Windom Area Schools

District Office:
PO Box 177
Windom MN 56101
Phone: 507-831-6901
Fax: 507-831-6919

An Equal Opportunity Employer
Windom Area Elementary
1200 17th Street
PO box 177
Windom MN 56101
Phone: 507-831-6925

Windom Area
Middle /High School
1400 17th Street
PO Box 177
Windom MN 56101
Phone: 507-831-6910

Windom Schools will create a safe, responsive , and nurturing environment where every learner receives a high-quality, challenging education that empowers them with the skills and knowledge needed for a successful future.

WWW.WINDOM.K12.MN.US

November 23, 2026 Work Session
Windom City Council Chamber
444 9th Street
Windom, MN 56101
November 23, 2026
5:30 PM
Live at Media SB22 on youtube

1. Call to order
   Angie Klassen
2. The Pledge of Allegiance
   Angie Klassen
3. Approval of Agenda (revise as necessary)
   Angie Klassen
4. Presentation of FY2026 (2025-2026 school year) audit by Tom Olinger from Abdo Solutions - Informational
   Holly Anderson
   The annual audit was completed by Abdo again this year. Tom Olinger from Abdo will be presenting the information regarding the process and results.
5. Approve FY2026 Audit Report - Action
   Holly Anderson
   The audit report is included in the packet for approval.
6. Presentation of Exemplary Grant Findings - Informational
   Sara Barfknecht, Autumn Hauge, and Alyssa Quade
7. Approve Fundraising Request-Action
   Angie Klassen

Emily Riordan and James Burton	Holiday Gift Wrapping	December 7th	We will be offering to wrap presents for members of the public who drop off their gifts at our "workshop" at the school. We have all of the supplies, we would just be wrapping the gifts.

8. Approve the Resignation of Lisa Lundy, School Psychologist. - Action
   Angie Klassen
9. Approve FY2027 Revised Budget - Action
   Holly Anderson

The budget sheet included in the packet is reflective of the final audited figures from FY2026. The FY2027 budget has been revised based on current enrollment figures, newly approved contracts and other current revenue and expenditures.

10. Adjourn

Angie Klassen

2025 – 2026 Financial Statement Audit

Independent School District No. 177



Introduction

- Audit Opinion and Responsibility
- General Fund Results
- Other Governmental Funds
- Key Performance Indicators



Audit Results

Auditor's Opinion

unmodified opinion under GAAP

Minnesota Legal Compliance

One instance of noncompliance

Single Audit Report

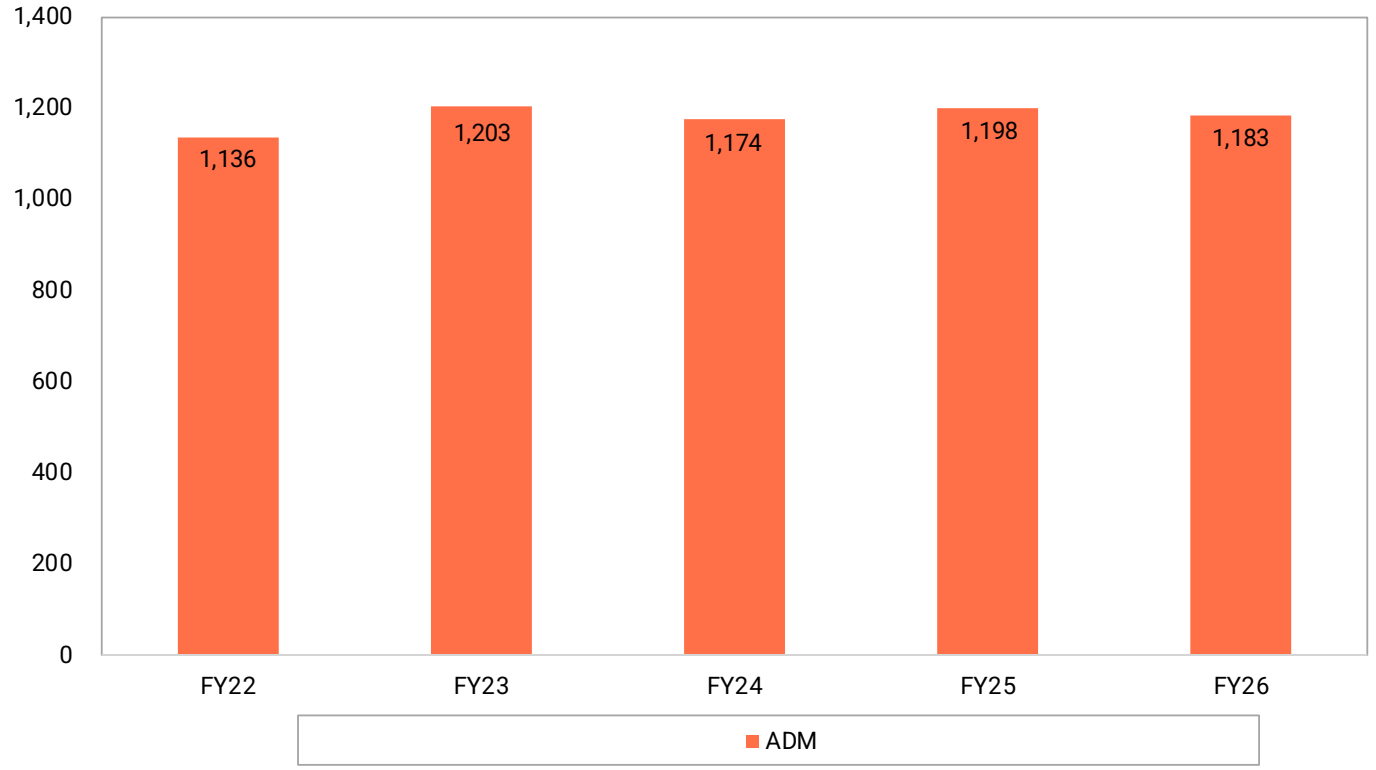
No instances of noncompliance with OMB Compliance Supplement requirements

AUDIT RESULTS

Fiscal Year 2026 Findings

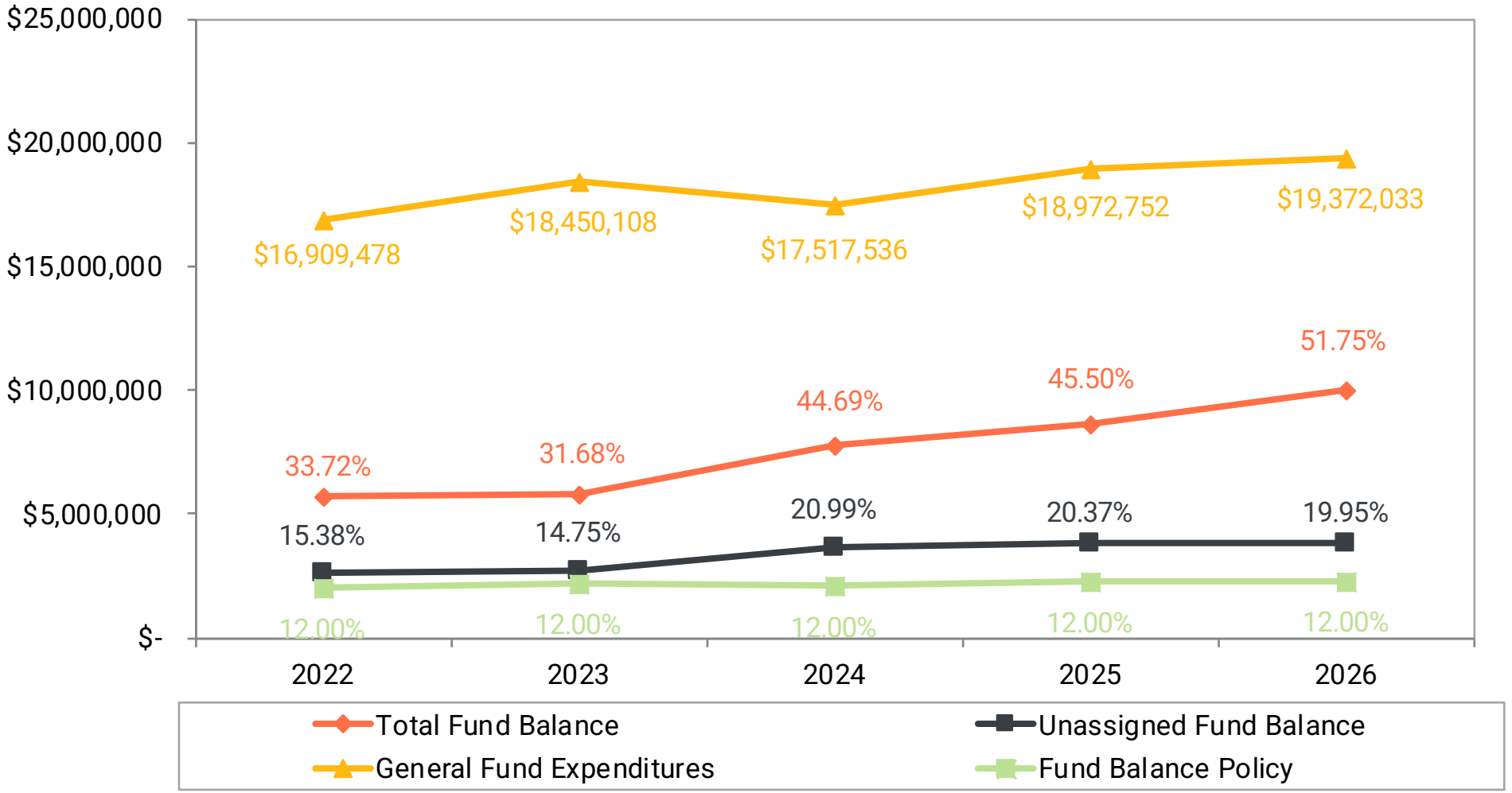
- Material Audit Adjustment
  - *Internal Control Finding*
- Board Approval of Checks/Wires
  - *Legal Compliance Finding*
- Single Audit – Controls over Eligibility
  - *Internal Control Finding*
- Single Audit – Controls over Reporting
  - *Internal Control Finding*

