	2036	\$ 6,050,000	\$ 325,000	\$ 4,375,000	\$ 335,000	\$ 173,913
General Obligation Capital Facilities Bonds, Series 2014A	2014	2.00 - 4.00%	2029	1,475,000	60,000	260,000	60,000	8,350
General Obligation Abatement Bonds Series 2014A	2014	2.00 - 4.00%	2029	365,000	30,000	120,000	30,000	3,825
General Obligation Facilities Maintenance Bonds Series 2016A	2016	1.75 - 2.00%	2026	725,000	210,000	125,000	125,000	2,188
					<u>\$ 625,000</u>	<u>\$ 4,880,000</u>	<u>\$ 550,000</u>	<u>\$ 188,276</u>

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

Annual debt service requirements to maturity on the G.O. bonds are as follows:

Years Ending June 30,	Bonds Payable	
	Principal	Interest
2026	550,000	178,275
2027	430,000	164,400
2028	450,000	151,500
2029	465,000	138,000
2030	375,000	119,400
2031-2035	2,130,000	358,800
2036	480,000	19,200
	<u>\$ 4,880,000</u>	<u>\$ 1,129,575</u>

B. Leases

The District entered into a five-year lease agreement as lessee for the acquisition and use of copier machines. The term of the lease is for a period of 60 months, terminating on June 30, 2028, with a monthly payment of \$2,050. The lease liability is measured at a discount rate of 3.78%, which is the estimated incremental borrowing rate of the District.

<u>Maturity Analysis</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2026	\$ 22,351	2,249	24,600
2027	23,211	1,389	24,600
2028	24,104	496	24,600
Total Future Payments	<u>\$ 69,666</u>	<u>\$ 4,134</u>	<u>\$ 73,800</u>

NOTE 9 COMPENSATED ABSENCES

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

NOTE 10 FUND BALANCE

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

The following is a summary of fund balances as of June 30, 2025:

	General	Debt Service	Other Governmental Funds	Totals
Nonspendable				
Prepays	\$ 27,450	\$ -	\$ -	\$ 27,450
Inventories	-	-	11,347	11,347
Total Nonspendable	<u>27,450</u>	<u>-</u>	<u>11,347</u>	<u>38,797</u>
Restricted				
Student Activities	64,382	-	-	64,382
Staff Development	91,426	-	-	91,426
Operating Capital	10,215	-	-	10,215
American Indian Education Aid	28,889	-	-	28,889
Gifted and Talented	69	-	-	69
Literacy Aid	10,451	-	-	10,451
Teacher Comp READ Act	7,889	-	-	7,889
Student Support Personnel Aid	4,000	-	-	4,000
Medical Assistance	235,536	-	-	235,536
Early Childhood and Family Education	-	-	-	-
Community Education	-	-	63,505	63,505
Food Service	-	-	121,827	121,827
Community Service	-	-	67,399	67,399
Debt Service	-	161,789	-	161,789
Long-Term Facilities Maintenance	-	-	-	-
Total Restricted	<u>452,857</u>	<u>161,789</u>	<u>252,731</u>	<u>867,377</u>
Assigned	20,886	-	-	20,886
Unassigned	2,711,555	-	-	2,711,555
Total Fund Balance	<u>\$ 3,191,862</u>	<u>\$ 161,789</u>	<u>\$ 264,078</u>	<u>\$ 3,617,729</u>

NOTE 11 CONTINGENCIES AND COMMITMENTS

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

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2025.

NOTE 12 RISK MANAGEMENT

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

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

NOTE 13 EMPLOYEE BENEFIT PLAN 403(b)

Full time teachers are eligible to participate in the matching 403(b) program after completion of their first year of teaching and upon the beginning of their second consecutive year of teaching for matching contributions based on a maximum contribution scale that ranges from \$500 to \$1,750 depending on years of service.

Eligible part-time teachers shall receive a matching contribution on a pro-rata basis equal to their percentage of full-time employment after completion of their third consecutive year of teaching.

Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2025, 2024, and 2023 were \$XX,XXX, \$60,014, and \$66,155, respectively.

NOTE 14 NEW PRONOUNCEMENTS

GASB Statement No. 103, Financial Reporting Model Improvements, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, Disclosure of Certain Capital Assets, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the District's financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2025

NOTE 15 RECLASSIFICATION

Certain reclassifications have been made to the 2024 financial statements in order to conform with the 2025 presentation.

NOTE 16 SUBSEQUENT EVENTS

The District is not aware of any significant subsequent events. Subsequent events have been evaluated through November XX, 2025, which is the date these financial statements were available to be issued.

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INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original and Final Budget	Actual	Over (Under) Final Budget
REVENUES			
Local Property Tax Levies	\$ 940,432	\$ 943,024	\$ 2,592
Other Local and County Revenues	801,615	589,502	(212,113)
Revenue From State Sources	7,407,516	7,670,197	262,681
Revenue From Federal Sources	780,649	695,685	(84,964)
Sale/Other Conversion of Asset	-	-	-
TOTAL REVENUES	<u>9,930,212</u>	<u>9,898,408</u>	<u>(31,804)</u>
EXPENDITURES			
Current:			
Administration	717,811	665,625	(52,186)
District Support Services	389,788	351,142	(38,646)
Regular Instruction	4,680,591	4,633,486	(47,105)
Vocational Education Instruction	121,262	108,245	(13,017)
Special Education Instruction	1,551,397	1,636,155	84,758
Instructional Support Services	507,763	363,823	(143,940)
Pupil Support Services	865,512	733,806	(131,706)
Sites and Buildings	997,071	951,538	(45,533)
Fiscal and Other Fixed Cost Programs	84,972	107,881	22,909
Debt Service:			
Principal	-	21,811	21,811
Interest and Fees	-	2,789	2,789
Capital Outlay	81,657	65,026	(16,631)
TOTAL EXPENDITURES	<u>9,997,824</u>	<u>9,641,327</u>	<u>(356,497)</u>
Excess (Deficiency) of Revenues Over Expenditures	(67,612)	257,081	324,693
Fund Balances - Beginning	<u>2,955,667</u>	<u>2,955,667</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 2,888,055</u>	<u>\$ 3,212,748</u>	<u>\$ 324,693</u>

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Cost	\$ 12,367	\$ 12,007	\$ 13,449	\$ 13,057	\$ 12,913	\$ 12,537	\$ 14,692	\$ 14,264
Interest	5,420	3,557	3,410	4,354	3,928	5,982	5,756	5,537
Change of assumptions	-	(8,221)	-	9,993	-	(3,781)	-	-
Differences between expected and actual experience	-	(27,095)	-	(214)	-	(57,899)	-	-
Benefit payments	(12,462)	(9,613)	(7,231)	(4,088)	(2,395)	(10,426)	(12,886)	(14,649)
Net Change in total OPEB Liability	5,325	(29,365)	9,628	23,102	14,446	(53,587)	7,562	5,152
Total OPEB Liability - Beginning	132,783	162,148	152,520	129,418	114,972	168,559	160,997	155,845
Total OPEB Liability - Ending	<u>\$ 138,108</u>	<u>\$ 132,783</u>	<u>\$ 162,148</u>	<u>\$ 152,520</u>	<u>\$ 129,418</u>	<u>\$ 114,972</u>	<u>\$ 168,559</u>	<u>\$ 160,997</u>
Covered employee payroll	\$ 4,248,970	\$ 4,125,214	\$ 5,029,271	\$ 4,882,787	\$ 4,860,757	\$ 4,719,182	\$ 4,837,397	\$ 4,696,502
Total OPEB Liability as a percentage of covered-employee payroll	3.25%	3.22%	3.22%	3.12%	2.66%	2.44%	3.48%	3.43%

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

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO PERA/TRA RETIREMENT FUNDS
LAST 10 YEARS

Fiscal Year Ended	Pension Plan	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
6/30/2016	PERA	\$ 103,494	\$ 103,494	\$ -	\$ 1,292,976	8.0%
6/30/2017	PERA	108,979	108,979	-	1,379,916	7.9%
6/30/2018	PERA	109,127	109,127	-	1,453,048	7.5%
6/30/2019	PERA	111,556	111,556	-	1,455,026	7.7%
6/30/2020	PERA	116,056	116,056	-	1,487,416	7.8%
6/30/2021	PERA	117,648	117,648	-	1,547,412	7.6%
6/30/2022	PERA	135,080	135,080	-	1,568,634	8.6%
6/30/2023	PERA	135,041	135,041	-	1,845,842	7.3%
6/30/2024	PERA	138,438	138,438	-	1,820,500	7.6%
6/30/2025	PERA	156,527	156,527	-	2,097,025	7.5%
6/30/2016	TRA	\$ 256,298	\$ 256,298	\$ -	\$ 2,805,307	9.1%
6/30/2017	TRA	251,903	251,903	-	3,417,307	7.4%
6/30/2018	TRA	252,741	252,741	-	3,358,707	7.5%
6/30/2019	TRA	262,968	262,968	-	3,369,880	7.8%
6/30/2020	TRA	276,483	276,483	-	3,410,739	8.1%
6/30/2021	TRA	276,940	276,940	-	3,490,947	7.9%
6/30/2022	TRA	299,069	299,069	-	3,406,396	8.8%
6/30/2023	TRA	297,962	297,962	-	3,572,686	8.3%
6/30/2024	TRA	307,059	307,059	-	3,591,334	8.5%
6/30/2025	TRA	332,043	332,043	-	3,731,028	8.9%

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

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA**

**SCHEDULE OF DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2025**

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable) (b)	Employer's Covered Payroll (e)		Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
					Total (a+b)	Payroll (e)		
PERA	6/30/2015	0.0233%	\$ 1,207,527	\$ -	\$ 1,207,527	\$ 1,292,976	93.4%	78.19%
PERA	6/30/2016	0.0239%	1,940,561	25,332	1,965,893	1,379,916	140.6%	68.90%
PERA	6/30/2017	0.0236%	1,506,608	18,927	1,525,535	1,453,048	103.7%	75.90%
PERA	6/30/2018	0.0231%	1,281,493	41,934	1,323,427	1,455,026	88.1%	79.53%
PERA	6/30/2019	0.0228%	1,260,561	39,165	1,299,726	1,487,416	84.7%	80.23%
PERA	6/30/2020	0.0231%	1,384,951	42,685	1,427,636	1,547,412	89.5%	79.06%
PERA	6/30/2021	0.0232%	990,744	30,245	1,020,989	1,568,634	63.2%	87.00%
PERA	6/30/2022	0.0240%	1,900,808	55,718	1,956,526	1,845,842	103.0%	76.67%
PERA	6/30/2023	0.0232%	1,297,318	35,853	1,333,171	1,820,500	71.3%	83.10%
PERA	6/30/2024	0.0215%	794,840	20,501	815,341	2,097,025	37.9%	89.08%
TRA	6/30/2015	0.0553%	\$ 3,420,852	\$ 419,715	3,840,567	\$ 2,805,307	121.9%	76.80%
TRA	6/30/2016	0.0657%	15,671,018	1,573,080	17,244,098	3,417,307	458.6%	44.88%
TRA	6/30/2017	0.0624%	12,456,172	1,203,535	13,659,707	3,358,707	370.9%	51.57%
TRA	6/30/2018	0.0610%	3,831,022	359,800	4,190,822	3,369,880	113.7%	78.07%
TRA	6/30/2019	0.0601%	3,830,787	338,916	4,169,703	3,410,739	112.3%	78.21%
TRA	6/30/2020	0.0601%	4,440,269	371,899	4,812,168	3,490,947	127.2%	75.48%
TRA	6/30/2021	0.0569%	2,490,114	210,017	2,700,131	3,406,396	73.1%	86.63%
TRA	6/30/2022	0.0578%	4,628,318	343,306	4,971,624	3,572,686	129.5%	76.17%
TRA	6/30/2023	0.0565%	4,664,767	326,989	4,991,756	3,591,334	129.9%	76.42%
TRA	6/30/2024	0.0539%	3,424,979	223,909	3,648,888	3,591,334	95.4%	82.07%

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

See Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
AS OF JUNE 30, 2025

NOTE 1 BUDGETARY DATA

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

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

NOTE 2 DEFINED BENEFIT PLANS

PERA

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.