Average Daily Membership

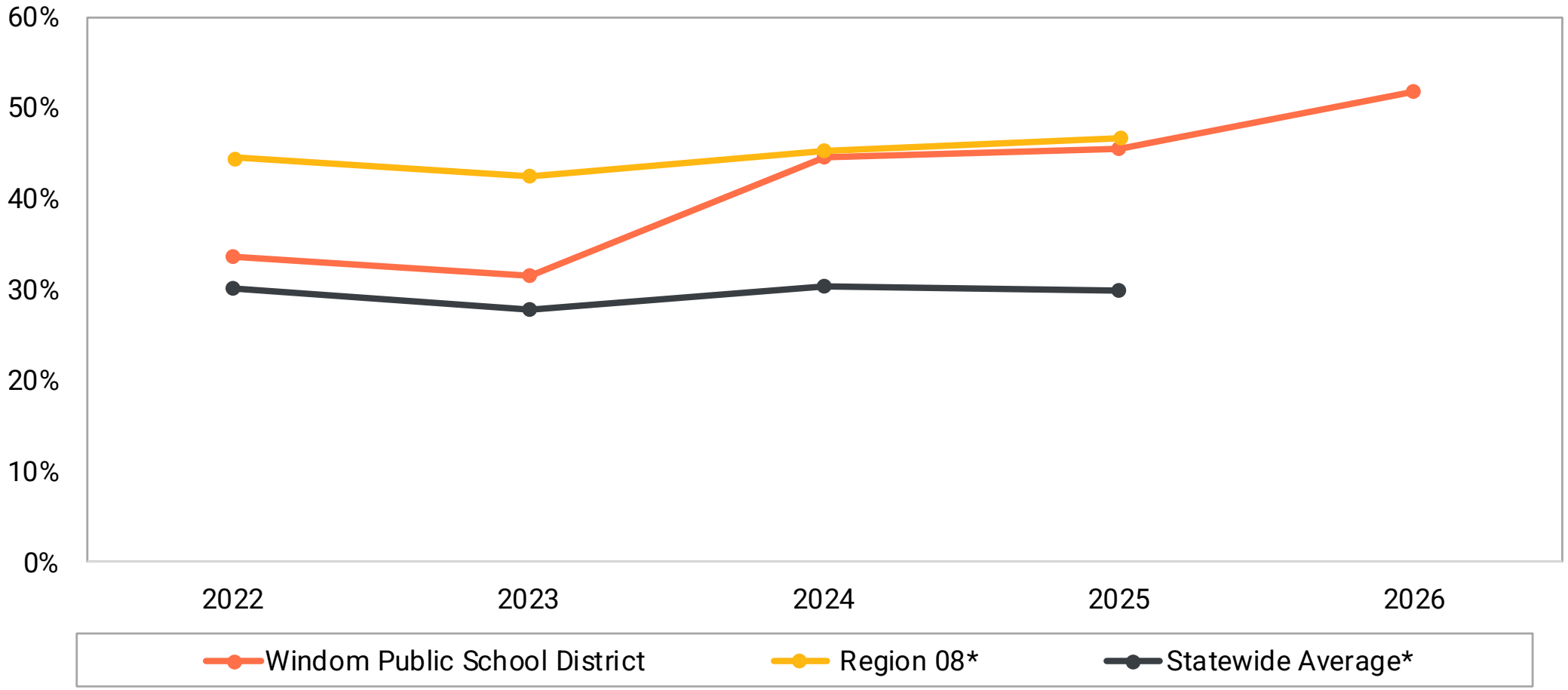


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General Fund Balances



General Fund Balances as a Percentage of Expenditures



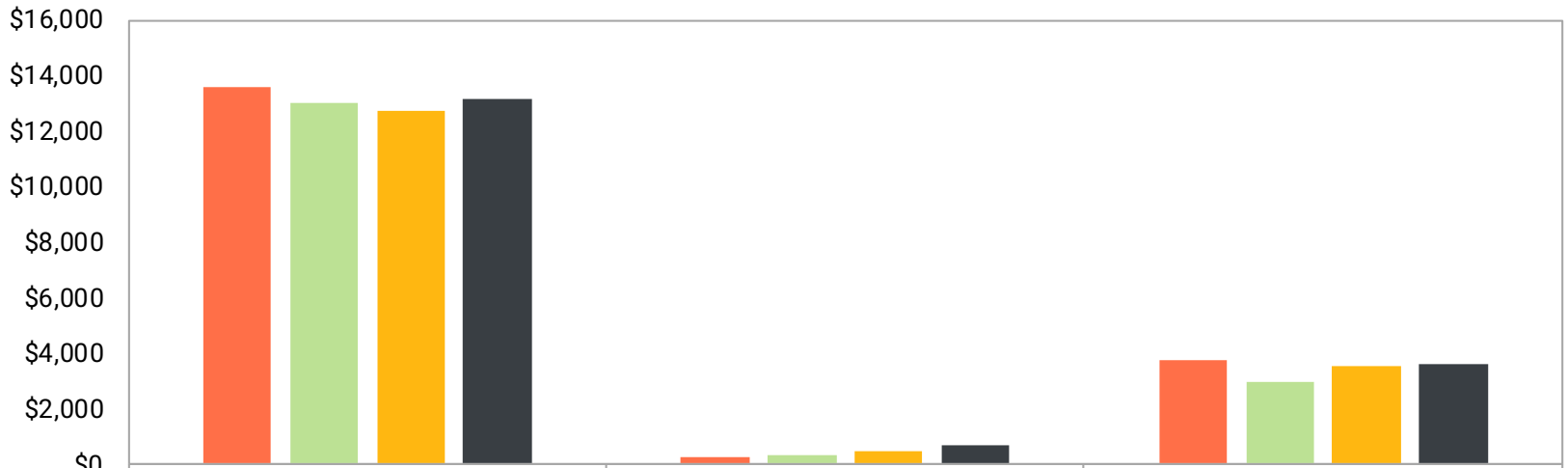
* Information obtained from School District Profile reports published by MDE

General Fund Budget to Actual

	Final Budget	Actual Amounts	Variance with Final Budget
Revenues	$ 19,989,642	$ 20,838,273	$ 848,631
Expenditures	20,435,197	19,372,033	1,063,164
Excess (Deficiency) of Revenues Over (Under) Expenditures	(445,555)	1,466,240	1,911,795
Other Financing Sources (Uses) Transfers out	(88,670)	(74,357)	14,313
Net Change in Fund Balances	(534,225)	1,391,883	1,926,108
Fund Balances, July 1	8,632,800	8,632,800	-
Fund Balances, June 30	$ 8,098,575	$ 10,024,683	$ 1,926,108

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General Fund Revenues per ADM

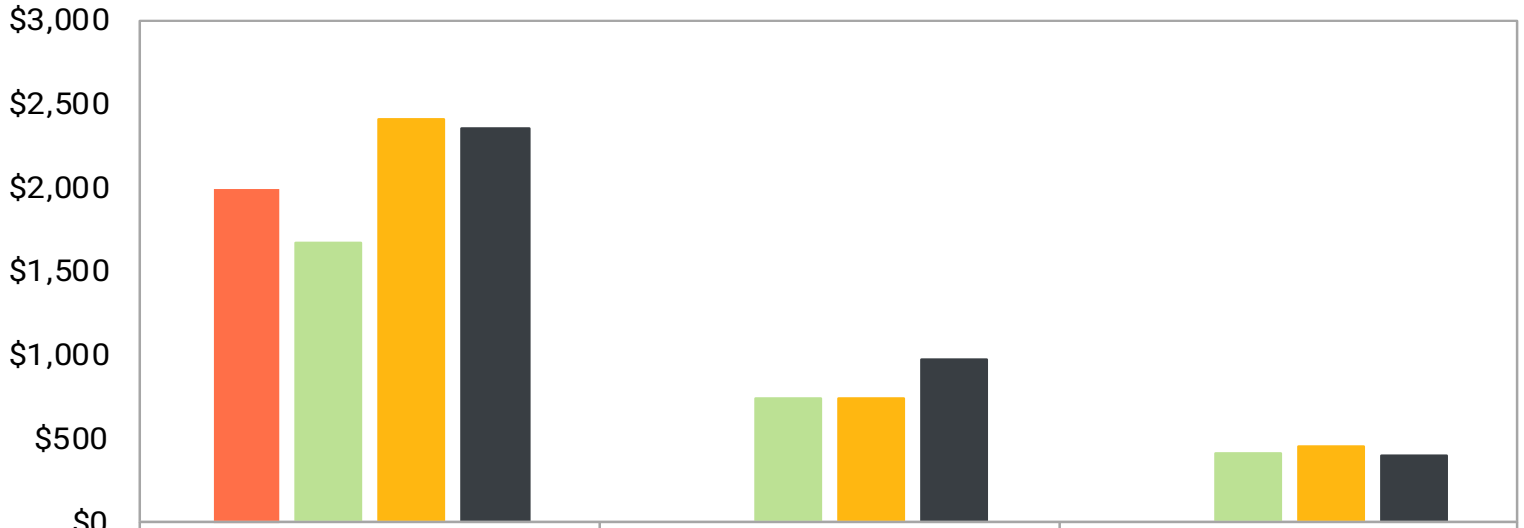


	State Sources	Federal Sources	Local Sources
2026 Windom Public School District	$13,588	$289	$3,738
2025 Windom Public School District	$13,050	$319	$2,987
2025 Region 08*	$12,717	$472	$3,543
2025 Statewide Average*	$13,162	$703	$3,635

* Information obtained from School District Profile reports published by the MDE

KEY PERFORMANCE INDICATORS

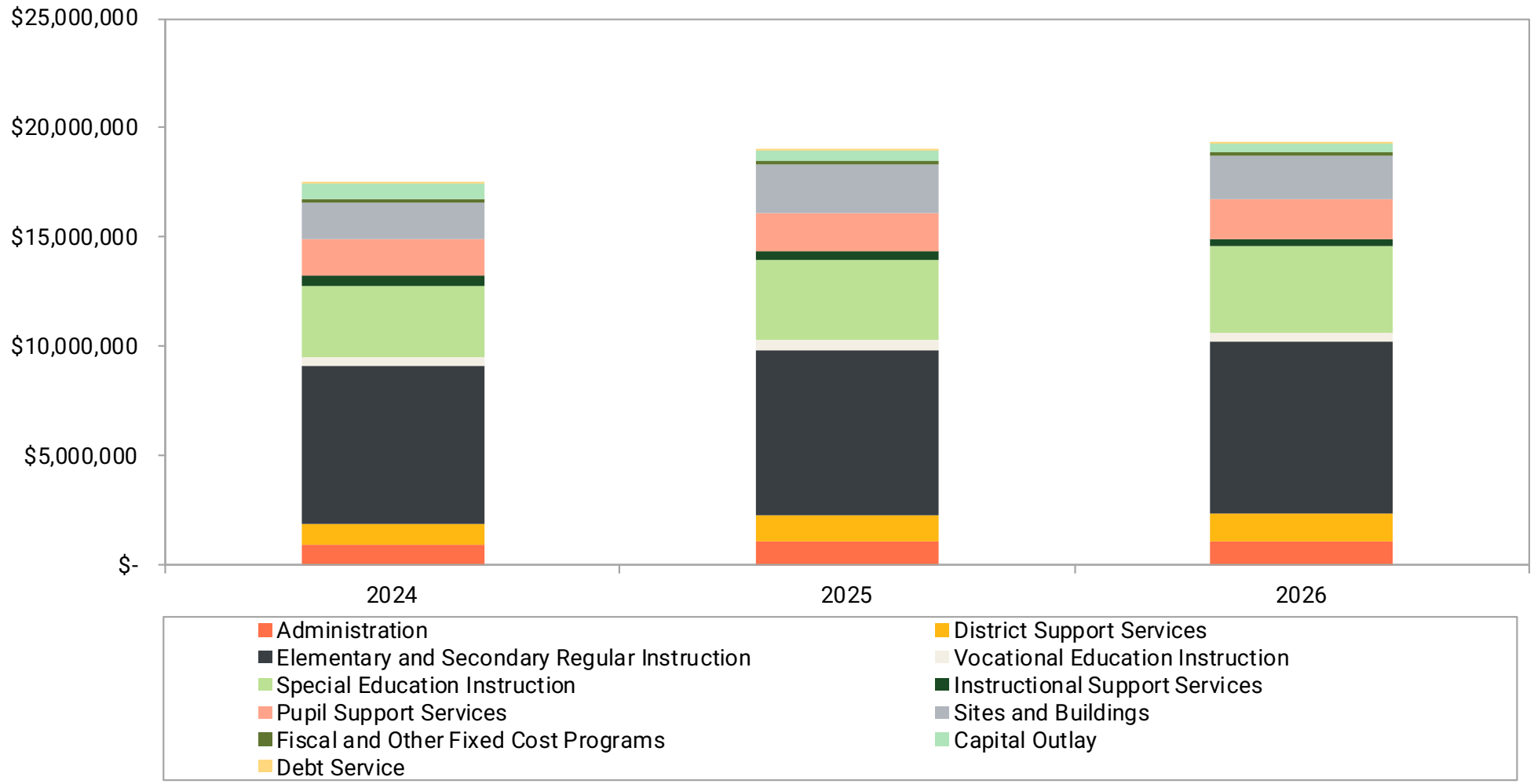
Property Taxes



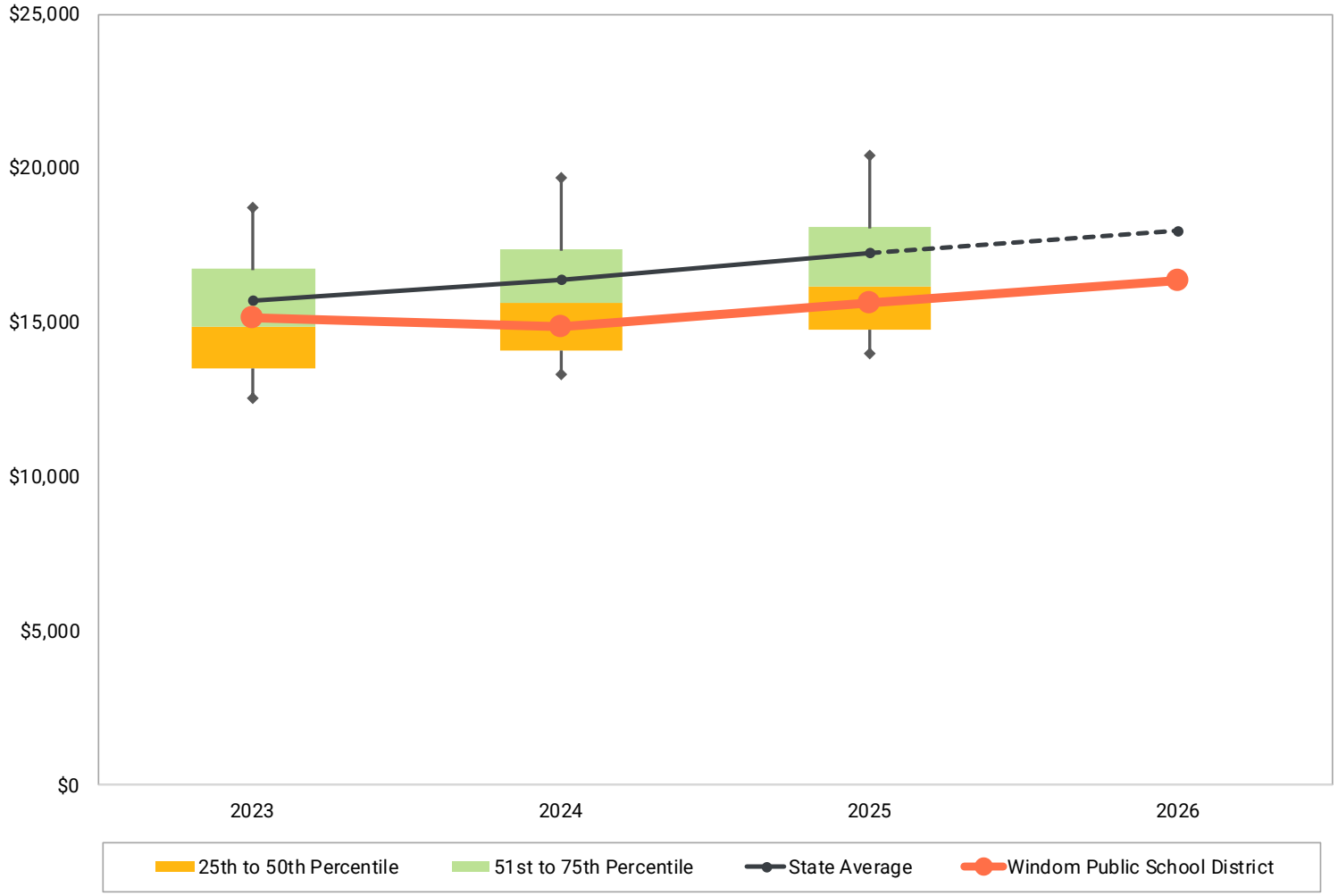
	Per ADM	Average School Distrct Property Tax Per Home	District Property Tax Per 100K Home Value After Credits
2026 Windom Public School District	$1,992	$-	$-
2025 Windom Public School District	$1,668	$741	$408
2025 Region 08*	$2,414	$744	$459
2025 Statewide Average*	$2,355	$975	$405

* Percentile data and state average obtained from School District Profile reports published by the MDE

General Fund Expenditures

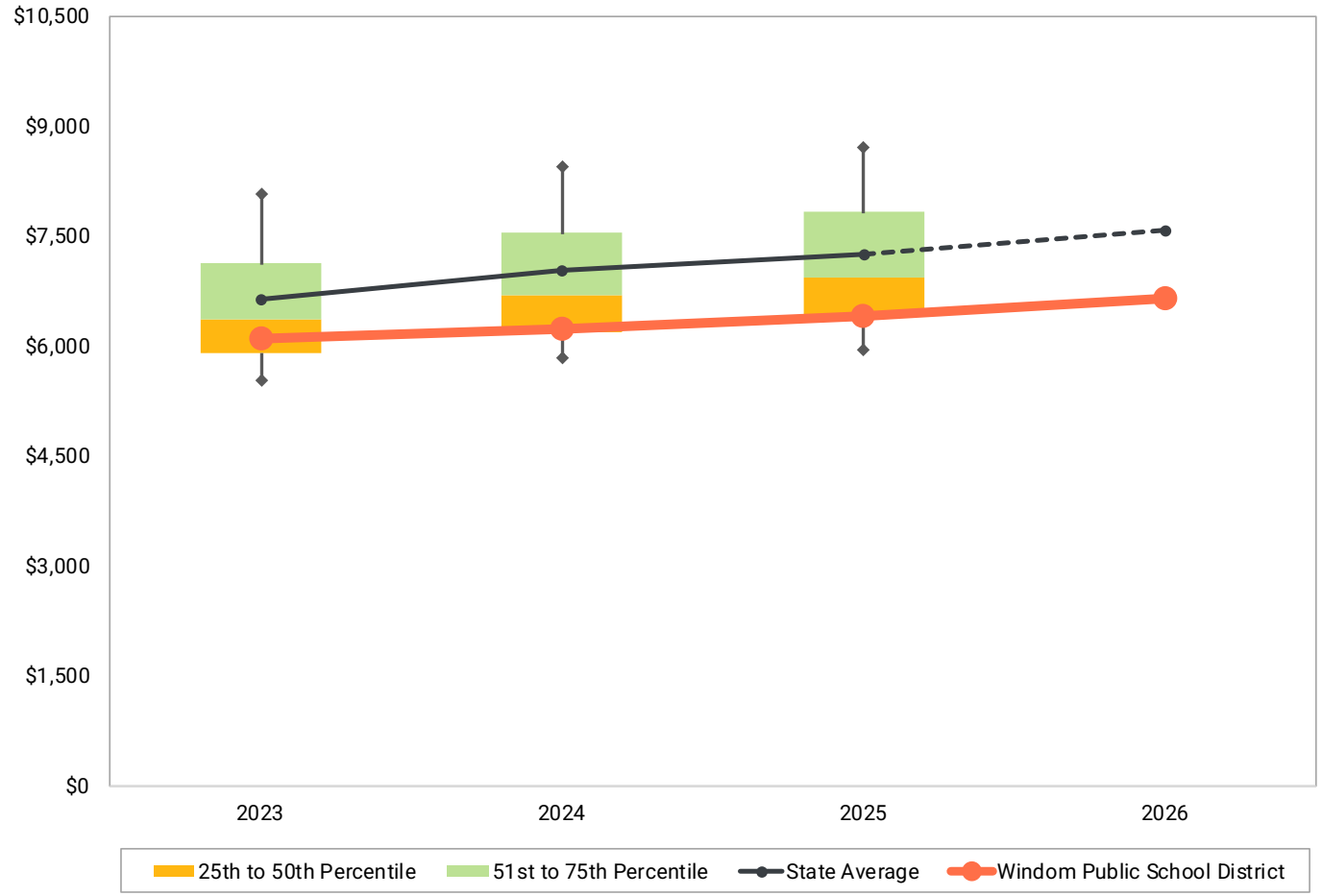


General Fund Expenditures per ADM



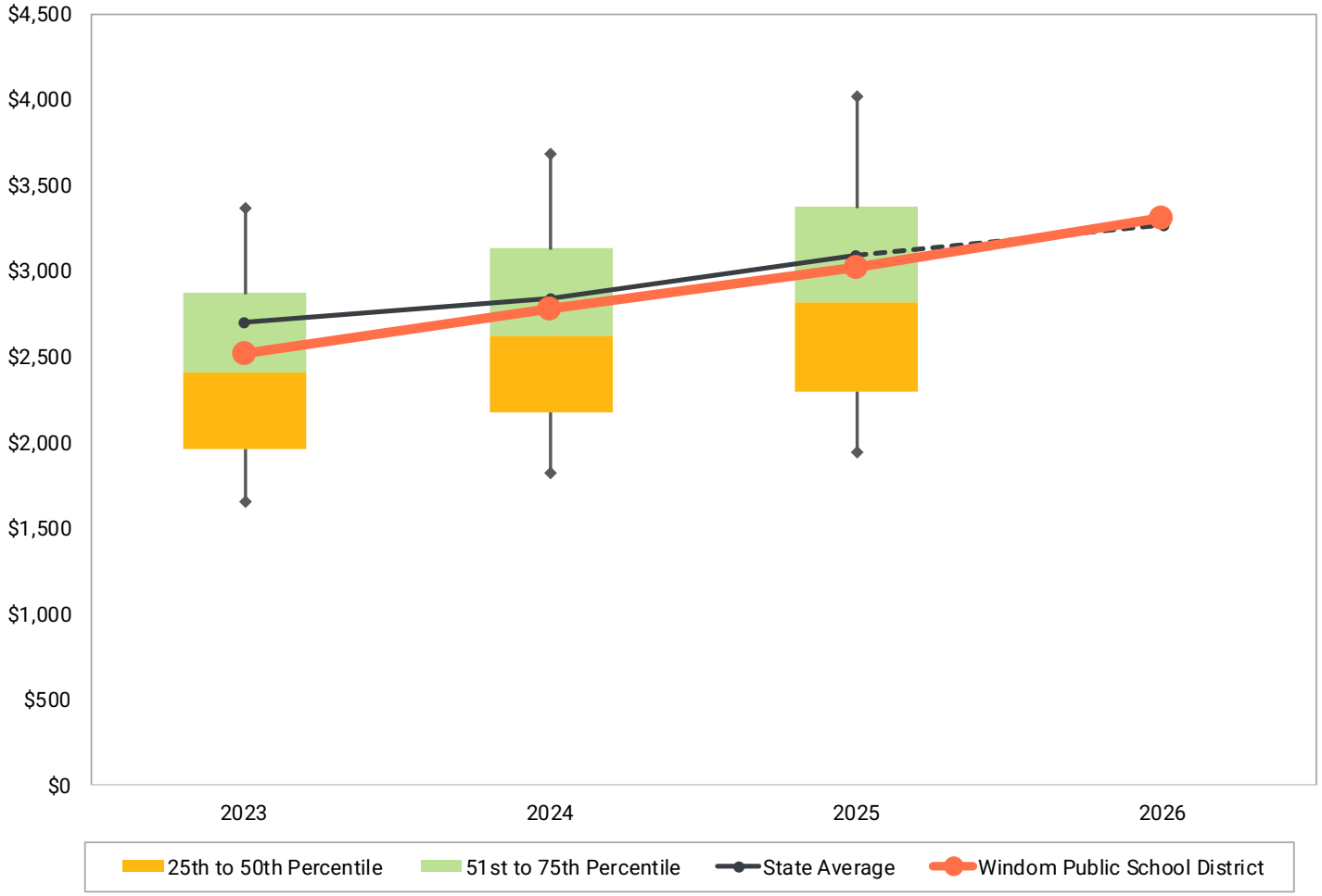
* Percentile data and state average obtained from School District Profile reports published by the MDE