TRA

Changes in actuarial assumptions since the 2023 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 Pub2010 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 & 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.

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
AS OF JUNE 30, 2025

- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

NOTE 3 OTHER POSTEMPLOYMENT BENEFIT PLAN

Changes since prior valuation:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.10% to 3.90%.

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	<u>Food Service Fund</u>	<u>Community Service Fund</u>	<u>Totals</u>
ASSETS			
Cash and Investments	\$ 136,083	\$ 195,211	\$ 331,294
Receivables			
Current Property Taxes	-	36,397	36,397
Delinquent Property Taxes	-	355	355
Due From Department of Education	-	10,346	10,346
Inventory	<u>11,347</u>	<u>-</u>	<u>11,347</u>
TOTAL ASSETS	<u><u>\$ 147,430</u></u>	<u><u>\$ 242,309</u></u>	<u><u>\$ 389,739</u></u>
LIABILITIES			
Accounts Payable	\$ -	\$ 26,660	\$ 26,660
Unearned Revenue	14,256	-	14,256
Salary Payable	<u>-</u>	<u>8,493</u>	<u>8,493</u>
TOTAL LIABILITIES	<u>14,256</u>	<u>35,153</u>	<u>49,409</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Delinquent Taxes	-	355	355
Property Taxes Levied - Subs. Years	<u>-</u>	<u>75,897</u>	<u>75,897</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>76,252</u>	<u>76,252</u>
FUND BALANCES			
Nonspendable	11,347	-	11,347
Restricted	<u>121,827</u>	<u>130,904</u>	<u>252,731</u>
TOTAL FUND BALANCES	<u>133,174</u>	<u>130,904</u>	<u>264,078</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 147,430</u></u>	<u><u>\$ 242,309</u></u>	<u><u>\$ 389,739</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025**

	Food Service Fund	Community Service Fund	Totals
REVENUES			
Local Property Tax Levies	\$ -	\$ 74,030	\$ 74,030
Other Local and County Revenues	-	165,635	165,635
Investment Earnings	56,200	-	56,200
State Sources	238,066	128,859	366,925
Federal Sources	301,237	130,000	431,237
TOTAL REVENUES	595,503	498,524	1,094,027
EXPENDITURES			
Current:			
Community Education and Services	-	502,852	502,852
Pupil Support Services	546,884	-	546,884
TOTAL EXPENDITURES	546,884	502,852	1,049,736
Net Change in Fund Balances	48,619	(4,328)	44,291
Fund Balances - Beginning	84,555	135,232	219,787
Fund Balances - Ending	\$ 133,174	\$ 130,904	\$ 264,078

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2025

	Balance Beginning of Year	Revenues	Expenditures	Transfers	UFARS Balance End of Year	Reclass- ifications	Financial Statement Balance End of Year
General Fund							
460 Nonspendable	\$ 26,398	\$ -	\$ -	\$ 1,052	\$ 27,450	\$ -	\$ 27,450
Restricted for:							
401 Student Activities	56,601	41,837	34,056	-	64,382	-	64,382
402 Scholarship	-	-	-	-	-	-	-
403 Staff Development	75,611	90,462	74,647	-	91,426	-	91,426
412 Literacy Incentive Aid	-	21,678	21,678	-	-	-	-
420 American Indian Education Aid	19,752	49,530	40,393	-	28,889	-	28,889
424 Operating Capital	(72,253)	82,468	-	-	10,215	-	10,215
428 Learning and Development	-	112,687	112,687	-	-	-	-
438 Gifted and Talented	-	8,076	8,007	-	69	-	69
439 English Learner	-	61,449	61,449	-	-	-	-
441 Basic Skills	-	573,274	573,274	-	-	-	-
443 School Library Aid	-	40,000	40,000	-	-	-	-
449 Safe Schools Levy	(84,766)	23,025	-	-	(61,741)	61,741	-
456 Literacy Aid	-	23,045	12,594	-	10,451	-	10,451
457 Teacher Comp - READ Act	-	20,807	12,918	-	7,889	-	7,889
467 Long Term Facilities Maintenance	(38,352)	36,548	37,119	-	(38,923)	38,923	-
471 Student Support Personnel Aid	4,000	40,000	40,000	-	4,000	-	4,000
472 Medical Assistance	195,340	43,958	3,762	-	235,536	-	235,536
462 Assigned for Facilities Improvement	-	-	-	20,886	20,886	-	20,886
422 Unassigned	2,773,336	8,629,564	8,568,743	(21,938)	2,812,219	(100,664)	2,711,555
Food Service Fund							
460 Nonspendable	10,289	-	-	1,058	11,347	-	11,347
Restricted for:							
464 Food Service	74,266	595,503	546,884	(1,058)	121,827	-	121,827
Community Service Fund							
Restricted for:							
431 Community Education	34,746	228,427	199,668	-	63,505	-	63,505
432 ECFE	25,713	50,433	127,933	-	(51,787)	51,787	-
444 School Readiness	(23,270)	69,289	46,019	-	-	-	-
464 Restricted	98,043	150,375	129,232	-	119,186	(51,787)	67,399
Debt Service Fund							
Restricted for:							
464 Debt Service	153,729	825,935	817,875	-	161,789	-	161,789
Scholarship Trust Fund	4,357	30,705	32,430	-	2,632	-	2,632

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education
Independent School District No. 846
Breckenridge, 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 846, as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated November XX, 2025.

Legal Compliance

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

Purpose of the Report

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

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

November XX, 2025

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

To the Board of Education
Independent School District No. 846
Breckenridge, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No 846, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November XX, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

The District's Responses to Findings

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

Purpose of this Report

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

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

November XX, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
Independent School District No. 846
Breckenridge, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No 846's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Independent School District No 846 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Independent School District No 846 and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BRADY MARTZ
GRAND FORKS, NORTH DAKOTA

November XX, 2025

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INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2025

Federal Grantor/ Pass-Through Grantor/ Program Title or /cluster Title	Federal AL Number	Amount
<u>U.S. Department of Agriculture</u>		
Passed through Minnesota Department of Education:		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	\$ 92,999
National School Lunch Program - After School Snacks	10.555	8,100
National School Lunch Program	10.555	170,010
National School Lunch Program (nonmonetary assistance)	10.555	30,128
<i>Total Child Nutrition Cluster:</i>		<u>301,237</u>
 Total U.S Department of Agriculture		 <u>301,237</u>
<u>U.S Department of Education</u>		
Passed through Minnesota Department of Education:		
Title I Grants to Local Educational Agencies	84.010	211,356
Twenty-First Century Community Learning Center	84.287	450,009
Small, Rural School Achievement Program	84.358	83,755
Student Support and Academic Enrichment	84.424	10,454
Supporting Effective Instruction State Grants	84.367	3,759
Comprehensive Literacy Development	84.371	<u>66,352</u>
 Total U.S Department of Education		 <u>825,685</u>
 TOTAL FEDERAL AWARDS		 <u>\$ 1,126,922</u>

See Notes to the Schedule of Expenditures of Federal Awards

INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AS OF JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedule of expenditures of federal awards (the "Schedule") are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST RATE

Independent School District No 846 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of Independent School District No 846 under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Independent School District No 846, it is not intended to and does not present the financial position or changes in net position of Independent School District No 846.

NOTE 4 COMMODITY DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

NOTE 5 PASS-THROUGH ENTITIES

All pass-through entities listed above use the same AL numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 6 SUBRECIPIENTS

During 2025, the District did not pass any federal money to subrecipients.

**INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified? yes none

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010 84.425	Title 1 – Grants to LEA'S Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$1,000,000

Auditee qualified as low-risk auditee? yes no

**INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

Section II-Financial Statement Findings

2025-001 Preparation of Financial Statements and Schedule of Expenditures of Federal Awards

Material Weakness

Criteria

A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements and Schedule of Expenditures of Federal Awards ("SEFA").

Condition

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

Cause

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

Effect

The disclosures in the financial statements and SEFA could be incomplete.

Repeat Finding

Yes

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

There is no disagreement with the audit finding.

**INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025

2025-002 Material Journal Entries

Material Weakness

Criteria

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

Condition

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

Cause

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

Effect

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

Repeat Finding

Yes

Recommendation

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

Views of Responsible Officials and Planned Corrective Actions

There is no disagreement with the audit finding.

Section III-Federal Award Findings and Questioned Costs

There are no findings to report in this section.

**INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2025**

2023-001 Preparation of Financial Statements and Schedule of Expenditures of Federal Awards

Material Weakness

Criteria

A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements and Schedule of Expenditures of Federal Awards ("SEFA").

Condition

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

Current Year Status

This finding is repeated in current year as 2024-001

2023-003 – Segregation of Duties

Material Weakness

Criteria

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

Condition

The District does not adequately separate duties for journal entry posting.

Current Year Status

This finding has been removed as corrective actions has been taken.

**CORRECTIVE ACTION PLAN
JUNE 30, 2025**

2025-001 Preparation of Financial Statements and Schedule of Expenditures of Federal Awards

Contact Person – Superintendent

Corrective Action Plan – The District will continue to have the auditors prepare the financial statements and is aware of the condition. Based on the cost of correcting this deficiency, the District has decided to accept the risk associated with this deficiency.

Completion Date – Ongoing

2025-002 Material Journal Entries

Contact Person – Superintendent

Corrective Action Plan – The District will review the prior year journal entries to determine training needs with the intent to reduce the overall frequency or number of adjusting journal entries.

Completion Date – Ongoing

**INDEPENDENT SCHOOL DISTRICT NO. 846
BRECKENRIDGE, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
AS OF JUNE 30, 2025**