Elementary and Secondary Regular Instruction per ADM



* Percentile data and state average obtained from School District Profile reports published by the MDE

Special Education Expenditures per ADM



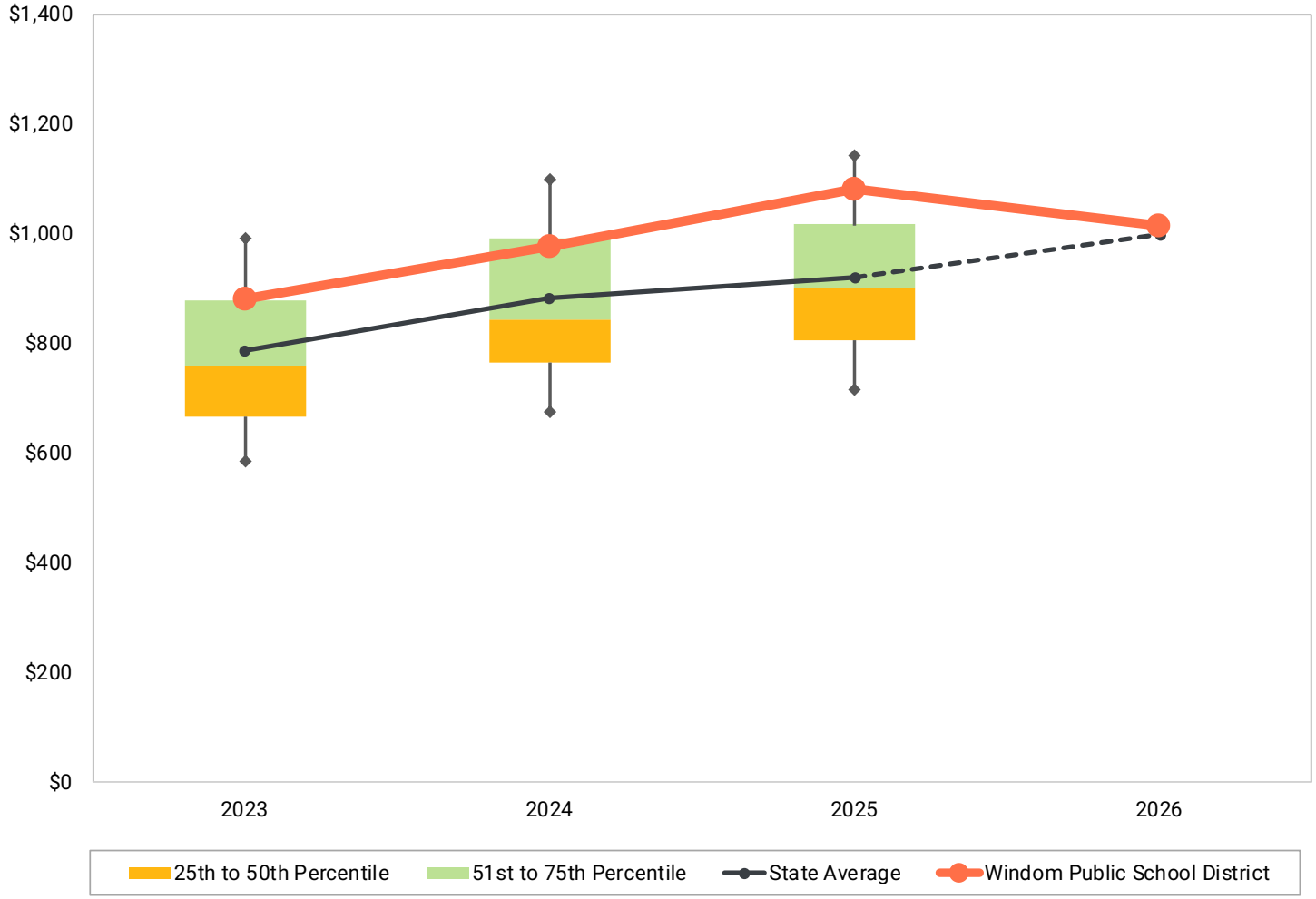
* Percentile data and state average obtained from School District Profile reports published by the MDE

Food Service Fund Budget to Actual

	Final Budget	Actual Amounts	Variance with Final Budget -
Revenues	$ 1,275,400	$ 1,250,983	$ (24,417)
Expenditures	1,317,651	1,199,633	118,018
Excess (deficiency) of revenues over (under) expenditures	(42,251)	51,350	93,601
Other financing sources			
Transfers in	-	192	192
Net Change in Fund Balances	(42,251)	51,542	93,793
Fund Balances, July 1	245,646	245,646	-
Fund Balances, June 30	$ 203,395	$ 297,188	$ 93,793

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Food Service Fund
Expenditures per ADM Comparison



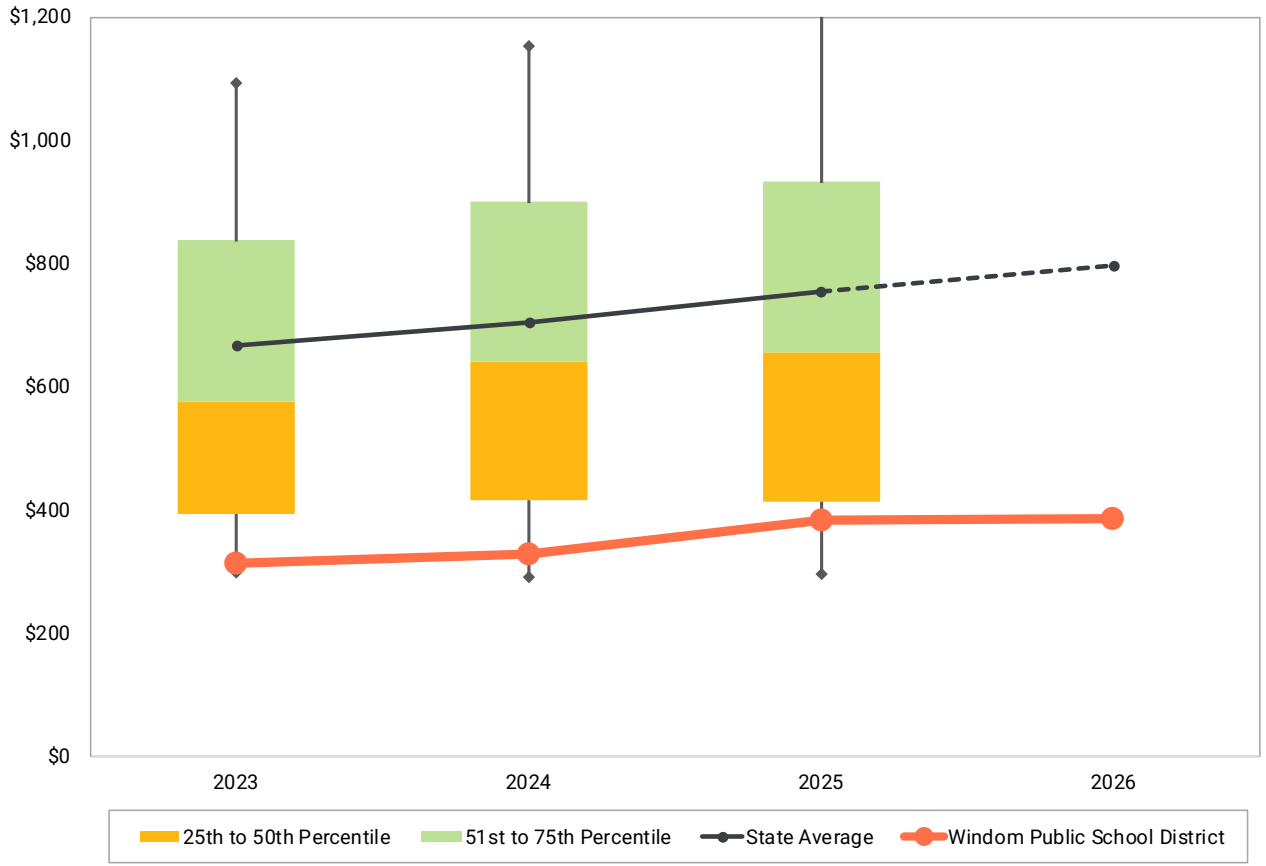
* Percentile data and state average obtained from School District Profile reports published by the MDE

Community Service Fund Budget to Actual

	Final Budget	Actual Amounts	Variance with Final Budget -
Revenues	$ 430,987	$ 504,701	$ 73,714
Expenditures	487,039	455,081	31,958
Excess (deficiency) of revenues over (under) expenditures	(56,052)	49,620	105,672
Other financing sources			
Transfers in	88,670	74,165	(14,505)
Net Change in Fund Balances	32,618	123,785	91,167
Fund Balances, July 1	306,973	306,973	-
Fund Balances, June 30	$ 339,591	$ 430,758	$ 91,167

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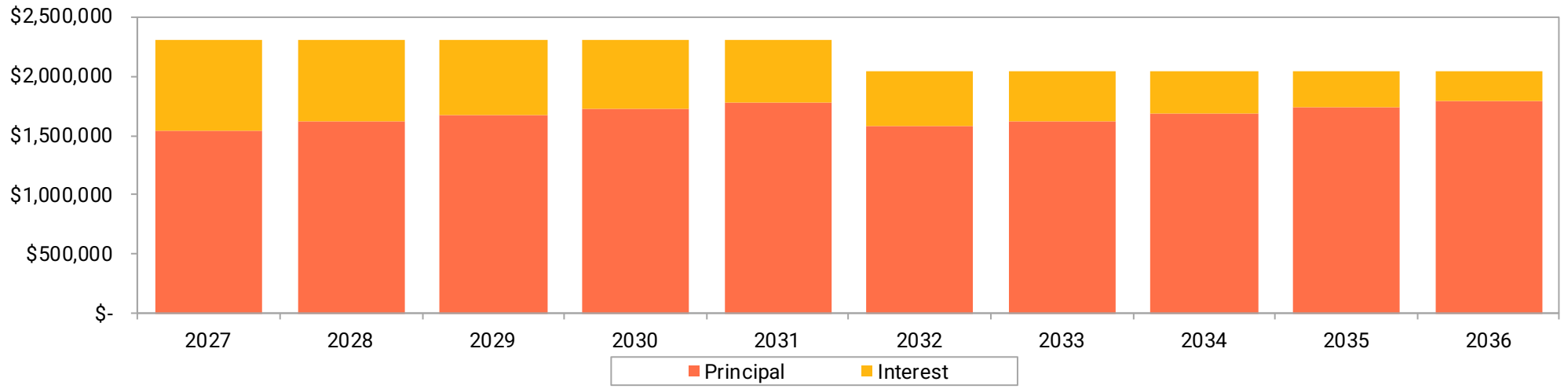
Community Service Fund
Expenditures per ADM Comparison



* Percentile data and state average obtained from School District Profile reports published by the MDE

Debt Service Fund

	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding Due Within One Year	Principal Outstanding Total
G.O. School Building Bonds 2018A	07/19/18	3.00-5.00 %	$ 23,950,000	02/01/39	$ 1,315,000	$ 21,275,000
G.O. Facility Maintenance Bonds 2019A	04/04/19	3.00-5.00	2,440,000	02/01/31	220,000	1,180,000
Total G.O. Bonds Payable					$ 1,535,000	$ 22,455,000
				Total Remaining Interest Payments		$ 5,403,856



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Your Abdo Team



Tom
OLINGER
CPA - Partner



Abby
SCHMIDT
CPA - Senior Manager



Chad
GUSE
CPA -Manager



Hope
WINTERS
Senior Associate



Michaela
THOMPSON
Associate

ANNUAL FINANCIAL REPORT

INDEPENDENT SCHOOL DISTRICT NO. 177
WINDOM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

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Windom, Minnesota
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 177
WINDOM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

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Independent School District No. 177
Windom, Minnesota
School District Officials
For the Year Ended June 30, 2026

Board of Education

Name	Term on Board Expires	Position
Angela Klassen	1/4/2027	Chairman
Joel Bordewyk	1/2/2029	Vice-Chairman
Brianne Miller	1/4/2027	Clerk
Barbara Jones	1/2/2029	Treasurer
Bruce Mews	1/4/2027	Director
Matt Steffen	1/2/2029	Director
Lynn Liepold	1/2/2029	Director

Administration

Jamie Frank	Superintendent
Holly Anderson	Business Manager

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FINANCIAL SECTION

INDEPENDENT SCHOOL DISTRICT NO. 177
WINDOM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 177
Windom, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 177, Windom, Minnesota, (the District) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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 District as of June 30, 2026, for the year then ended in conformity 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 other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Change in Accounting Principle

As described in Note 7 to the financial statements, the District adopted the provision of Governmental Accounting Standards Board (GASB) Statement No. 103, Financial Reporting Model Improvements, for the year ended June 30, 2026. Adoption of the provisions of this statement results in significant changes to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Schedule of Changes in the District's Net OPEB Liability, Related Ratios, and the respective budgetary comparison schedules and related note disclosures starting on page 72 be presented to supplement the basic financial statements. Such information, 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 and individual fund financial statements and schedules and table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and table are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the annual report. The other information comprises the introductory section 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 16, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Abdo
Mankato, Minnesota
November 16, 2026

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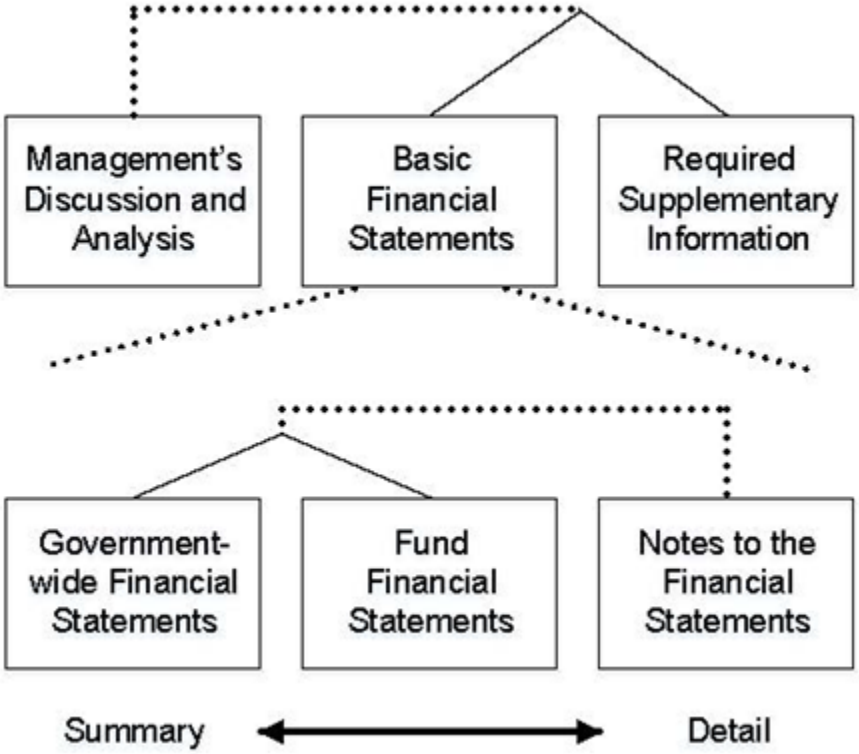
Management's Discussion and Analysis

As management of the Independent School District No. 177, Windom, Minnesota (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2026.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 177
Annual Financial Report



The following chart summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the District-wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	**Governmental Funds**	**Fiduciary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balance	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled "governmental activities":

- *Governmental activities*: The District's basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and State aids finance most of these activities.

The District-wide financial statements can be found starting on page 28 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *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 and the Debt Service fund, all considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its General, Food Service and Community Service funds and Debt Service Funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found starting on page 32 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for scholarships within the District. Fiduciary funds are not reflected in the District-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 36 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Independent School District No. 177's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 72 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules and table can be found starting on page 84 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources as shown in the summary of net position below at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. These funds are to be used for the construction of school facilities. Another large portion of the District's net position reflects amounts restricted for specific purposes, including educational purposes, debt service, and food service. Unrestricted net position carries a balance as shown below.

Independent School District No. 177's Net Position

	Governmental Activities		Increase (Decrease)	
	2026	2025	Amount	Percent
Current and Other Assets	$ 16,636,162	$ 15,252,000	$ 1,384,162	9.1 %
Capital Assets	39,172,524	40,536,216	(1,363,692)	(3.4)
Total Assets	55,808,686	55,788,216	20,470	-
Deferred Outflows of Resources	2,080,605	2,117,052	(36,447)	(1.7)
Long-term Liabilities Outstanding	31,029,498	33,481,275	(2,451,777)	(7.3)
Other Liabilities	1,162,109	1,372,444	(210,335)	(15.3)
Total Liabilities	32,191,607	34,853,719	(2,662,112)	(7.6)
Deferred Inflows of Resources	7,627,584	7,220,812	406,772	5.6
Net Position				
Net investment in capital assets	16,122,294	15,885,574	236,720	1.5
Restricted	4,312,091	3,827,134	484,957	12.7
Unrestricted	(2,364,285)	(3,881,971)	1,517,686	(39.1)
Total Net Position	$ 18,070,100	$ 15,830,737	$ 2,239,363	14.1
Net Position as a Percent of Total				
Net investment in capital assets	89.2 %	100.3 %		
Restricted	23.9	24.2		
Unrestricted	(13.1)	(24.5)		
	100.0 %	100.0 %		

As shown in the table above, as of June 30, 2026, the District's assets and deferred outflows exceeded its liabilities and deferred inflows. The following sections of the MD&A analyze the finances of the governmental activities.

Governmental Activities. Governmental activities increased the District's net position as shown below in the summary of changes in net position. Key elements of this increase are shown in the table below.

Independent School District No. 177's Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2026	2025	Amounts	Percent
Revenues				
Charges for services	$ 861,953	$ 804,439	$ 57,514	7.1 %
Operating grants and contributions	7,499,949	6,973,027	526,922	7.6
General revenues				
Property taxes	3,794,683	3,352,922	441,761	13.2
State aid-formula grants and other contributions	12,216,437	11,921,729	294,708	2.5
Other general revenues	76,743	343,930	(267,187)	(77.7)
Investment earnings	413,602	427,581	(13,979)	(3.3)
Total Revenues	24,863,367	23,823,628	1,039,739	4.4
Expenses				
Administration	1,212,622	1,066,214	146,408	13.7
District support services	1,160,612	1,127,077	33,535	3.0
Elementary and secondary regular instruction	7,892,290	7,525,290	367,000	4.9
Vocational education instruction	430,334	403,262	27,072	6.7
Special education instruction	3,767,419	3,530,604	236,815	6.7
Community education and services	442,802	445,700	(2,898)	(0.7)
Instructional support services	317,048	437,304	(120,256)	(27.5)
Pupil support services	3,028,361	2,968,131	60,230	2.0
Sites and buildings	3,426,571	3,406,052	20,519	0.6
Fiscal and other fixed cost programs	181,091	160,385	20,706	12.9
Interest and fiscal charges on long-term debt	764,854	838,204	(73,350)	(8.8)
Total Expenses	22,624,004	21,908,223	715,781	3.3
Change in Net Position	2,239,363	1,915,405	323,958	16.9
Net Position, July 1	15,830,737	13,915,332	1,915,405	13.8
Net Position, June 30	$ 18,070,100	$ 15,830,737	$ 2,239,363	14.1

Key elements of this increase are as follows:

- Increase in operating grants and contributions
- Increases in property taxes
- Increases in expenses related to elementary and secondary education

Changes in operating grants and contributions

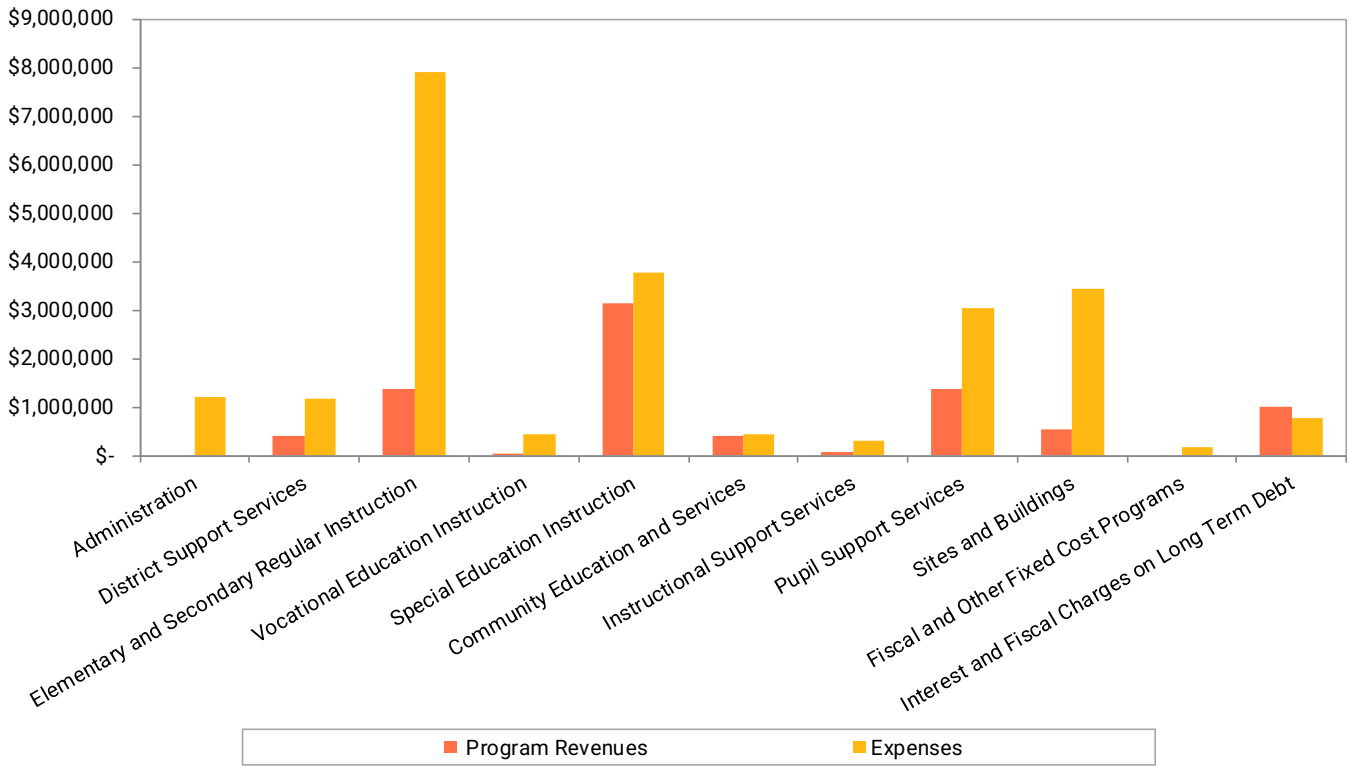
The increase in operating grants and contributions was primarily due to an increase in revenue from federal sources. ***Property Tax Increases***

This increase appears to be primarily caused by the final certified property tax levy for taxes payable in 2025. The levy increased by 9.05% which is a leading factor for the increase.