	Audit	UFARS	Variance		Audit	UFARS	Variance
01 GENERAL FUND				04 COMMUNITY SERVICE (continued)			
Total Revenue	9,898,408	9,898,408	-	<i>Restricted/Reserved (cont):</i>			
Total Expenditures	9,641,327	9,641,328	(1)	447 Adult Basic Education	-	-	-
460 Non Spendable Fund Balance	27,450	27,450	-	452 OPEB Liab Not In Trust	-	-	-
<i>Restricted/Reserved:</i>				456 Literacy Aid	-	-	-
401 Student Activities	64,382	64,381	1	457 Teacher Comp Read Act	-	-	-
402 Scholarships	-	-	-	<i>Restricted</i>			
403 Staff Development	91,426	91,426	-	464 Restricted Fund Balance	119,186	119,189	(3)
407 Capital Projects Levy	-	-	-	<i>Unassigned</i>			
408 Cooperative Revenue	-	-	-	463 Unassigned Fund Balance	-	-	-
412 Literacy Incentive Aid	-	-	-	06 BUILDING CONSTRUCTION			
414 Operating Debt	-	-	-	Total Revenue	-	-	-
416 Levy Reduction	-	-	-	Total Expenditures	-	-	-
417 Taconite Building Maintenance	-	-	-	460 Non Spendable Fund Balance	-	-	-
420 American Indian Ed Aid	28,889	28,890	(1)	<i>Restricted/Reserved:</i>			
424 Operating Capital	10,215	10,215	-	407 Capital Projects Levy	-	-	-
426 \$25 Taconite	-	-	-	413 Projects Funded By COP	-	-	-
427 Disabled Accessibility	-	-	-	467 Long Term Fac. Maint. (LTFM)	-	-	-
428 Learning & Development	-	-	-	<i>Restricted:</i>			
434 Area Learning Center	-	-	-	464 Restricted Fund Balance	-	-	-
435 Contracted Alt Programs	-	-	-	<i>Unassigned:</i>			
436 State Approved Alt Program	-	-	-	463 Unassigned Fund Balance	-	-	-
437 Q Comp	-	-	-	07 DEBT SERVICE			
438 Gifted & Talented	69	69	-	Total Revenue	825,935	825,935	-
439 English Learner	-	-	-	Total Expenditures	817,875	817,875	-
440 Teacher Development and Evaluation	-	-	-	<i>Non Spendable:</i>			
441 Basic Skills Programs	-	-	-	460 Non Spendable Fund Balance	-	-	-
443 School Library Aid	-	-	-	<i>Restricted/Reserved:</i>			
448 Achievement and Integration	-	-	-	425 Bond Refundings	-	-	-
449 Safe Schools Levy	(61,741)	(61,741)	-	433 Maximum Effort Loan Aid	-	-	-
451 QZAB Payments	-	-	-	451 QZAB Payments	-	-	-
452 OPEB Liab Not In Trust	-	-	-	467 LTFM	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-	<i>Restricted</i>			
456 Literacy Aid	10,451	10,451	-	464 Restricted Fund Balance	161,789	161,788	1
457 Teacher Comp Read Act	7,889	7,889	-	<i>Unassigned</i>			
459 Basic Skills Extended Time	-	-	-	463 Unassigned Fund Balance	-	-	-
467 Long Term Fac. Maint. (LTFM)	(38,923)	(38,923)	-	08 TRUST			
471 Student Support Personnel	4,000	4,000	-	Total Revenue	30,705	30,705	-
472 Medical Assistance	235,536	235,536	-	Total Expenditures	32,430	32,430	-
<i>Restricted</i>				401 Student Activities	-	-	-
464 Restricted Fund Balance	-	-	-	402 Scholarships	2,632	2,632	-
475 Title VII Impact Aid	-	-	-	422 Net Assets	-	-	-
476 Payments in Lieu of Taxes	-	-	-	18 CUSTODIAL			
<i>Committed</i>				Total Revenue	-	-	-
418 Committed for Separation	-	-	-	Total Expenditures	-	-	-
461 Committed Fund Balance	-	-	-	401 Student Activities	-	-	-
<i>Assigned</i>				402 Scholarships	-	-	-
462 Assigned Fund Balance	20,886	20,886	-	448 Achievement and Integration	-	-	-
<i>Unassigned:</i>				464 Restricted Fund Balance	-	-	-
422 Unassigned Fund Balance	2,812,219	2,812,219	-	20 INTERNAL SERVICE			
02 FOOD SERVICE				Total Revenue	-	-	-
Total Revenue	595,503	595,503	-	Total Expenditures	-	-	-
Total Expenditures	546,884	546,884	-	401 Student Activities	-	-	-
<i>Non Spendable</i>				402 Scholarships	-	-	-
460 Non Spendable Fund Balance	11,347	11,347	-	448 Achievement and Integration	-	-	-
<i>Restricted</i>				464 Restricted Fund Balance	-	-	-
452 OPEB Liab Not In Trust	-	-	-	25 OPEB REVOCABLE TRUST FUND			
464 Restricted Fund Balance	121,827	121,827	-	Total Revenue	-	-	-
<i>Unassigned</i>				Total Expenditures	-	-	-
463 Unassigned Fund Balance	-	-	-	422 Net Assets	-	-	-
04 COMMUNITY SERVICE				45 OPEB IRREVOCABLE TRUST FUND			
Total Revenue	498,524	498,523	1	Total Revenue	-	-	-
Total Expenditures	502,852	502,848	4	Total Expenditures	-	-	-
<i>Non Spendable</i>				422 Net Assets	-	-	-
460 Non Spendable Fund Balance	-	-	-	47 OPEB DEBT SERVICE FUND			
<i>Restricted/Reserved:</i>				Total Revenue	-	-	-
426 \$25 Taconite	-	-	-	Total Expenditures	-	-	-
431 Community Education	63,505	63,505	-	460 Non Spendable Fund Balance	-	-	-
432 ECFE	(51,787)	(51,786)	(1)	<i>Restricted</i>			
437 Q Comp	-	-	-	425 Bond Refundings	-	-	-
440 Teacher Development and Evaluation	-	-	-	464 Restricted Fund Balance	-	-	-
444 School Readiness	-	-	-				

2025-26 Budget

	2023-2024 Final	2024-2025 Projected Budget	2024-2025 Final	2024-2025 Balance Accounts	2025-2026 Projected Adopted June	2025-2026 Projected Revised Nov
REVENUE						
General Fund 01	\$ 9,267,935.95	\$9,745,740.00	\$9,891,531.34		\$9,491,998.00	\$9,436,058.00
Food Service Fund 02	506,208.09	451,700.00	595,502.82		529,889.00	584,011.00
Community Service Fund 04	425,003.05	397,353.00	498,523.32		552,444.00	518,152.00
TOTAL REVENUE - Operating Funds	\$ 10,199,147.09	\$ 10,594,793.00	\$ 10,985,557.48	\$ -	\$ 10,574,331.00	\$ 10,538,221.00
Debt Service Fund 07	832,301.30	820,944.00	825,934.55		824,825.00	716,552.00
TOTAL REVENUE - All Funds	\$ 11,112,814.38	\$ 11,487,237.00	\$ 11,880,992.03		\$ 11,468,656.00	\$ 11,324,273.00
EXPENDITURES						
General Fund 01	\$ 8,875,320.57	\$9,432,526.00	\$9,642,232.03		\$9,624,775.00	\$9,491,723.00
Food Service Fund 02	595,421.09	508,469.00	546,883.99		502,760.00	502,760.00
Community Service Fund 04	431,004.98	454,955.00	502,848.12		544,596.00	534,979.00
TOTAL EXPENDITURES - Operating Funds	\$ 9,901,746.64	\$ 10,395,950.00	\$ 10,691,964.14	\$ -	\$ 10,672,131.00	\$ 10,529,462.00
Debt Service Fund 07	813,975.00	763,125.00	817,875.00		824,825.00	728,725.00
TOTAL EXPENDITURES - All Funds	\$ 10,793,694.10	\$ 11,230,575.00	\$ 11,579,339.14		\$ 11,566,456.00	\$ 11,327,687.00
Revenue OVER (UNDER) Overall	\$ 319,120.28	\$ 256,662.00	\$ 301,652.89	\$ -	\$ (97,800.00)	\$ (3,414.00)
Revenue OVER (UNDER) FUND 01			\$ 249,299.31	\$ 2,816,587.41	\$ (132,777.00)	\$ (55,665.00)
Revenue OVER (UNDER) FUND 02			\$ 48,618.83	\$ 121,827.13	\$ 27,129.00	\$ 81,251.00
Revenue OVER (UNDER) FUND 04			\$ (4,324.80)	\$ 118,347.75	\$ 7,848.00	\$ (16,827.00)
Revenue OVER (UNDER) FUND 07			\$ 8,059.55	\$ 161,788.49	\$ -	\$ (12,173.00)



Lakes Country Service Cooperative
1001 E. Mt. Faith
Fergus Falls, MN 56537
Jeremy Kovash, Executive Director

Services Agreement

This "Agreement" is entered into this 1st day of July 1, 2025 ("Effective Date") between Lakes Country Service Cooperative, a public corporation ("LCSC"), and the Breckenridge School District.

For good and valuable consideration, the parties agree as follows:

1. **Service.** Breckenridge School District agrees to purchase from LCSC, and LCSC agrees to perform on behalf of Breckenridge School District, the following "Service":
Provide direct mental health support to students.

2. **LCSC's Responsibilities:**

In furtherance of performing the Services, and in addition to any other obligations described herein, LCSC shall:

LCSC is responsible for providing mental health support to students. Responsibilities include;

- Provide direct mental health support to students and supervision of existing district mental health practitioners, if needed.
- Provide adequate, timely, and appropriate supervision to identified existing district mental health practitioners in collaboration with district administration.
- Identify emotional, behavioral, and psychological needs.
- Collaborate with teachers and families to gather relevant information.
- Provide one-on-one counseling for students experiencing emotional or behavioral challenges.
- Facilitate group therapy sessions when needed on topics such as anxiety, anger management, grief, or social skills.
- Use evidence-based practices and culturally responsive methods.
- Work closely with teachers, administrators, school nurses, and special education teams.
- Provide consultation and support to school staff regarding student mental health and behavior.
- Maintain accurate, confidential records of assessments, sessions, and interventions.
- Track student progress and outcomes.
- Comply with all legal and ethical standards, including FERPA and HIPAA where applicable.

3. **Breckenridge School District's Responsibilities:**

Breckenridge School District leadership will be responsible for giving general direction to LCSC and providing goals and the mission to assure LCSC is meeting expectations.

4. **Payment.** Breckenridge School District agrees to pay LCSC for the Services as follows:
 - \$35,463 will be charged to all invoices issued to Breckenridge School District.

The annual Service cost may be adjusted based on an increase or decrease in costs. Notification of a price adjustment will be sent by LCSC 90 days prior to any adjustment.

Fees for Services provided by LCSC in addition to those falling within the scope of the Service shall be paid according to LCSC standard fees. Fees not covered by this Agreement will be billed separately. LCSC will obtain prior approval from Breckenridge School District before initiating additional billable services.

5. **Term.** The Service under this Agreement will begin July 1, 2025 and continue through June 30, 2026. Either party may terminate this Agreement early, effective as of the end of Breckenridge School District's fiscal

year, upon not less than 90-days notice given in writing prior to the end of a fiscal year.

6. Law Governing. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.
 7. Insurance. LCSC agrees to hold and maintain general liability insurance specific to the duties of its employees providing the Service. Breckenridge School District agrees to maintain general liability insurance and insurance necessary to cover claims related to the Service. Nothing in this Agreement shall constitute a waiver by either party of any statutory limitations, exclusions, or exceptions on liability.
 8. Risk Management Arrangements. It is recognized that LCSC is a cooperative and is providing the Service as a function which otherwise would be provided by Minnesota Department of Education employees. The parties recognize that LCSC's liability for claims relating to the Service should be limited to any available insurance coverage and in any event to an amount not exceeding certain Service payments made, within the limits in this Section. The following arrangements are in furtherance of the foregoing:
 - a. Indemnity. Breckenridge School District agrees to indemnify and hold LCSC and its employees, agents or representatives harmless from all claims, demands, or liability, including attorney's fees, and related expenses, which arise out of or are in any manner connected with the Service, this Agreement, or Breckenridge School District's operations,
 - b. Standard of Performance; Disclaimer. LCSC makes no warranties, representations, or guarantees expressed or implied, regarding the service or performance hereunder, and all such are hereby disclaimed by LCSC and waived by Minnesota Department of Education, including but not limited to any implied warranties of merchantability and fitness for a particular purpose. The service will be provided and accepted on an "as is" "where is" basis, without recourse against LCSC.
 - c. Limitation of Liability. In no event shall LCSC ever be liable to Breckenridge School District or any third party, directly or indirectly, for any sum greater than the total amount of fees for service actually paid to and received by LCSC in the six (6) month period immediately preceding any determination of liability. All other provisions of law, equity, or this agreement or any other document notwithstanding, this and any available insurance is the exclusive remedy available to district, and is in lieu of all other remedies available at law, in equity or otherwise. The foregoing does not, and shall not be construed or deemed to, create any circumstance, express or implied, under which LCSC may be liable to Breckenridge School District, and shall not subvert the indemnity, release and other clauses in this Agreement for the benefit of LCSC.
- The provisions of this Section i) shall apply regardless of whether matters are based on breach of warranty, breach of contract, negligence, strict liability, tort, or any other legal theory, ii) shall apply to all matters, whether claimed by or through Breckenridge School District or by or through third parties, including any students, employees, and governmental or regulatory agencies, and iii) shall survive the termination of the Agreement.
9. No Waiver. Nothing herein shall be construed to waive or limit any immunity from, or limitation on, liability available to either party, whether set forth in Minnesota Statutes Chapter 466 (Tort Liability, Political Subdivisions) or otherwise.
 10. Modification. This writing contains the entire agreement between the parties and no alterations, variations, modifications, or waivers of the provisions of this agreement are valid unless reduced to writing, signed by both LCSC and Breckenridge School District, and attached hereto.
 11. Severability. The provisions of this Agreement shall be deemed severable. If any part of this Agreement is rendered void, invalid, or otherwise unenforceable, such rendering shall not affect the validity and enforceability of the remainder of this Agreement.

IN WITNESS WHEREOF, Parties hereto have executed this agreement this 1st day of July, 2025.

Breckenridge District REPRESENTATIVE

LAKES COUNTRY SERVICE COOPERATIVE

By: _____
Authorized Official

By: _____
Executive Director

Date: _____

Date: _____

11. Region One board nomination	
12. Construction Manager as Advisor (CMa) RFQ Authorization	
13. Geotechnical, Site Survey, and LiDAR Building Scan Proposals	90

November 12, 2025



Zerr Berg Architects
510 4th Ave N
Fargo, ND 58102

Attn: Tyler Brandriet, AIA

Subject: Cost Proposal – Geotechnical Exploration & Review
Proposed Breckenridge Schools Additions
Breckenridge, Minnesota

American Engineering Testing (AET) is pleased to submit a proposal for the geotechnical exploration and review for use in the planning and development of the proposed Breckenridge Schools Additions project in Breckenridge, Minnesota. Our proposal is based on our telephone and email correspondence with you on November 12, 2025. In this proposal, we present our understanding of the project, an outline of the scope of services we are to provide, and the lump sum fee for our services.

PROJECT INFORMATION

Project Description

The proposed project will include construction of two new additions to the existing school building located at 710 13th Street North in Breckenridge, Minnesota. We anticipate the structure will consist of standard steel-framed construction and/or precast construction supported on standard shallow foundations provided building loads do not result in excessive settlement. We understand ground improvements such as geopiers may be used if necessary.

Maximum loads have not been provided, but based on similar construction, we anticipate maximum wall loads will be on the order of 10 kips per lineal foot and column loads will be on the order of 250 kips. We anticipate that total and differential settlements on the order of 1 inch and ½ inch are acceptable.

SCOPE OF SERVICES

Site Field Exploration

Based on the information provided, we propose the following scope of services:

- We will advance one (1) Standard Penetration Test (SPT) boring to a depth of 45 feet below grade and twenty-five (25) borings to a depth of 25 feet in the project area. The borings will be advanced with hollow stem auger (HSA) borings using a truck or track-mounted geotechnical drill rig.

3095 42nd Street N. | Fargo, ND 58102
830 S. 48th Street | Grand Forks, ND 58201
Phone Office: 701-232-1822 | teamAET.com | AA/EEO

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We assume existing grounds are relatively level with minimal, if any, obstruction which would prevent direct access to the proposed boring locations by our truck mounted drill. We also assume that there will be no obstructions negating site access such as trees, brush, overhead power lines or other obstructions limiting equipment access. Finally, we assume the geotechnical exploration will be performed during a period lacking inclement weather.

We assume snow removal will be provided by the client. If snow removal is arranged by AET, it will be invoiced at **Cost +20%**.

Before we drill, we will contact Gopher State One Call to locate public underground utilities. Gopher State One Call does not locate private underground utilities or structures. Examples of private utilities include, but are not limited to, propane lines, sewer laterals, sprinkler systems, site lighting, and electric and data lines between buildings. The client/property owner(s) are responsible for locating all private underground utilities and structures. Please provide us with any maps, plans, and records showing the location of all private utilities and structures.

We can provide you with names and contact information for private utility locators. These companies usually charge a fee for their services. Also, please note that private locators cannot guarantee that all private utilities will be located. For the private locator to be accurate and effective, the property owner must provide maps, plans and records showing the location of all private utilities and structures. The client/property owner must also provide a knowledgeable site representative to meet with the private locator and AET personnel.

AET shall be entitled to rely upon the accuracy of all location information supplied by any source. We will not be responsible for any damages to underground utilities or structures not located or incorrectly identified by the property owner, any maps, plans or records, or public or private utility locator providers. This is particularly important as the over-all planning of the project develops, evolves and progresses.

We will drill the borings using hollow stem augers, and sampling by split-barrel sampler and thin wall tube methods (ASTM D1586 & D1587). Our crew will keep field logs noting the methods of drilling and sampling, the Standard Penetration Values (N-values, "blows per foot"), preliminary soil classification, and observed groundwater levels. We will collect samples at 2½ foot intervals to 20-feet, then at 5-foot interval thereafter to the planned termination depths. Representative portions of recovered samples will be collected in sealed glass sample jars to prevent moisture loss and submitted to our laboratory for review, testing, and final classification.

We will backfill the boreholes to comply with State requirements. Even after backfilling, some sloughing of the backfill may occur, resulting in a potential tripping hazard. We assume that the property owner will backfill and repair any boreholes that may slough after our exploration is complete. AET cannot accept any liability associated with injury or loss after we leave the site.



Laboratory Testing

We will initiate routine laboratory testing by reviewing each recovered soil sample to assess the major and minor soil components, while also noting the color, degree of saturation, and lenses or seams in the samples. We anticipate laboratory testing may include moisture content, unit weight, unconfined compressive strength, consolidation tests, #200 washes, and Atterberg limits.

On completion of testing, we will visually/manually classify each sample on the basis of texture and plasticity in accordance with the Unified Soil Classification System and prepare the boring logs.

Geotechnical Report

We will prepare a report in which we will present logs of the test borings, laboratory test results, a review of engineering properties of the on-site soils, and our geotechnical engineering opinions and recommendations. We anticipate the following geotechnical design areas will be evaluated.

- Earthwork for Foundations and Slabs
 - Site preparation
 - Excavation characteristics
 - Structural fill criteria
 - Required compaction and moisture conditioning
 - Wet weather construction
 - Cold weather construction
 - Suitability of the on-site soils for use as subgrade
- Trenching
 - Backfill and compaction
 - Dewatering recommendations
- Typical Shallow Foundation Design
 - Suitable foundation types
 - Allowable foundation bearing pressure
 - Total and differential settlement estimates
 - Lateral foundation base sliding friction coefficients
 - Frost depth
- Ground Improvement Design Parameters
- Concrete Slabs-on-grade
 - Minimum slab support section
 - Modulus of subgrade reaction
 - Vapor retarder use
- Lateral Earth Pressure Considerations
 - Static equivalent fluid pressures



- Drainage Recommendations
 - Surface drainage
 - Foundation/subsurface drainage
- Additional Recommended Services
 - Geotechnical design continuity
 - Plan and specification review
 - Geotechnical observation during construction

SCHEDULE

Weather and site access permitting, AET anticipates our field work can be scheduled approximately 4 to 5 weeks from receiving authorization to proceed. A draft report will be submitted approximately 2 weeks following completion of site drilling. Final laboratory testing and the report will be submitted approximately 1 week following the completion of the draft report.

FEES

Our fees for the scope of services described above will be charged on a ***lump sum basis of \$21,000***. Additional drilling, if required, will be invoiced at ***\$32 / linear foot***. If three additional 25-foot borings are performed at a later date, the mobilization will be invoiced at ***\$1,250*** and the borings will be performed for ***\$2,400***. Please note, our fees will be in effect for thirty (30) days after issuance of this proposal, after which they will be subject to review and adjustment where necessary. Should subsurface conditions warrant a change in scope, i.e., additional services such as more exploration or laboratory testing, we will request any fee changes prior to exceeding the proposed budget.

ENVIRONMENTAL CONCERNS

This proposal is presented for engineering services to evaluate the structural properties of the soil at the specified site. This proposal does not cover an environmental assessment of the site or environmental testing of the soil or groundwater. If you wish to have us provide these additional services, please contact us.

TERMS AND CONDITIONS

All AET Services are provided subject to the Terms and Conditions set forth in the enclosed “Environmental/Geotechnical Service Agreement — Terms and Conditions,” which, upon acceptance of this proposal, are binding upon you as the Client requesting Services, and your successors, assignees, joint ventures and third-party beneficiaries. Please be advised that additional insured status is granted upon acceptance of the proposal.



ACCEPTANCE

AET requests written acceptance of this proposal in the Proposal Acceptance box below, but the following actions shall constitute your acceptance of this proposal together with the Terms and Conditions and Amendments: 1) issuing an authorizing purchase order for any of the Services described above, 2) authorizing AET's presence on site, or 3) written or electronic notification for AET to proceed with any of the Services described in this proposal. Please indicate your acceptance of this proposal by signing below and returning a copy to us. When you accept this proposal, you represent that you are authorized to accept on behalf of the Client.

CLOSING

AET appreciates the opportunity to provide this service for you and we look forward to working with you on this project. If you have questions or need additional information, please contact us.

Sincerely,
American Engineering Testing, Inc.

A handwritten signature in black ink, appearing to read 'Mark Blixt'.

Mark Blixt, PE
Geotechnical Engineer

Josh Holmes, PE
Principal Engineer

Attachments: Environmental/Geotechnical Service Agreement – Terms and Conditions
Certificate of Insurance
W9

ACCEPTANCE AND AUTHORIZATION:

SIGNATURE: _____

PRINTED NAME: _____

COMPANY: _____

ADDRESS: _____

PHONE NUMBER AND EMAIL: _____

DATE: _____

INVOICING INFORMATION (Provide Company AP Department Information, if present.)

AP CONTACT NAME: _____

BILLING/MAILING ADDRESS: _____

Cost Proposal – Geotechnical Exploration & Review
Breckenridge Schools Additions, Breckenridge, Minnesota
November 12, 2025



AP PHONE NUMBER AND INVOICE EMAIL: _____

P.O. NO./ PROJECT NO.: _____

SECTION 1 - RESPONSIBILITIES

1.1 - This Service Agreement – Terms and Conditions (“terms and conditions”) is applicable to all services ("Services") provided by American Engineering Testing, Inc. (AET). As used herein “Services” refers to the scope of services described in the proposal submitted by AET to Client. The proposal, these terms and conditions and any appendices attached hereto shall comprise the agreement ("Agreement") between AET and Client for Services described in the proposal and are binding upon the Client, its successors, assignees, joint ventures and third-party beneficiaries.

AET requests written acceptance of the Agreement, but the following actions shall also constitute Client’s acceptance of the Agreement: 1) issuing an authorizing purchase order, task order, service order, or any other documentation for any of the Services, 2) authorizing AET’s presence on site, or 3) written or electronic notification for AET to proceed with any of the Services. Issuance of a purchase order, task order or service order by Client which contains separate terms and conditions will not take precedence or modify the terms and conditions contained in this Service Agreement AND THE TERMS AND CONDITIONS OF THIS SERVICE AGREEMENT AND ANY CORRESPONDING PROPOSAL ISSUED BY AET SHALL GOVERN UNLESS AUTHORIZED IN WRITING IN ADVANCE BY AET.

1.2 – Prior to AET performing Services, Client will provide AET with all information that may affect the cost, progress, safety and performance of the Services. This includes, but is not limited to, information on proposed and existing construction, all pertinent sections of contracts between Client and their Client and/or Owner which contain flow-down provisions to AET, if they are provided, site safety plans or other documents which may control or affect AET’s Services. If new information becomes available during AET’s Services, Client will provide such information to AET in a timely manner. Failure of Client to timely notify AET of changes to the project including, but not limited to, location, elevation, loading, or configuration of the structure or improvement will constitute a release of any liability or indemnity obligations of AET for loss or damages related to such changes. Client will provide a representative for timely answers to project-related questions by AET.

1.3 - AET is responsible only for performance of the Services. AET will not be held responsible for work or omissions by Client or any other party working on the project. The Services do not include construction management, general contracting or surveying services. AET will not be responsible for directing or supervising the work of other parties, unless specifically authorized and agreed to in writing.