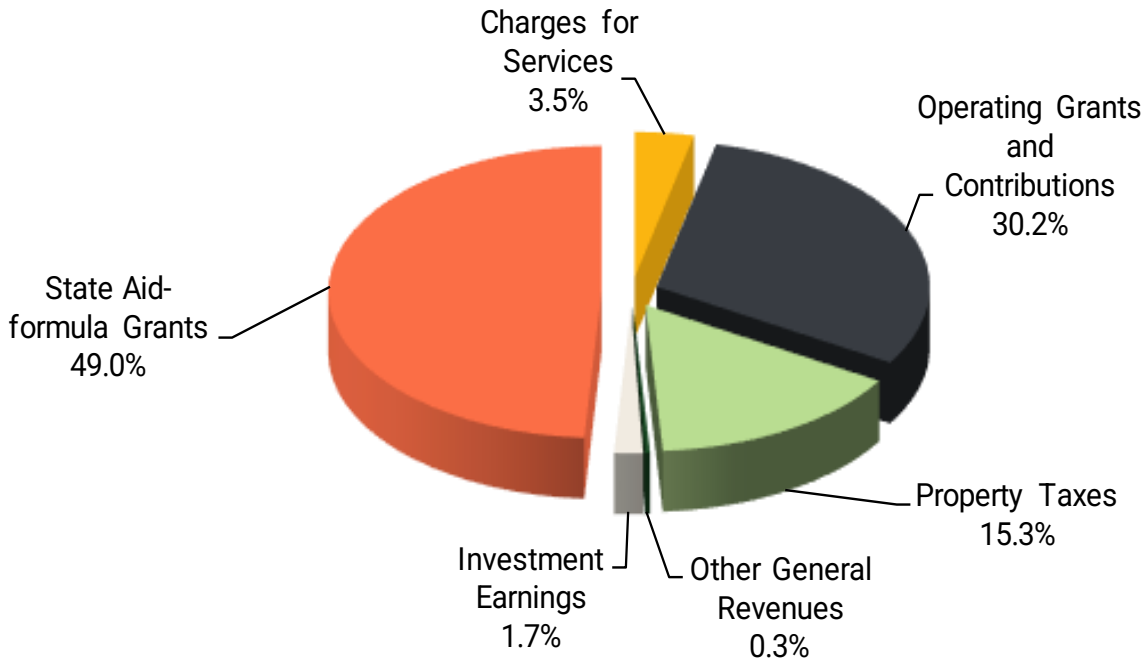
Increase in elementary and secondary education expenses

The increase is primarily due to adding one new position in our Secondary Instruction as a 9-12 Academic Specialist. In addition, annual increases in salaries and benefits also contributed to the increase from the previous year.

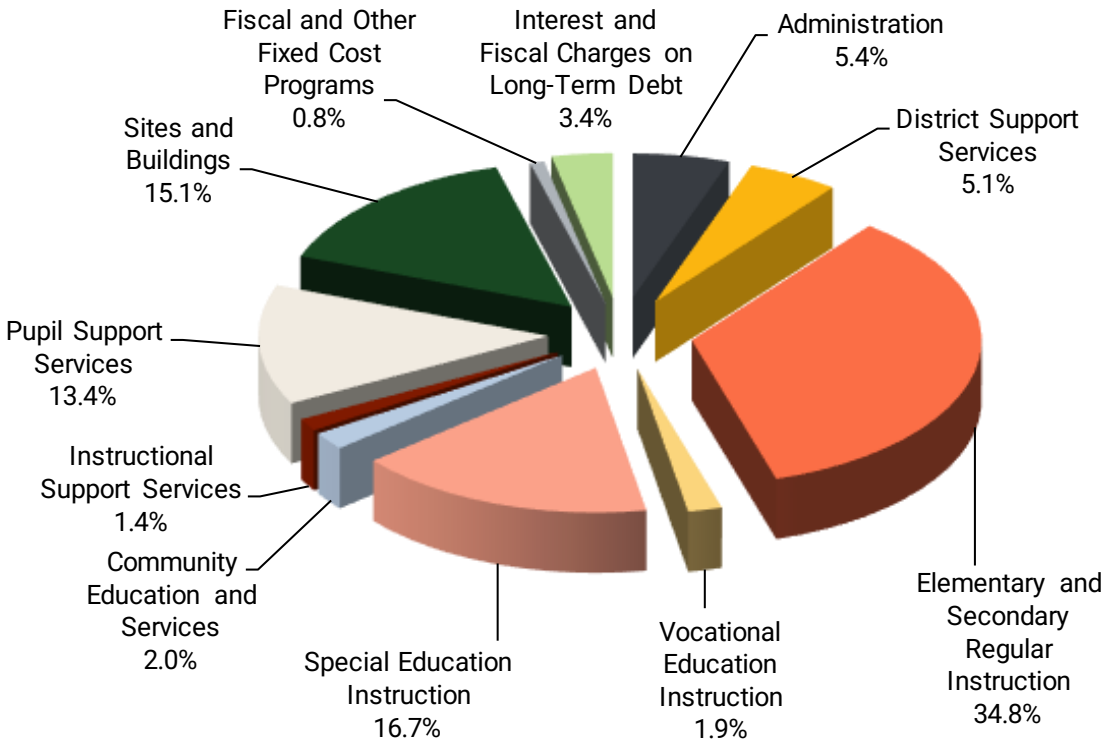
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



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.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending June 30, 2026.

	General	Debt Service	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances						
Nonspendable	$ 314,892	$ -	$ 15,824	$ 330,716	$ 331,261	$ (545)
Restricted	3,335,366	545,064	712,122	4,592,552	4,128,101	464,451
Committed	55,596	-	-	55,596	-	55,596
Assigned	2,453,685	-	-	2,453,685	1,406,378	1,047,307
Unassigned	3,865,144	-	-	3,865,144	3,864,771	373
Total Fund Balances	$ 10,024,683	$ 545,064	$ 727,946	$ 11,297,693	$ 9,730,511	$ 1,567,182

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances shown above. Additional information on the District's fund balances can be found in Note 1 starting on page 45 of this report.

The General fund is the chief operating fund of the District. Unassigned fund balance represents amounts that are available for spending at the District's discretion. At the end of the current year, the fund balance of the General fund is shown in the table below. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase / (Decrease)
General Fund Fund Balances			
Nonspendable	$ 314,892	$ 300,146	$ 14,746
Restricted	3,335,366	3,061,505	273,861
Committed	55,596	-	55,596
Assigned	2,453,685	1,406,378	1,047,307
Unassigned	3,865,144	3,864,771	373
	$ 10,024,683	$ 8,632,800	$ 1,391,883
General fund expenditures	$ 19,372,033	$ 18,972,752	
Unassigned as a percent of expenditures	20%	20%	
Total fund balance as a percent of expenditures	52%	46%	

The fund balance of the District's General fund increased during the current fiscal year as shown in the table above. The increase in fund balance was primarily due to an increase in revenue from state sources and local property tax levies.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2026, is shown below in the capital asset table (net of accumulated depreciation). This investment in capital assets includes land, building and system, improvements and machinery and equipment. The total depreciation expense for the year was $1,687,309. The following is a schedule of capital assets as of June 30, 2026.

Significant asset additions that occurred during the year are as follows:

During the fiscal year, the District purchased a 2022 Ford Escape, replaced security cameras at both the Middle/High School and Highland building, and installed mini-split cooling systems at the Highland building. The District also received a donation of a Toro Workman UTX utility vehicle and purchased accessories to support the Buildings and Grounds Department. Additionally, construction began on the District's daycare facility, and work commenced on replacing the running track surface.

Independent School District No. 177's Capital Assets
(Net of Depreciation)

	Governmental Activities		
	2026	2025	Increase (Decrease)
Land	$ 120,572	$ 120,572	$ -
Land Improvements	695,982	738,534	(42,552)
Buildings	37,036,648	38,269,601	(1,232,953)
Equipment	1,278,777	1,407,509	(128,732)
Construction in Progress	40,545	-	40,545
Total	$ 39,172,524	$ 40,536,216	$ (1,363,692)
Percent increase (decrease)			-3.4%

Additional information on the District's capital assets can be found in Note 3D on page 51 of this report.

Long-term Debt. At the end of the current fiscal year, the District had the following total general obligation bonds outstanding. The decrease in long-term debt was due to regularly scheduled payments.

Independent School District No. 177's Outstanding Debt

	Governmental Activities		
	2026	2025	Increase (Decrease)
General Obligation Bonds	$ 22,455,000	$ 23,915,000	$ (1,460,000)
Financed Purchase Arrangements	66,586	154,705	(88,119)
Total	$ 22,521,586	$ 24,069,705	$ (1,548,119)
Percent increase (decrease)			-6.4%

Currently Known Facts, Decisions, or Conditions

The Board will endeavor to maintain at least 12 percent of the District's General Fund operating expenditures, excluding those accounts associated with the restricted category, in the combined total of the General Fund nonspendable, committed, assigned, and unassigned fund balances. The amount in these four categories is $6,689,321, or 42.72% of General Fund operating expenditures. Prior-year figures were $5,571,295, or 36.7%. The increase has several components, including increased Compensatory Revenue/Basic Skills funding of $58,100 over the prior year, increased Special Education revenue of $295,500 over the prior year, increased Payments in Lieu of Taxes revenue of $45,000 over the prior year, and increased Medical Assistance revenue of over $277,400 compared to the prior year. Continuing to receive VPK funds this year also made a significant impact.

With State funding providing only small increases in the basic formula, while unfunded mandates, inflation, and other costs continue to increase, the School Board will need to continue being fiscally responsible. The objective is to have balanced budgets each year and to continue looking at ways to control costs while educating students in the best possible way.

The diversity and economic status of our students have also changed over time, creating additional educational needs for our School District and community. Enrollment projections continue to show slight increases. We are starting to level out our enrollment and are no longer seeing the large differences between our kindergarten class sizes and graduating class sizes. Our smallest class size for the 2025-2026 school year was our second-grade class, with an ADM served of 70 students, followed by our kindergarten class, with an ADM served of 78 students. The remaining grade levels had ADM served figures ranging from 79 students in 11th grade to 105 students in ninth grade.

In September 2025, the School Board approved a special election to be held on February 10, 2026, seeking voter approval of two ballot questions totaling $29.15 million. The proposed projects included construction of an Athletic Complex and Fine Arts Center, along with improvements to the locker rooms, gymnastics space, and wrestling room at the Middle/High School. Both ballot questions were defeated. Question 1 received 728 yes votes and 1,002 no votes, while Question 2 received 660 yes votes and 1,061 no votes. Although the proposals were not approved, the need for the proposed facilities and improvements remains. The School Board continues to evaluate available options for addressing these facility needs.

Long-Term Facilities Maintenance funding will continue to help our District address some of the repair and replacement needs of our facilities. During the summer of 2025, multiple repairs were completed at our Middle/High School building, including exterior caulking repairs and the replacement of restroom partitions in the Nest lobby. Future projects approved by the School Board included replacing the carpet in the Middle/High School circle hallway and exterior classrooms, replacing the lockers in the junior and senior hallways at the High School, and replacing the surface of the track, jump pits, and runways at the Middle/High School. The District must continue to financially plan for maintaining its facilities in good condition for the future.

Currently Known Facts, Decisions, or Conditions (Continued)

As part of the Windom's Way Forward initiative, the School District helped advance the community's goal of expanding local childcare opportunities for young families. During the summer of 2026, the District took significant steps toward achieving this goal by renovating classrooms at the Highland Early Learning Center to establish a daycare center. The remodel was completed in August 2026, and the daycare opened in September 2026. The project was made possible through generous donations from community partners, such as Taylor Family Farms Foundation, Bank Midwest, Iowa Premium Pork, Windom Area Health, and the City of Windom through funding from the Minnesota Department of Employment and Economic Development. These contributions represent a significant investment in the community and support efforts to expand childcare opportunities for local families and attract and retain young families in the Windom area.

Everything the District does is for the best interest of the students and their educational needs.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 177, P.O. Box 177, Windom, Minnesota 56101.