1.4 – Client acknowledges the limitations inherent in sampling to characterize buried subsurface conditions. Variations in soil conditions occur between and beyond sampled/tested locations. The passage of time, natural occurrences and direct or indirect human activities at the site or distant from it may alter the actual conditions. Client assumes all risks associated with such variations in soil and subsurface conditions.

1.5 - AET is not responsible for interpretations or modifications of AET’s recommendations by other persons.

1.6 - Should changed conditions be alleged, Client agrees to notify AET before evidence of alleged change is no longer accessible for evaluation.

1.7 – Pricing in the proposal assumes use of these terms and conditions. AET reserves the right to amend pricing if Client requests modifications to the Agreement or use of Client’s alternate contract format. Any contract amendments made after Client has authorized the Services shall be applicable only to Services performed after the effective date of such amendment. The proposal and these terms and conditions, including terms of payment, shall apply to all Services performed prior to the effective date of such amendment.

1.8 - The AET proposal accompanying these terms and conditions is valid for thirty (30) days after the proposal issuance date to the Client. Any attempt to authorize Services after the expiration date is subject to AET’s right to revise the proposal as necessary.

SECTION 2 - SITE ACCESS AND RESTORATION

2.1 - Client will furnish AET safe and legal site access.

2.2 Client acknowledges that in the normal course of its Services, AET may unavoidably alter existing site conditions or affect the environment in the area being studied. AET will take reasonable precautions to minimize alterations to the site or existing materials. Restoration of the site is the responsibility of the Client.

SECTION 3 - UNDERGROUND UTILITIES AND STRUCTURES (FACILITIES)

3.1 - AET’s sole responsibility under this section will be to contact the state “call before you dig” notification center (e.g. Gopher State One Call in Minnesota), if such an entity exists, for location information of public utilities only. AET shall have no obligation to proceed with the work until Client has fully complied with all the requirements of this Section 3.

3.2 - Client will mark or cause to be marked the location of all other Facilities that service or are located on the site. AET shall be entitled to rely upon the accuracy of all location information supplied by any source.

3.3 - Client acknowledges that location data may be incorrect or that some Facilities may not be capable of location and Client fully accepts this risk and waives any claims against AET for incorrect locations or Facilities incapable of location.

3.4 - Client shall hold harmless, indemnify and defend AET from all claims, damages, losses, fines, penalties and expenses (including attorney’s fees) arising out of or related to the following: a) Facilities that are not shown or vary from the locations shown on any plans or drawings, b) Facilities that are not located by or vary from the locations marked by Client, governmental or quasi-governmental locator programs, or private utility locating services, or c) any other Facilities that are not disclosed or vary from locations provided by the Client. The obligation to defend AET shall be independent of the obligation to indemnify and hold harmless AET and shall be with independent counsel acceptable to AET.

SECTION 4 - CONTAMINATION

4.1 - Client acknowledges and accepts all contamination risks which may be associated with the Services. Risks include, but are not limited to, cross contamination created by linking contaminated zones to uncontaminated zones during the drilling process; containment and proper disposal of known or suspected hazardous materials, drill cuttings and drill fluids; and decontamination of equipment and disposal and replacement of contaminated consumables. Discovery of actual or suspected hazardous materials shall entitle AET to take immediate measures it deems necessary in its sole discretion, including regulatory notification, to protect human health and safety, and/or the environment. Further, discovery of such materials constitutes a changed condition for which Client agrees to pay associated additional cost.

4.2 - Client shall indemnify and hold AET harmless from all liability, damages, claims or costs resulting from contaminants on the site.

SECTION 5 - SAFETY

5.1 - Client shall inform AET of any known or suspected hazardous materials or unsafe conditions at the site. If, during the course of AET's Services, such materials or conditions are discovered, AET reserves the right to take measures to protect AET personnel and equipment or to immediately terminate Services. Client shall be responsible for payment of such additional protection costs.

5.2 - AET shall only be responsible for safety of AET employees at the site; the safety of all others shall be Client's or other persons' responsibility.

SECTION 6 – SAMPLES

6.1 - Client shall inform AET of any known or suspected hazardous materials prior to submittal to AET. All samples obtained by or submitted to AET remain the property of the Client during and after the Services. Any known or suspected hazardous material samples will be returned to the Client at AET's discretion.

6.2 - Non-hazardous samples will be held for thirty (30) days and then discarded unless, within thirty (30) days of the report date, the Client requests in writing that AET store or ship the samples. Storage and shipping costs shall be borne solely by Client.

SECTION 7 - PROJECT RECORDS

The original project records prepared by AET will remain the property of AET. AET shall retain these original records for a minimum of three years following submission of the report, during which period the project records can be made available to Client at AET's office at reasonable times.

SECTION 8 - STANDARD OF CARE

AET performs its Services consistent with the level of care and skill normally performed by other firms in the profession at the time of this service and in this geographic area, under similar budgetary constraints.

SECTION 9 - INSURANCE

AET maintains insurance with coverage and minimum limits shown below. AET will furnish certificates of insurance to Client upon request.

9.1 –

Workers' Compensation Employer's Liability	Statutory Limits \$100,000 each accident \$500,000 disease policy limit \$100,000 disease each employee
Commercial General Liability	\$1,000,000 each occurrence \$1,000,000 aggregate
Automobile Liability	\$1,000,000 each accident
Professional/Pollution Liability Insurance	\$1,000,000 per claim \$1,000,000 aggregate

9.2 - Commercial General Liability insurance will include coverage for Products/Completed Operations extending one (1) year after completion of AET's Services as outlined in our proposal, Property Damage, Personal Injury, and Contractual Liability coverage applicable to AET's indemnity obligations under this Agreement.

9.3 - Automobile Liability insurance shall include coverage for all owned, hired and non-owned automobiles.

9.4 - Professional/Pollution Liability Insurance is written on a claims-made basis and coverage will be maintained for one (1) year after completion of AET's Services as outlined in our proposal. Renewal policies during this period shall maintain the same retroactive date.

9.5 - **To the extent permitted by applicable state law, and upon Client's signing of the proposal, which includes these Terms and Conditions, and return of the same to AET, or Client provided forms of acceptance as defined in Section 1.1; Client and Owner shall be named an "additional insured" on AET's Commercial General Liability Policy (Form CG D4 14, which includes blanket coverage for the Additional Insured on a Primary and Non-Contributory basis). Client and Owner shall also be named an "additional insured" on a Primary and Non-contributory basis on AET's Automobile Liability Policy (Form CA T4 74). Any other endorsement, coverage or policy requirement may result in additional charges.**

9.6 - AET will maintain insurance coverage required by this Agreement at its sole expense, provided such insurance is reasonably available, with insurance carriers licensed to do business in the state in which the project is located and having a current A.M. Best rating of no less than A minus (A-). Such insurance shall provide for thirty (30) days prior written notice to Client for notice of cancellation or material limitations for the policy or ten (10) days' notice for non-payment of premium.

9.7 - AET reserves the right to charge Client for AET's costs for additional coverage requirements unknown on the date of the proposal, e.g., coverage limits or policy modification including waiver of subrogation, additional insured endorsements and other project specific requirements.

SECTION 10 - DELAYS

If delays to AET's Services are caused by Client or Owner, other parties, strikes, natural causes, pandemic, weather, or other items beyond AET's control, a reasonable time extension for performance of the Services shall be granted, and AET shall receive an equitable fee adjustment.

SECTION 11 - PAYMENT, INTEREST, AND BREACH

11.1 - Invoices are due net thirty (30) days from the date of receipt of an undisputed invoice. Invoices will be paid without reductions for bond or retention. Client will inform AET of invoice questions or disagreements within fifteen (15) days of invoice date; unless so informed, invoices are deemed correct.

11.2 – Invoices remaining unpaid for sixty (60) days shall constitute a material breach of this Agreement, permitting AET, in its sole discretion and without limiting any other legal or equitable remedies for such breach, to terminate performance of this Agreement and be relieved of any associated duties to the Client or other persons. Further, AET may withhold from Client data and reports in AET's possession. If Client fails to cure such breach, all reports associated with the unpaid invoices shall immediately upon demand be returned to AET and Client may neither use nor rely upon such reports or the Services.

11.3 – AET reserves the right to pursue any unpaid invoice utilizing available remedies at law. AET explicitly reserves its Mechanic Lien or Bond Claim rights for nonpayment of an undisputed invoice. Client is responsible for paying AET expenses and attorney fees related to collection of past due invoices.

11.4 – AET reserves the right to charge a 2.5% fee on any payment made using a credit card or debit card.

SECTION 12 - CHANGE ORDERS

AET's proposal associated with this project may provide an estimated cost for the work. If the proposal amount is a time and material estimate, or if changes occur affecting the project scope, estimated quantities, project schedule or other unforeseen conditions, AET will communicate with Client request a change order. However, nothing in this agreement shall be construed in any way as a waiver of payment by Client to AET for Services authorized under this agreement. Approval of a change order may be in writing, by electronic communication, or any directive for additional Services.

SECTION 13 - MEDIATION

13.1 - Except for enforcement of AET's rights to payment for Services rendered or to assert and/or enforce its lien rights, including without limitation assertion and enforcement of mechanic's lien rights and foreclosure of the same, Client and AET agree that any claim, dispute or other matter in question arising out of or related to this Agreement shall be subject to mediation as a condition precedent to arbitration or the institution of legal or equitable proceedings by either party; provided however that if either party fails to respond to a request for mediation within sixty (60) days, the party requesting mediation may without further notice, proceed to arbitration or the institution of legal or equitable proceedings.

13.2 - Mediation shall be in accordance with the Construction Industry Mediation Rules of the American Arbitration Association. Request for mediation shall be in writing and the parties shall share the mediator's fee and any filing fees equally and each party shall pay their own legal fees. The mediator shall be acceptable to both parties and shall have experience in commercial construction matters.

SECTION 14 - LITIGATION REIMBURSEMENT

Except for matters relating to non-payment of fees, which is governed by Section 11 hereof, payment of attorney's fees and costs associated with lawsuits or arbitration of disputes between AET and Client, which are dismissed or are judged substantially in either party's favor, shall be paid by the non-prevailing party. Applicable costs include, but are not limited to, attorney and expert witness fees, court costs, and other direct costs.

SECTION 15 - MUTUAL INDEMNIFICATION

15.1 - Subject to the limitations contained in Sections 15 and 18, AET agrees to indemnify Client from and against damages and costs to the extent caused by AET's negligent performance of the Services.

15.2 - Client agrees to indemnify AET from and against damages and costs to the extent caused by the intentional acts or negligence of the Client, Owner, Client's contractors and subcontractors or other third parties.

15.3 - If Client has an indemnity agreement with other persons or entities relating to the project for which AET's Services are performed, the Client shall include AET as an additional Insured.

15.4 - AET's indemnification to the Client, including any indemnity required or implied by law, is limited solely to losses or damages caused by its failure to meet the standard of care and only to the extent of its negligence.

SECTION 16 - NON-SOLICITATION

Each party to this Agreement (a "Party") agrees that it will not encourage, induce, or actively solicit any employee of the other party to leave their employment for any reason, provided that neither Party is precluded from (a) hiring any such employee who has been terminated by a Party or its subsidiaries prior to commencement of employment discussions between a Party and such employee, or (b) soliciting any such employee by means of a general advertisement or through an employment agency that does not specifically pursue the employee, or (c) hiring employees or former employees of the other Party who contact the Party on its own accord. This Non-Solicitation provision shall be effective and enforceable for six (6) months following termination of this Agreement.