DISTRICT-WIDE FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 177
WINDOM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

Independent School District No. 177
Windom, Minnesota
Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Cash and temporary investments	$ 11,485,694
Receivables	
Taxes	2,597,207
Accounts	38,045
Due from other school districts	24,349
Intergovernmental	2,160,151
Inventories	15,784
Prepaid items	314,932
Capital assets not being depreciated	161,117
Capital assets net of accumulated depreciation	39,011,407
Total Assets	55,808,686
Deferred Outflows of Resources	
Deferred pension resources	2,005,585
Deferred other postemployment benefit resources	75,020
Total Deferred Outflows of Resources	2,080,605
Liabilities	
Salaries and wages payable	105,061
Accounts payable	107,238
Accrued interest payable	320,943
Due to other school districts	126,723
Due to other governments	147,564
Accrued expenses	293,457
Unearned revenue	61,123
Noncurrent liabilities	
Due within one year	
Long-term liabilities	1,568,293
Other postemployment benefits	35,915
Due in more than one year	
Long-term liabilities	21,537,533
Net pension liability	7,195,817
Other postemployment benefits	691,940
Total Liabilities	32,191,607
Deferred Inflows of Resources	
Property taxes levied for subsequent year	4,472,645
Deferred pension resources	2,899,221
Deferred other postemployment benefits resources	255,718
Total Deferred Inflows of Resources	7,627,584
Net Position	
Net investment in capital assets	16,122,294
Restricted	
Debt service	231,048
Food service	297,188
Educational purposes	3,783,855
Unrestricted	(2,364,285)
Total Net Position	$ 18,070,100

The notes to the financial statements are an integral part of this statement.

Independent School District No. 177
Windom, Minnesota
Statement of Activities
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Administration	$ 1,212,622	$ -	$ -	$ -	$ (1,212,622)
District support services	1,160,612	-	418,012	-	(742,600)
Elementary and secondary regular instruction	7,892,290	268,255	1,104,465	-	(6,519,570)
Vocational education instruction	430,334	1,482	5,557	-	(423,295)
Special education instruction	3,767,419	-	3,147,987	-	(619,432)
Community education and services	442,802	215,852	191,658	-	(35,292)
Instructional support services	317,048	261	66,991	-	(249,796)
Pupil support services	3,028,361	101,491	1,274,658	-	(1,652,212)
Sites and buildings	3,426,571	274,612	276,316	-	(2,875,643)
Fiscal and other fixed cost programs	181,091	-	-	-	(181,091)
Interest and fiscal charges on long term debt	764,854	-	1,014,305	-	249,451
Total Governmental Activities	$ 22,624,004	$ 861,953	$ 7,499,949	$ -	(14,262,102)

General Revenues	
Taxes	
Property taxes, levied for general purposes	2,457,672
Property taxes, levied for community service	84,655
Property taxes, levied for debt service	1,252,356
State aid-formula grants and other contributions	12,216,437
Other general revenues	76,743
Investment earnings	413,602
Total General Revenues	16,501,465
Change in Net Position	2,239,363
Net Position, July 1	15,830,737
Net Position, June 30	$ 18,070,100

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 177
WINDOM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

Independent School District No. 177
Windom, Minnesota
Balance Sheet
Governmental Funds
June 30, 2026

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	$ 9,590,514	$ 1,249,493	$ 645,687	$ 11,485,694
Receivables				
Taxes				
Current	999,972	1,539,014	33,563	2,572,549
Delinquent	16,736	6,927	995	24,658
Accounts	30,098	-	7,947	38,045
Due from other school districts	17,931	-	6,418	24,349
Intergovernmental	1,926,899	101,291	131,961	2,160,151
Inventories	-	-	15,784	15,784
Prepaid items	314,892	-	40	314,932
Total Assets	$ 12,897,042	$ 2,896,725	$ 842,395	$ 16,636,162
Liabilities				
Salaries and wages payable	$ 76,763	$ -	$ 28,298	$ 105,061
Accounts payable	101,805	-	5,433	107,238
Due to other school districts	126,723	-	-	126,723
Due to other governments	147,564	-	-	147,564
Accrued expenses	293,457	-	-	293,457
Unearned revenue	58,195	-	2,928	61,123
Total Liabilities	804,507	-	36,659	841,166
Deferred Inflows of Resources				
Property taxes levied for subsequent year	2,051,116	2,344,734	76,795	4,472,645
Unavailable revenue				
Delinquent property taxes	16,736	6,927	995	24,658
Total Deferred Inflows of Resources	2,067,852	2,351,661	77,790	4,497,303
Fund Balances				
Nonspendable	314,892	-	15,824	330,716
Restricted	3,335,366	545,064	712,122	4,592,552
Committed	55,596	-	-	55,596
Assigned	2,453,685	-	-	2,453,685
Unassigned	3,865,144	-	-	3,865,144
Total Fund Balances	10,024,683	545,064	727,946	11,297,693
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 12,897,042	$ 2,896,725	$ 842,395	$ 16,636,162

The notes to the financial statements are an integral part of this statement.

Independent School District No. 177
Windom, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2026

Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	$ 11,297,693
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	39,172,524
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Bonds payable	(22,455,000)
Financed purchase arrangements	(66,586)
Longevity payable	(55,596)
Unamortized bond premium	(528,644)
Other postemployment benefits liability	(727,855)
Net pension liability	(7,195,817)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	24,658
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	2,005,585
Deferred inflows of pension resources	(2,899,221)
Governmental funds do not report long-term amounts related to other post employment benefit resources.	
Deferred outflows of other post employment benefit resources	75,020
Deferred inflows of other post employment benefit resources	(255,718)
Governmental funds do not report a liability for accrued interest until due and payable.	(320,943)
Total Net Position - Governmental Activities	$ 18,070,100

The notes to the financial statements are an integral part of this statement.

Independent School District No. 177
Windom, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2026

	General	Debt Service	Other Governmental Funds	Total
Revenues				
Local property tax levies	$ 2,451,086	$ 1,253,662	$ 84,554	$ 3,789,302
Other local revenue	1,560,674	-	272,804	1,833,478
Interest earned on investments	356,512	39,568	17,522	413,602
Revenue from state sources	16,074,614	1,014,305	551,754	17,640,673
Revenue from federal sources	342,189	-	742,177	1,084,366
Sales and other conversion of assets	53,198	-	86,873	140,071
Total Revenues	20,838,273	2,307,535	1,755,684	24,901,492
Expenditures				
Current				
Administration	1,130,143	-	-	1,130,143
District support services	1,202,758	-	-	1,202,758
Elementary and secondary regular instruction	7,874,132	-	-	7,874,132
Vocational education instruction	432,429	-	-	432,429
Special education instruction	3,923,857	-	-	3,923,857
Community education and services	-	-	443,461	443,461
Instructional support services	327,444	-	-	327,444
Pupil support services	1,827,249	-	1,195,909	3,023,158
Sites and buildings	1,973,821	-	-	1,973,821
Fiscal and other fixed cost programs	180,908	-	-	180,908
Capital outlay	411,173	-	15,344	426,517
Debt service				
Principal	88,119	1,460,000	-	1,548,119
Interest and other charges	-	847,563	-	847,563
Total Expenditures	19,372,033	2,307,563	1,654,714	23,334,310
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,466,240	(28)	100,970	1,567,182
Other Financing Sources (Uses)				
Transfers in	-	-	74,357	74,357
Transfers out	(74,357)	-	-	(74,357)
Total Other Financing Sources (Uses)	(74,357)	-	74,357	-
Net Change in Fund Balances	1,391,883	(28)	175,327	1,567,182
Fund Balances, July 1	8,632,800	545,092	552,619	9,730,511
Fund Balances, June 30	$ 10,024,683	$ 545,064	$ 727,946	$ 11,297,693

The notes to the financial statements are an integral part of this statement.

Independent School District No. 177
Windom, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2026

Amounts reported for governmental activities in the statement of activities are different because		
Total Net Change in Fund Balances - Governmental Funds	$	1,567,182
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays		323,617
Depreciation expense		(1,687,309)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.		
Principal repayments		1,460,000
Amortization of bond premiums		52,293
Retirement of financed purchase arrangement		88,119
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized 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.		30,416
Long-term pension activity is not reported in governmental funds.		
Pension expense		557,142
Direct aid contributions		(43,506)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.		5,381
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Longevity costs		(55,596)
Other postemployment benefits costs		(58,376)
Change in Net Position - Governmental Activities	$	2,239,363

The notes to the financial statements are an integral part of this statement.

Independent School District No. 177
Windom, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2026

	Custodial Fund Scholarships
Assets	
Cash and temporary investments	$ 6,228
Net Position	
Restricted	
Restricted for scholarships	$ 6,228

The notes to the financial statements are an integral part of this statement.

Independent School District No. 177
Windom, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2026

	Custodial Fund Scholarships
Additions	
Donations	$ 7,500
Investment earnings	556
Total Additions	8,056
Deductions	
Scholarships	12,000
Change in Net Position	(3,944)
Net Position, July 1	10,172
Net Position, June 30	$ 6,228

The notes to the financial statements are an integral part of this statement.

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 177, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Intergovernmental revenues and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advanced, which are recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized as revenue as soon as 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.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Note 1: Summary of Significant Accounting Policies (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

The various District funds have 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:

Major Governmental Funds

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Non-major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures. The major sources of revenues are food service sales and federal and state grants, which are restricted for this purpose.

The *Community Service special revenue fund* accounts for services provided to residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs, or other similar services. The major sources of revenues are recreation fees and special purpose tax levies, which are restricted for these purposes.

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The District's scholarship custodial fund accounts for activities held to be used by various third parties devoted to awarding student scholarships. All resources of the fund, including any earnings on invested resources, may be used to support the activities.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 that have received the highest credit rating, are rated in one of the two highest rating categories by a nationally recognized statistical rating organization, and have a final maturity of 13 months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Obligations of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks, corporations, or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members 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.

9. Guaranteed investment contracts (GICs) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Note 1: Summary of Significant Accounting Policies (Continued)

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

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

Property Taxes

The School Board annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided 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." The remaining portion of taxes collectible in 2026 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credits are paid to the District by the State in lieu of taxes levied against the property.

Current property taxes receivable is the uncollected portion of the taxes levied in 2025 and collectible in 2026. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year is delinquent property taxes receivable.

Inventories and Prepaid Items

Food Service fund inventories include items purchased by the District and commodities donated by the U.S. Department of Agriculture (USDA). Commodities are valued using a standard price list furnished by the USDA and purchased inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 (amount not rounded). Computer equipment has a capitalization threshold of $1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 50
Land Improvements	20 - 50
Equipment and Machinery	5 - 20

Deferred Outflows 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred OPEB resources, are reported only in the statement of net position. The pension resources result from actuarial calculations and current year pension contributions made subsequent to the measurement date. The OPEB resources are current year OPEB contributions made subsequent to the measurement date.

Compensated Absences

Vacation Pay - Under the terms of contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Vacation pay is accrued when incurred in the District-wide financial statements. Vacation pay is accrued in the governmental fund financial statements at the amount expected to be used within one year.

Sick and Personal Pay - Substantially all District employees are entitled to sick and/or personal leave at various rates. Unused leave is included in the calculation of retirement incentive payments for some employees upon termination. Amounts anticipated to be used in the future are insignificant, thus no long-term portion of sick and personal liability is recorded in the financial statements.

Severance Pay - The District maintains a severance pay plan for its paraprofessionals. The plan contains benefit formulas based on years of service and minimum age requirements. If severance benefits are paid within the first 60 days after year end, an accrual is made in the governmental fund incurring the liability. Otherwise, vested severance pay, if any, is recorded in the statement of net position and severance pay expenses are recognized when earned. As of June 30, 2026, the District has a severance liability of $0.