SECTION 17 - MUTUAL WAIVER OF CONSEQUENTIAL DAMAGES

Except as specifically set forth herein and to the extent permitted by applicable law, Client and AET waive against each other, and each other's officers, directors, members, subcontractor, agents, assigns, successors, partners, and employees any and all claims for or entitlement to special, incidental, indirect, punitive, or consequential damages arising out of, resulting from, or in any way related to the Services provided by AET under this Agreement. This mutual waiver of consequential damages includes, but is not limited to, the following: loss of profits; loss of revenue; rental costs/expenses incurred; loss of income; loss of use of property, equipment, materials or services; loss of opportunity; loss of rent; loss of good will; loss of financing; loss of credit; diminution of value; loss of business and reputation; loss of management or employee productivity or the services of such persons; increased financing costs; cost of substitute facilities; cost of substitute goods/property/equipment; cost of substitute services; and/or cost of capital. This mutual waiver is applicable, without limitation, to all consequential damages due to either party's termination of this Agreement in accordance with the provisions of the Agreement and related documents and shall survive any such termination.

SECTION 18 - LIMITATION OF LIABILITY

To the fullest extent permitted by applicable law, the total aggregate liability of AET and its officers, directors, partners, employees, subcontractors, agents, and sub-consultants, to Client and/or Client's employees, officers, directors, members, agents, assigns, successors, or partners, or anyone claiming through Client, for any and all injuries, damages, claims, losses, or expenses (including attorney's fees and costs) arising out of, resulting from or in any way related to Services provided by AET from any cause or causes, including, but not limited to, its negligence, professional errors and omissions, strict liability, breach of contract, or breach of warranty, shall not exceed the total compensation in excess of costs received by AET for Services or \$50,000, whichever is less. The limitation of liability set forth herein does not apply to claims arising solely out of or related to the willful or intentional acts of AET.

SECTION 19 - POSTING OF NOTICES ON EMPLOYEE RIGHTS

Effective June 21, 2010, prime contracts with a value of \$100,000 or more and signed by federal contractors on projects with any agency of the United States government must comply with 29 CFR Part 471, which requires physical posting of a notice to employees of their rights under Federal labor laws. The required notice may be found at 29 Code of Federal Regulations Part 471, Appendix A to Subpart A. The regulation also has a "flow-down" requirement for subcontractors under the prime agreement for subcontracts with a value of \$10,000 or more. AET requires strict compliance of its subcontractors working on federal contracts subject to this regulation. The regulation has specific requirements for location of posting and language(s) for the poster.

SECTION 20 - TERMINATION

After 7 days' written notice, either party may elect to terminate this Agreement for justifiable reasons. In this event, the Client shall pay AET for all work performed, including demobilization and reporting costs to complete the Services.

SECTION 21 - SEVERABILITY

Any provisions of this Agreement later held to violate a law or regulation shall be deemed void, and all remaining provisions shall continue in force. However, Client and AET will in good faith attempt to replace an invalid or unenforceable provision with one that is valid and enforceable, and which comes as close as possible to expressing the intent of the original provision.

SECTION 22 - GOVERNING LAW

This Agreement shall be construed in accordance with the Laws of the State of Minnesota without regard to its conflicts of law provisions.

SECTION 23 - ENTIRE AGREEMENT

This Agreement, including these terms and conditions and attached proposal and appendices, is the entire agreement between AET and Client. Regardless of method of acceptance of this Agreement by the Client, this Agreement supersedes any written or oral agreements, including purchase/work orders or other Client agreements submitted to AET after the start of our Services. Any modifications to this Agreement must be mutually acceptable to both parties and accepted in writing. No considerations will be given to revisions to AET's terms and conditions or alternate contract format submitted by the Client as a condition for payment of AET's accrued Services.



CERTIFICATE OF LIABILITY INSURANCE

1/1/2026

DATE (MM/DD/YYYY)

7/23/2025

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Lockton Companies, LLC DBA Lockton Insurance Brokers, LLC in CA CA license #0F15767 444 W. 47th St., Ste. 900 Kansas City MO 64112-1906 (816) 960-9000 kcasu@lockton.com	CONTACT NAME: PHONE (A/C, No. Ext): E-MAIL ADDRESS: FAX (A/C, No):													
	<table border="1"> <thead> <tr> <th>INSURER(S) AFFORDING COVERAGE</th> <th>NAIC #</th> </tr> </thead> <tbody> <tr> <td>INSURER A : The Phoenix Insurance Company</td> <td>25623</td> </tr> <tr> <td>INSURER B : The Travelers Indemnity Company of America</td> <td>25666</td> </tr> <tr> <td>INSURER C : Travelers Property Casualty Company of America</td> <td>25674</td> </tr> <tr> <td>INSURER D : The Charter Oak Fire Insurance Company</td> <td>25615</td> </tr> <tr> <td>INSURER E : Continental Casualty Company</td> <td>20443</td> </tr> <tr> <td>INSURER F :</td> <td></td> </tr> </tbody> </table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A : The Phoenix Insurance Company	25623	INSURER B : The Travelers Indemnity Company of America	25666	INSURER C : Travelers Property Casualty Company of America	25674	INSURER D : The Charter Oak Fire Insurance Company	25615	INSURER E : Continental Casualty Company	20443	INSURER F :
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INSURED 1562985 AMERICAN ENGINEERING TESTING, INC. 550 CLEVELAND AVE. N ST. PAUL, MN 55114-1804														


COVERAGES **CERTIFICATE NUMBER:** 22217726 **REVISION NUMBER:** XXXXXXXX

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> CONT. LIAB/XCU GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:	N	N	P630539K8896PHX25	1/1/2025	1/1/2026	EACH OCCURRENCE \$ 2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 25,000 PERSONAL & ADV INJURY \$ 2,000,000 GENERAL AGGREGATE \$ 4,000,000 PRODUCTS - COMP/OP AGG \$ 4,000,000 \$
B	<input checked="" type="checkbox"/> AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> NON-OWNED AUTOS ONLY	N	N	8102L6457122543G	1/1/2025	1/1/2026	COMBINED SINGLE LIMIT (Ea accident) \$ 2,000,000 BODILY INJURY (Per person) \$ XXXXXXXX BODILY INJURY (Per accident) \$ XXXXXXXX PROPERTY DAMAGE (Per accident) \$ XXXXXXXX \$ XXXXXXXX
C	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> DED <input type="checkbox"/> RETENTION \$	N	N	CUP3K2260092543	1/1/2025	1/1/2026	EACH OCCURRENCE \$ 5,000,000 AGGREGATE \$ 5,000,000 \$ XXXXXXXX
D	<input checked="" type="checkbox"/> WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) <input checked="" type="checkbox"/> Y/N If yes, describe under DESCRIPTION OF OPERATIONS below	N/A	N	UB9H9151012543G	1/1/2025	1/1/2026	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
E	<input type="checkbox"/> PROFESSIONAL LIABILITY INCL. <input type="checkbox"/> POLLUTION INCIDENT	N	N	ECH254066939	1/1/2025	1/1/2026	EACH CLAIM/AGGREGATE \$5,000,000/\$5,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER**CANCELLATION**

22217726 EVIDENCE OF INSURANCE	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE 



Surveying Services: Proposal and Agreement

This proposal is valid for 30 days from the Order Date listed below.

CLIENT INFORMATION:

NAME: Zerr Berg Architects
BILLING ADDRESS: 510 4th Ave N
CITY, STATE, ZIP: Fargo, ND 58102
EMAIL: tbrandriet@zbarch.com
ORDER PLACED BY: Tyler Brandriet, AIA

PROJECT #: _____
ORDER DATE: 11/13/2025
PHONE: 701-478-4741
CELL: 605-203-1581

SURVEY LOCATION:

SECTION(s): _____ TWP(s): _____ RG(s): _____
LOT(s): _____ BLOCK(s): _____ SUBD: Lange's Addition
CITY / TOWN: Breckenridge COUNTY: Wilkin STATE: MN

DESCRIPTION OF WORK:

Boundary & Topographic Survey and Map for the Breckenridge School Improvements project meeting the requirements and extending to the limits described in the request for proposal from CMTA by email, dated November 7, 2025. The scope of services and map of the survey limits are attached to this proposal.

Deliverables shall include an AutoCAD file of linework, XML file including existing surface, CSV Point file, and a PDF of the Certificate of Survey, signed by a Minnesota licensed land surveyor.

SCHEDULE OF WORK:

The work will be scheduled to begin immediately upon notice to proceed and shall be completed within 15 working days thereafter. Client shall furnish right of way entry onto the project site to allow the necessary field measurements or studies to be performed. **Client shall provide a current Title Opinion for the subject property for use in locating easements of record.**

COST OF SURVEYING SERVICES: _____ **Lump Sum (LS)**

\$29,500.00

(Deposit shall be applied to the final invoice of the project.)

Deposit Required Prior to Start of Work: Yes No Amount \$ _____

PROPOSAL PROVIDED BY: Michael L. Fletchall, PLS – Interstate Engineering, Inc.

IE OFFICE: 1999 4th St N, Ste A, Wahpeton, ND 58075

To the fullest extent permitted by law, Client and Surveyor (1) waive against each other, and the other's employees, officers, directors, members, agents, insurers, partners, and consultants, any and all claims for or entitlement to special, incidental, indirect, or consequential damages arising out of, resulting from, or in any way related to this Agreement or the Project, and (2) agree that Surveyor's total liability to Client under this Agreement shall be limited to: **\$59,000.00**; or our fee, whichever is greater.

The Client agrees this liability waiver extends to all construction contractors, subcontractors, and purchasers of real property located within or adjacent to the Project when such liability is due to the Surveyor's negligent acts, errors, or omissions. **Payment for surveying services is due and payable when billed. Interest in the amount of 1.5% (or the maximum rate permitted by law, if less) per month shall be added to accounts not paid within thirty (30) days of the invoice date. This estimate includes support items for CAD drafting (point development for staking) and Professional Land Surveyor time for direct supervision, scheduling, support, and troubleshooting as needed. This estimate includes travel time to/from the Project site from our office, chargeable vehicle mileage, and survey staking materials (rebar, stakes, paint, flagging, etc.). If legal counsel is necessary to enforce rights on any amounts owed, the prevailing party is entitled to recover from the other party all costs as well as reasonable attorney fees. Requested or unexpected changes to the anticipated work required may change the proposed cost above. The Surveyor will discuss these situations with the Client as they arise. Additional Terms and Conditions apply, see Exhibit 1.**

AUTHORIZATION: I hereby authorize the above-described surveying services to be performed by Interstate Engineering, Inc. under the terms and conditions set forth. By signing, I certify that I am authorized to bind the entity to a contract and my title is _____ . I also understand that a corporate resolution may be requested as evidence.

SIGNATURE: _____ DATE: _____

TERMS AND CONDITIONS TO SURVEY SERVICES: PROPOSAL AND AGREEMENT

1.01 PAYMENT PROCEDURES

- A. Payment: As compensation for Interstate Engineering's Services and any Additional Services, the Client shall pay Interstate Engineering, Inc. in accordance with the Terms and Conditions presented herein. If Client disputes any invoice, either as to amount or entitlement, then Client shall promptly notify Interstate Engineering, Inc. in writing of the specific basis for the dispute. The client may withhold only the disputed portion of the invoice and must pay the undisputed portion promptly.
- B. Failure to Pay: If payment remains outstanding, Interstate Engineering, Inc. may, after giving 7 days' written notice, suspend services and withhold deliverables until full payment, including interest, is received. In such cases, the Client waives any claims against Interstate Engineering, Inc. for costs or damages resulting from the suspension. Upon resumption of services following payment, the schedule and compensation will be equitably adjusted to reflect the suspension period and any reasonable costs incurred to resume performance.
- C. If an invoice remains unpaid for over 90 days, Interstate Engineering, Inc., may, but is not obligated to, initiate collection procedures. The Client agrees to pay all costs incurred by Interstate Engineering, Inc. in collecting overdue amounts, including legal fees, collection agency fees, court costs, collection bonds, and reasonable staff time. This obligation survives the termination of the Agreement.
- D. Interstate Engineering Inc.'s services do not include participation in litigation as an expert witness. Should services be required, a separate Supplemental Agreement may be negotiated between Client and Interstate Engineering, Inc. to define the desired services and basis for compensation to Interstate Engineering, Inc.

2.01 TERMINATION

- A. Termination for Cause: Either party may terminate this Agreement for cause with 30 days' written notice if the other party substantially fails to perform, through no fault of the terminating party. Termination will not take effect if the defaulting party begins correcting the failure within 7 days and diligently completes the cure within 30 days. If such party has diligently attempted to cure the same and thereafter continues diligently to cure the same, then the cure period provided for herein will extend up to, but in no case more than, 60 days after the date of receipt of the notice.
- B. Interstate Engineering, Inc. may also terminate with 7 days' written notice if the Client request services contrary to Interstate Engineering, Inc. professional responsibilities, services are delayed or suspended for over 90 days for reasons beyond Interstate Engineering, Inc. control, payments remain unpaid for over 90 days, or undisclosed Constituents of Concern are found at the site. Interstate Engineering, Inc. will have no liability to Client on account of any termination by Interstate Engineering, Inc. for cause.
- C. Payments Upon Termination: In the event of termination Interstate Engineering Inc. is entitled to invoice and receive full payment for services rendered and expenses incurred up to the termination date. Upon payment, the Client will have the limited right to the use of all deliverables whether completed or in progress at their own risk, subject to paragraph 3.01.B.

3.01 GENERAL CONSIDERATIONS

- A. The standard of care for all professional surveying and related services performed or furnished by Interstate Engineering, Inc. under this Agreement will be the care and skill ordinarily used by members of the subject profession practicing under similar circumstances at the same time and in the same locality. Interstate Engineering, Inc. makes no warranties, express or implied, under this Agreement or otherwise, in connection with any services performed or furnished by Interstate Engineering, Inc. Subject to the foregoing standard of care, Interstate Engineering, Inc. may use or rely upon design elements and information ordinarily or customarily furnished by others, including, but not limited to, Client, specialty contractors, manufacturers, suppliers, and the publishers of technical standards.
- B. All intellectual property rights, including, but not limited to, all electronic files, copyrights, patents, patent disclosures and inventions (whether patentable or not), trademarks, service marks, trade secrets, know-how and other confidential information, trade dress, trade names, logos, corporate names and domain names, together with all of the goodwill associated with the foregoing, derivative works and all other rights (collectively, "Intellectual Property Rights") in and to all documents, work product, and other materials that are invented, created, owned by, licensed to, controlled by or otherwise originated with Interstate Engineering, Inc., whether delivered to Client under this Agreement or not, shall be owned by Interstate Engineering, Inc. Interstate Engineering, Inc. hereby grants Client a non-exclusive, non-assignable, non-transferrable, non-sublicensable, revocable license, to use the documents created by Interstate Engineering, Inc. in furtherance of the Project and delivered to Client (whether complete or incomplete) solely



for the purposes of completing the Project, subject to receipt by Interstate Engineering, Inc. of full payment due and owing for all services relating to preparation of such documents, and subject to the following limitations:

1. Client acknowledges that such documents are not intended or represented to be suitable for use on the Project unless completed by Interstate Engineering, Inc, or for use or reuse by Client or others on extensions of the Project, on any other project, or for any other use or purpose, without written verification or adaptation by Interstate Engineering, Inc.;
2. any such use or reuse, or any modification of the documents, without written verification, completion, or adaptation by Interstate Engineering, Inc, as appropriate for the specific purpose intended, will be at Client's sole risk and without liability or legal exposure to Interstate Engineering, Inc. or to its officers, directors, members, partners, agents, employees, and subconsultants;
3. Client shall indemnify and hold harmless Interstate Engineering, Inc. and its officers, directors, members, partners, agents, employees, and subconsultants from all claims, damages, losses, and expenses, including attorneys' fees, arising out of or resulting from any use, reuse, or modification of the documents without written verification, completion, or adaptation by Interstate Engineering Inc.; and
4. any limited license granted to Client in this Agreement shall not create any rights in third parties.

4.01 CONSTRUCTION SERVICES

- A. Interstate Engineering, Inc. shall not be responsible for any acts or omissions of the Contractor, subcontractor, or any person or entity performing any portion of the work. Interstate Engineering, Inc. does not guarantee or warrant the performance of any Contractor and shall not be responsible for the Contractor's failure to perform its work in accordance with the Contract Documents or any applicable codes, laws, rules or regulations.

5.01 JOBSITE SAFETY

- A. Neither the professional activities of Interstate Engineering, Inc., nor the presence of Interstate Engineering, Inc. at the project site, shall relieve the general contractor and all subcontractors of any of their responsibilities and duties to perform the work in accordance with the contract documents and to comply with any health or safety precautions required by any regulatory agencies. The Client agrees that the contractor and sub-contractors are solely responsible for job site safety and warrants that this intent shall be carried out in the Clients' contract with the general contractor. The Client also agrees that the Client and Interstate Engineering, Inc. shall be indemnified by the general contractor for any such claims and shall be made additionally insured under the general contractor's insurance policies.

6.01 CONSEQUENTIAL DAMAGES

- A. Notwithstanding any other provision in this Agreement, neither the Client nor Interstate Engineering, Inc., their respective officers, directors, shareholders, partners, employees, agents, members, sub consultants, or employees shall be liable to the other or shall make any claim for any incidental, indirect, or consequential damages arising out of or in any way connected to the project or this Agreement. This mutual waiver of consequential damages shall include, but is not limited to, loss of use, loss of profit, loss of business, loss of income, loss of reputation, or any other consequential damages that either party may have incurred from any cause of action.
- B. DISPUTE RESOLUTION, VENUE, AND CHOICE OF LAW: Any claim arising out of or related to this Agreement (except for Collection Procedures employed by Interstate Engineering, Inc. and those waived or barred as provided elsewhere in this Agreement), shall be subject to mediation as a condition precedent to arbitration or to the institution of legal or equitable proceedings by either party. The parties shall endeavor to resolve their claims by mediation. Either party may file a request for mediation. Mediation shall proceed in advance of legal or equitable proceedings, which shall be stayed pending mediation for a period of ninety (90) days from the date of filing, unless stayed for a longer period by agreement of the parties or by court order. The parties shall share the mediator's fee and any filing fees equally. The mediation (and/or arbitration or litigation – if applicable) shall be held in the state in which the project is located. Any agreements reached in mediation shall be enforceable as settlement agreements by the state court having jurisdiction in the same jurisdiction as the project unless the parties agree otherwise.



7.01 SUCCESSORS, ASSIGNS, AND BENEFICIARIES

- A. This Agreement is binding upon and inures to the benefit of each of the parties and their respective successors and assigns.
- B. Neither Client nor Interstate Engineer, Inc. may assign, sublet, or transfer any rights under or interest (including, but without limitation, claims arising out of this Agreement or money that is due or may become due) in this Agreement without the prior written consent of the other party, unless such assignment or transfer is required by or occurs by the operation of law. Unless specifically stated to the contrary in any written consent to an assignment, no assignment will release or discharge the assignor from any obligation or duty under this Agreement.
- C. Unless expressly provided otherwise in this Agreement:
 - 1. All duties and responsibilities undertaken pursuant to this Agreement are for the sole and exclusive benefit of Client and Interstate Engineering, Inc. and not for the benefit of any other party.
 - 2. Nothing in this Agreement will be construed to create, impose, or give rise to any duty owed by Client or Interstate Engineering, Inc., any third-party, or to any surety for or employee of Client or Interstate Engineering, Inc.

8.01 ENTIRE AGREEMENT

- A. This Agreement (including any expressly incorporated attachments) is the entire agreement between Client and Interstate Engineering, Inc. It supersedes all prior communications, understandings, and agreements, whether oral or written. Any amendment, modification, or cancellation to this Agreement must be written and executed by both Client and Interstate Engineering, Inc.



Scope of Work provided by CMTA by Email 11/07/2025:

Breckenridge School Improvements
Breckenridge, MN

BOUNDARY SURVEY

1. Existing property lines and Right of Way lines at locations shown on attached drawing (Exhibit A)
 - a. Locate Section Corners, as necessary
 - 1) Calculate section breakdown, as necessary
 - 2) Calculate existing boundary, as necessary
 - b. Boundary lines, giving length and bearing on each straight line
 - c. Interior angles, radius, point of tangency and length of curved lines
 - d. Set permanent iron pin (monument) at property corners
 - 1) State on drawings if corners were found or set
 - e. Show known easements and rights of way and identify owners
 - f. Show easements from descriptions and/or Title of Opinion provided by Owner

I. TOPOGRAPHICAL SURVEY

1. Existing site conditions within the limits shown on the attached drawing (Exhibit A)
 - a. Control necessary for completing survey work
 - 1) Wilkin County Coordinate System for Horizontal Datum and the National Vertical Datum (NAVD) 1988.
 - 2) Provide a minimum of two (2) control points on site
 - b. Provide a minimum of two (2) permanent benchmarks on site
 - 1) Detailed descriptions
 - 2) Elevations to 0.01FT
 - c. Contours at 1FT intervals
 - d. Spot elevations
 - 1) 50FT (max) grid.
 - 2) 10FT maximum spacing on center on curbs, sidewalks, and edges of paving.
 - a) At the end of all joint ends and at all joint intersections within concrete areas.
 - 3) Breaks in grade in turf and pavement areas.
 - e. Identify locations and elevations, and label all above-ground structures, and other man-made and natural features, including, but not limited to:
 - 1) Buildings
 - a) Foundation walls at ground level
 - b) Location, size, and elevations of all roof discharge lines
 - c) Finish floor elevation of each exterior building door
 - 2) Trees
 - a) Location and diameter (at 3FT above ground) for individual trees
 - (1) Ground elevation to 0.01FT at the project side

- b) Provide two (2) outlines in thickly wooded areas
 - (2) At trunk edge of tree line
 - (3) At dripline of tree line
- 3) Types and limits of pavements, sidewalks, top-back and flowline of curbs, striping and type (e.g., accessible) of parking stalls and directional striping signs, landscaped areas, etc.
- f. Locate existing utilities as determined by contacting utility and structure owners and obtaining available information on the utilities and structures, together with a field survey of the location of surface observations of such features, including, but not limited to the following.
 - 1) Water, gas, steam, electrical, communication and other utilities above (including but not limited to such items as hydrants, valve boxes, vaults, transformers, etc.) and below ground to the extent that such below-ground features may be determined by surface observation and/or in accordance with field markings or documentation provided by utility companies or agencies, their representatives, or Owner.
 - 2) Location, depth, and direction of flow of sanitary sewers, storm sewers, and culverts; location of catch-basins and manholes, and inverts of pipe at each; all to the extent that the below-ground features referred to in this paragraph may be determined by surface observations and/or in accordance with field markings or documentation provided by utility companies or agencies, their representatives, or Owner.
 - a) If size of pipe and type of pipe material can be determined by direct survey measurement and observation, the Land Surveyor shall note together with any limitations to the accuracy of the observations.
 - b) Location and invert elevations of manhole structures located upstream and downstream beyond the requested survey limits such that slope and locations of sewer lines can be determined.
 - 3) Name and the operating authority of each utility.

EXHIBIT A

BRECKENRIDGE SCHOOL
SURVEY RFP
11-7-2025

BRECKENRIDGE
HIGH SCHOOL

SURVEY LIMITS

13th St N

Beede Ave

108





P.O. Box 914
Golden, CO 80402
720.530.7611
www.wemeasure3d.com

11/12/2025

Project: 710 13th St N

Client: Zerr Berg Architects

Location: Breckenridge, MN

Attn: Tyler Brandriet

Our understanding of the project is to provide you with a 3D laser scan documenting existing conditions of the building located at 710 13th Street, Breckenridge, MN. Utilizing a NavVis laser scanning device, we will capture accurate measurements of the full interior and exterior of the building. The deliverables will include a point cloud of the existing space, and a Revit model created from the point cloud data.

SCOPE OF WORK:

1. WM3D will provide a full laser scan of the 710 13th St building, including interior (walls, doors, windows, etc) and exterior. Building footprint equals roughly 103,800 sq. ft.
2. A laser scanner will be used to capture over 1 million points per second with 3-5 mm accuracy from various strategic locations to ensure complete coverage.
3. Scan will include a registered point cloud (LOA300) for use in creating existing as-built drawings.
4. All visible surfaces including floor, walls and ceiling will be included in the scan.
5. Revit model (LOD200). In terms of represented accuracy, out of plumb conditions will be represented as orthogonal and LOA will be dependent on existing conditions of the building. The linked point cloud data should be referenced for elements where dimensional accuracy is critical.



ASSUMPTIONS:

1. WM3D will be granted access to all areas of the property for the duration of the scan.
2. The buildings equal approximately 103,800 sq. ft.
3. Scan will include interior and exterior line of sight elements. Building elements not visible, or areas not accessible at the time of the scan, will not be documented.
4. Scan includes architectural elements only, MEP will not be included unless otherwise visible.
5. Revit model will be done using LOD200 and assuming generic elements for: Walls, Floors, Ceilings, Doors, and Windows (excluding mechanical, electrical, and plumbing)

DELIVERABLES:

1. Registered and colored point cloud delivered as an Autodesk Recap file with embedded photographs.
2. Revit Model (LOD200) with linked point cloud to be referenced for accuracy. Model will be delivered as Revit 2024.

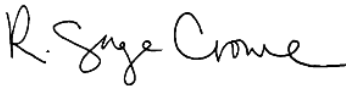
FEE PROPOSAL:

1. Existing Condition Scanning Fee: \$15,500
2. Revit Model: \$31,000

If you have any questions or concerns regarding scope of work or costs, please feel free to contact WM3D.

Sincerely,

WM3D



R. Sage Crowe

BIM PROTOCOLS:

Refer to Exhibit A (attached) for specific information.

TERMS AND CONDITIONS:

Refer to Exhibit B (attached) for specific information.

EXHIBIT A: WM3D BIM PROTOCOLS

The following protocols apply to the production, use of, and limits of the electronic model used by, or created by, WM3D, LLC as part of the project and specific to the Mechanical, Electrical, and Plumbing (MEP) systems designed by WM3D. The definitions, terms, limits, and descriptions herein shall supersede any contract terms and conditions relating to BIM, BIM Execution Plan, or similar BIM article(s), when applied to WM3D, included as part of the Project.

Purpose of the Model: The electronic model is an instrument of service, intended for the production of 2-Dimensional (2D) Contract Documents via a 3-Dimensional (3D) design and coordination process. WM3D may choose to model those elements determined suitable for 3D coordination. However, the model will not include all elements necessary for complete MEP systems design and installation, nor will it include all elements and requirements reflected on the 2D Contract Documents, which include the project drawings and specifications. Any information contained in the model is subordinate to the printed, 2D Contract Documents. In the case of any conflicts or differences, the 2D Contract Documents are the controlling documents.

Expectations for Limits of Modeled Elements: The model may be used for coordination between design team members as outlined in the Level of Development section below. If the model is forwarded to the Contractor and/or subcontractors, the Contractor and subcontractors may only use the model as a reference to better understand design intent. Generally, modeled elements will include the following:

- HVAC: Pipes greater than 3" nominal size, ductwork, equipment, diffusers, registers, grilles, and louvers.
- Plumbing: Piping greater than 3" nominal size, equipment, fixtures.
- Electrical: Conduit greater than 1 1/4", light fixtures, distribution equipment and panels.

The model will generally not include the following:

- Flanges, fittings, hangers, pull boxes, seismic restraints, and assembly data subject to means and methods of construction.
- Thermostats, sensors, detectors, switches and other wall/ceiling devices denoted by symbol on the plans.
- Dampers and duct accessories with some exceptions at the discretion of WM3D.
- Valves and pipe specialties with some exceptions at the discretion of WM3D.
- Specific connections to equipment with some exceptions at the discretion of WM3D.
- Pipe and duct insulation and interior ductwork liner.
- Fire protection systems other than the main piping and components used to develop the performance design.
- Conduit and panels for automated control systems.
- Conduit and devices for fire alarm systems.
- Accurate quantities suitable for estimating, construction, or cataloguing.
- Specific manufacturer information, except where WM3D, at its sole discretion, chooses to include such information.
- Criteria in regards to the sequencing of construction. Any such information presented by the model is coincidental.

Level of Development (LOD):

The following LOD descriptions shall apply to the work performed by, and model provided by, WM3D. These descriptions include the content requirements and associated authorized uses for each progressively detailed LOD. Each subsequent LOD builds on the previous LOD. The model content requirements apply only to those systems, components, and assemblies WM3D chooses to include within the model. The authorized uses noted herein constitute the only allowed uses of the model.

LOD 100

Model Content Requirements. Basic spatial requirements and system concepts used to support the development of the architectural model. Systems and components are not modeled for dimensional or location accuracy.

Authorized Uses. The model may be used to generate 2D drawings representing the design concept. The model may be used by the design team for developing concepts and coordination criteria.

Application. An LOD 100 model will apply to Concept Design and Schematic Design phases.

LOD 200:

Model Content Requirements. Model elements are modeled as generalized systems, components, or assemblies with approximate quantities, sizes, shapes, and locations and shall not be considered as “dimensionally accurate.” Non-geometric information may be attached to Model Elements at the sole discretion of WM3D. While modeled elements are intended to support the coordination process, modeled elements shall not be considered coordinated at this LOD.

Authorized Uses. The model may be used to generate 2D drawings representing the status of the design. The model may be used by the design team to coordinate rights-of-way for major system components. The model may be used for clash detection by the design team within the limits of expectations defined herein.

Application. An LOD 200 model will apply to the Design Development phase.

LOD 300:

Model Content Requirements. Model elements are modeled as generalized systems, components, or assemblies with approximate quantities, sizes, shapes, and locations and shall not be considered as “dimensionally accurate.” Non-geometric information may be attached to Model Elements at the sole discretion of WM3D. At this LOD and at the sole discretion of WM3D, specific model elements accurate in terms of size and shape may be included. These elements may or may not be imported from specific manufacturers in order to define a basis of design. Where equipment elements are shown, WM3D makes no representation of the accuracy of the elements since any manufactured equipment or component is subject to continual change and alternate manufacturers are typically permitted. While modeled elements are intended to support the coordination process at a more detailed level, modeled elements shall not be considered completely coordinated at this LOD.

Authorized Uses. The model may be used to generate 2D drawings representing the status of the design. The model may be used by the design team to coordinate rights-of-way for major system

components, primary system components, and secondary distribution components. The model may be used for clash detection by the design team within the limits of expectations defined herein.

Application. An LOD 300 model will apply to the BIM Coordination phase.

LOD 400:

Model Content Requirements. Model elements are modeled as specific systems, components, or assemblies that are accurate in terms of size, shape, location, and quantity with fabrication, assembly, and detailing information. Non-geometric information may be attached to Model Elements. Where possible, elements are modeled from actual manufacturer's data to include information specific to the selected manufacturers.

Authorized Uses. The Contractor may choose to produce an LOD 400 model to generate 2D coordination drawings and/or for detailed, 3D installation coordination amongst the construction team. During this process the design model, which is not an LOD 400 model, may be used by the construction team as a reference-only document to help clarify the design intent.

Clash Detection: Due to the limits of available software, elements identified as "clashing" may not actually be in conflict and should not be construed as conflicts or errors on the part of the design team. The model is a design tool rather than an installation tool. Therefore, some clashes are expected and may be left in place where a construction resolution is available. Inasmuch as we do not have complete control over the design, selection of materials, or sequencing of construction for the project, WM3D makes no representation that the model will be "clash-free" or without conflicts requiring resolution by the Contractor.

Availability of Model: The model will be made available subject to the Terms of the Prime Agreement.

Contractor's Role: The Contractor is solely responsible for the decisions made for their use of the model. The Contractor is ultimately responsible for the complete and coordinated installation of all systems depicted on the Contract Documents, whether or not said systems are completely depicted within the model. The model is not intended to dictate means and methods, scheduling requirements, sequencing, or exact quantities; these requirements are the sole responsibility of the Contractor.

Ownership of Documents: The model, and all documents produced by WM3D under this agreement shall remain the property of WM3D and may not be used by the Client for any other endeavor without the written consent of WM3D.

EXHIBIT B: WM3D TERMS AND CONDITIONS

The following Terms and Conditions are a part of this Agreement. WM3D shall perform the services outlined in this agreement for the stated fee arrangement.

Access To Site: Unless otherwise stated, WM3D will have access to the site for activities necessary for the performance of the services. WM3D will take precautions to minimize damage due to these activities, but has not included in the fee the cost of restoration of any resulting damage.

Dispute Resolution: Any claims or disputes made during design, construction or post-construction between the Client and WM3D shall be submitted to non-binding mediation. Client and WM3D agree to include a similar mediation agreement with all contractors, subcontractors, subconsultants, suppliers and fabricators, thereby providing for mediation as the primary method for dispute resolution between all parties.

Billing/Payments: Invoices for WM3D's services shall be submitted, at WM3D's option, either upon completion of such services or on a monthly basis. Invoices shall be payable within 10 days after the client receives payment. If the invoice is not paid within 60 days, WM3D may, without waiving any claim or right against the Client, and without liability whatsoever to the Client, terminate the performance of the service.

Late Payments: Accounts unpaid 60 days after the invoice date may be subject to a monthly service charge of 1.5% (or the legal rate) on the then unpaid balance. In the event any portion or all of an account remains unpaid 90 days after billing, the Client shall pay all costs of collection, including reasonable attorney's fees.

Indemnification: The Client shall, to the fullest extent permitted by law, indemnify and hold harmless WM3D, his or her officers, directors, employees, agents and subconsultants from and against all damage, liability and cost, including reasonable attorney's fees and defense costs, arising out of or in any way connected with the performance by any of the parties above named of the services under this agreement, excepting only those damages, liabilities or costs attributable to the sole negligence or willful misconduct of WM3D.

Certifications: Guarantees and Warranties: WM3D shall not be required to execute any document that would result in its certifying, guaranteeing or warranting the existence of conditions whose existence WM3D cannot ascertain.

Limitation of Liability: In recognition of the relative risks, rewards and benefits of the project to both the Client and WM3D, the risks have been allocated such that the Client agrees that, to the fullest extent permitted by law, WM3D's total liability to the Client for any and all injuries, claims, losses, expenses, damages or claim expenses arising out of this agreement from any cause or causes, shall not exceed \$1,000. Such causes include, but are not limited to, WM3D's negligence, errors, omissions, strict liability, breach of contract or breach of warranty.

Verification of Existing Conditions Clause: Inasmuch as the remodeling and/or rehabilitation of an existing building requires that certain assumptions be made regarding existing conditions, and because some of these assumptions may not be verifiable without expending additional sums of money or destroying otherwise adequate or serviceable portions of the building, (the Client) agrees that, except

for the sole negligence on the part of WM3D, (the Client) agrees to indemnify and hold WM3D harmless from any claims, liability or cost (including the costs of defense) arising or allegedly arising out of the professional services provided under this agreement.

Termination of Services: This agreement may be terminated by the Client or WM3D should the other fail to perform its obligations hereunder. In the event of termination, the Client shall pay WM3D for all services rendered to the date of termination, all reimbursable expenses, and reimbursable termination expenses.

Ownership of Documents: All documents produced by WM3D under this agreement shall remain the property of WM3D and may not be used by the Client for any other endeavor without the written consent of WM3D.

14. *November 21, 2025 School Make-Up Day*

15. **Adjournment**