Note 1: Summary of Significant Accounting Policies (Continued)

Longevity Pay - The District maintains a longevity pay plan for its administrators. The plan dictates that administrators are eligible for longevity pay determined by formula upon the return and completion of seven years of employment with the District. If longevity benefits are paid within the first 60 days after year end, an accrual is made in the governmental fund incurring the liability. Otherwise, vested longevity pay, if any, is recorded in the statement of net position and longevity pay expenses are recognized when earned. As of June 30, 2026, the District has a longevity liability of $55,596.

Postemployment Benefits other than Pensions

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during an open enrollment period or qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at July 1, 2025. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

Pensions

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers 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.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. The General fund is typically used to liquidate the governmental net pension liability. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

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. 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. The General fund is typically used to liquidate the governmental net pension liability.

Note 1: Summary of Significant Accounting Policies (Continued)

The total pension expense for the General Employee Plan (GERP) and TRA is as follows:

	GERP	TRA	Total All Plans
District's proportionate share	$ (77,644)	$ 529,289	$ 451,645
Proportionate share of State's contribution	(4,488)	(9,305)	(13,793)
Total pension expense	$ (82,132)	$ 519,984	$ 437,852

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items, which arise only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the items, unavailable revenue related to delinquent property taxes and property taxes levied for subsequent year, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Furthermore, the District has two additional items which qualify for reporting in this category. The items, deferred pension resources and deferred other postemployment benefits resources, are reported only in the statement of net position and result from actuarial calculations.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by State statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the District School Board (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the District Business Manager and the Superintendent.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

Note 1: Summary of Significant Accounting Policies (Continued)

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of 12 percent of budgeted operating expenditures for cash-flow timing needs.

Net Position

In the district-wide financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to the acquisition of capital assets.

b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for District governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds. The District adopts an annual budget for all funds in accordance with Minnesota State Statutes. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. The School Board holds public hearings and a final budget must be prepared and adopted no later than one week after the School Board approved the audited financial statements and has published the final budget in the local newspaper. Annual budgets are adopted on basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal yearend. The actual revenues, expenditures, and transfers for the year ended June 30, 2026 have been compared to the District's budget for the year where applicable. Variances in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

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

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the School Board, the District maintains deposits at those depository banks which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the District.

At year end, the District's carrying amount of deposits, bank balance, FDIC coverage and pledged collateral are as follows:

Carrying amount of deposits	$	744,609
Bank balance	$	758,291
Covered by FDIC		(702,677)
Collateralized with securities pledged in District's name	$	55,614

Note 3: Detailed Notes on All Funds (Continued)

Investment Policy

The District may also invest idle funds as authorized by Minnesota statutes, as follows: direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better, general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States' banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members 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.

The District's investments are potentially subject to various risks including the following:

- *Custodial credit risk* - The risk that in the event of a failure of the counterparty to an investment transaction (typically a broker) the government would not be able to recover the value of the investment or collateral securities.

- *Credit risk* - The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

- *Concentration risk* - Investing 5 percent or more of the District's portfolio in the securities of a single issuer.

The funds of the District shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. The primary criteria for the investment of the funds of the District, in priority order are as follows:

1. *Safety and Security*. Safety of principal is the first priority. The investments of the District shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.

2. *Liquidity*. The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.

3. *Return and Yield*. The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Limitations on instruments, diversification and maturity scheduling shall depend on whether the funds being invested are considered short-term or long-term funds. All funds shall normally be considered short-term except those reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years. The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

Note 3: Detailed Notes on All Funds (Continued)

All investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minnesota statutes 118A.06. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

Deposit-type securities shall be collateralized as required by Minnesota statute 118A.03 for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.

Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping. The school district may accept a safekeeping receipt instead of requiring physical delivery or third-party safekeeping of collateral on overnight repurchase agreements of less than $1,000,000.

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Asset Fund (MSDLAF)	N/A	less than 6 months	$ 3,485
Minnesota School District MAX Asset Fund (MSDLAF)	N/A	less than 6 months	6,243,693
Minnesota School District TERM Asset Fund (MSDLAF)	N/A	less than 6 months	4,500,000
Total Investments			$ 10,747,178

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A N/A indicates not applicable or available.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAA. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Petty Cash	$ 135
Deposits	744,609
Investments	10,747,178
Total	11,491,922
Less Fiduciary Fund Cash and Temporary Investments	(6,228)
Total Cash and Temporary Investments	$ 11,485,694

Note 3: Detailed Notes on All Funds (Continued)

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2025 and payable in 2026. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2026 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Taxes receivable is comprised of the following components:

	General	Community Service	Debt Service	Total
Current Taxes	$ 999,972	$ 33,563	$ 1,539,014	$ 2,572,549
Delinquent Taxes	16,736	995	6,927	24,658
Total Taxes Receivable	$ 1,016,708	$ 34,558	$ 1,545,941	$ 2,597,207
Property Taxes Levied for Subsequent Year	$ 2,051,116	$ 76,795	$ 2,344,734	$ 4,472,645

C. Interfund Transfers

During the year, the District transferred $74,165 from the General fund to the Community Service fund for their bridges preschool program due to inadequate funding from the state.

The District also transferred $192 from the General fund to the Food Service fund to correct for unallowable expenditures in the Child Nutrition program required by the Minnesota Department of Education.

Note 3: Detailed Notes on All Funds (Continued)

D. Capital Assets

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

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
Governmental Activities				
Capital Assets not Being Depreciated				
Land	$ 120,572	$ -	$ -	$ 120,572
Construction in Progress	-	40,545	-	40,545
Total Capital Assets not Being Depreciated	120,572	40,545	-	161,117
Capital Assets Being Depreciated				
Land Improvements	1,799,060	17,785	-	1,816,845
Buildings	58,061,639	116,714	-	58,178,353
Equipment	4,828,543	148,573	(329,152)	4,647,964
Total Capital Assets Being Depreciated	64,689,242	283,072	(329,152)	64,643,162
Less Accumulated Depreciation				
Land Improvements	(1,060,526)	(60,337)	-	(1,120,863)
Buildings	(19,792,038)	(1,349,667)	-	(21,141,705)
Equipment	(3,421,034)	(277,305)	329,152	(3,369,187)
Total Accumulated Depreciation	(24,273,598)	(1,687,309)	329,152	(25,631,755)
Total Capital Assets Being Depreciated, Net	40,415,644	(1,404,237)	-	39,011,407
Governmental Activities Capital Assets, Net	$ 40,536,216	$ (1,363,692)	$ -	$ 39,172,524

Depreciation Expense was charged to governmental activities as follows:

Administration	$ 66,498
Elementary and Secondary Regular Instruction	112,317
Vocational Education Instruction	4,596
Instructional Support Services	960
Pupil Support Services	29,322
Sites, Buildings and Equipment	1,473,616
Total Depreciation Expense	$ 1,687,309

E. Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. In addition, general obligation bonds have been issued to refund general obligation bonds.

Note 3: Detailed Notes on All Funds (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
G.O. School Building Bonds, Series 2018A	$ 23,950,000	3.00-5.00 %	07/19/18	02/01/39	$ 21,275,000	$ 1,315,000
G.O. Facility Maintenance Bonds, Series 2019A	2,440,000	3.00-5.00	04/04/19	02/01/31	1,180,000	220,000
Total General Obligation Bonds					$ 22,455,000	$ 1,535,000

The annual requirements to amortize all bonds outstanding at June 30, 2026 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2027	$ 1,535,000	$ 770,262	$ 2,305,262
2028	1,615,000	693,513	2,308,513
2029	1,670,000	631,262	2,301,262
2030	1,720,000	581,163	2,301,163
2031	1,775,000	527,713	2,302,713
2032 - 2036	8,405,000	1,808,613	10,213,613
2037 - 2039	5,735,000	391,330	6,126,330
Total	$ 22,455,000	$ 5,403,856	$ 27,858,856

Financed Purchase Arrangements

The 2025 Apple finance purchase arrangement is for Apple equipment including personal computers, electronic devices, servers, networking equipment, and other Apple equipment to be used for instructional purposes. The purchase arrangement began on April 3, 2025 and ends on July 15, 2027.

The details are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
2025 Apple Equipment	$ 99,880	- %	04/03/25	07/15/27	$ 66,586	$ 33,293

The annual requirements to amortize all financed purchase arrangements at June 30, 2026 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2027	$ 33,293	$ -	$ 33,293
2028	33,293	-	33,293
Total	$ 66,586	$ -	$ 66,586

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation revenue bonds	$ 23,915,000	$ -	$ (1,460,000)	$ 22,455,000	$ 1,535,000
Unamortized premium	580,937	-	(52,293)	528,644	-
Other Liabilities					
Financed purchase arrangements	154,705	-	(88,119)	66,586	33,293
Longevity payable	-	55,596	-	55,596	-
Total Long-term Liabilities	$ 24,650,642	$ 55,596	$ (1,600,412)	$ 23,105,826	$ 1,568,293

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At June 30, 2026, portions of the District's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), District School Board action (committed), policy and/or intent (assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Inventories	$ -	$ -	$ 15,784	$ 15,784
Prepaid items	314,892	-	40	314,932
Total Nonspendable	$ 314,892	$ -	$ 15,824	$ 330,716
Restricted for				
Scholarships	$ 16,867	$ -	$ -	$ 16,867
Student activities	292,653	-	-	292,653
Staff development	436,558	-	-	436,558
Operating capital	1,621,174	-	-	1,621,174
Qcomp	20,818	-	-	20,818
Safe schools - crime levy	92,472	-	-	92,472
READ Act - Tchr Training Compensation	1,500	-	-	1,500
Long-term facility maintenance	853,324	-	-	853,324
Food service	-	-	281,364	281,364
Community education	-	-	295,130	295,130
Early childhood and family education	-	-	134,976	134,976
School readiness	-	-	136	136
Adult basic education	-	-	516	516
Debt service	-	545,064	-	545,064
Total Restricted	$ 3,335,366	$ 545,064	$ 712,122	$ 4,592,552
Committed for				
Separation/retirement benefits	$ 55,596	$ -	$ -	$ 55,596
Assigned	$ 2,453,685	$ -	$ -	$ 2,453,685
Unassigned	$ 3,865,144	$ -	$ -	$ 3,865,144

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Scholarships - This amount represents available resources for scholarships. Revenues are derived from donations and investment earnings and expenditures are for scholarships.

Restricted for Student Activities - This amount represents available resources for various student activities.

Restricted for Staff Development - This amount represents available resources for staff development. Revenues are derived from State aids and expenditures are for staff development at each site.

Restricted for Operating Capital - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicles and computer hardware and software. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Restricted for Q Comp - This amount represents resources restricted for quality compensation including alternative teacher professional pay.

Restricted for Safe Schools - Crime Levy - This amount represents available resources restricted for crime prevention and making schools safe for students and staff.

Restricted for READ Act - Teacher Training Compensation - This amount represents available resources to pay stipends, hourly wages, or reimbursement of eligible training for teachers providing direct instruction under the READ Act.

Restricted for Long-Term Facilities Maintenance (LTFM) – This amount represents available resources for larger maintenance projects. Revenues are derived from State aids and expenditures are for maintenance.

Restricted for Food Service - This amount represents available resources available for Food Services. Revenues are derived from state, federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, supplies and materials.

Restricted for Community Education - This amount represents available resources for community education classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and State aids and expenditures are for salaries, benefits and supplies.

Restricted for School Readiness - This amount represents available resources to provide for services for school readiness programs. Revenues are derived from State aids, fees and grants and expenditures are for salaries, benefits and supplies.

Restricted for Adult Basic Education - This amount represents available resources to provide for adult basic education programs. Revenues are derived from State aids, fees and grants and expenditures are for salaries, benefits and supplies.

Restricted for Debt Service - This amount represents available resources dedicated exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest and paying agent fees.

Committed – This amount represents funds set aside by the Board of Education for separation and retirement payouts.

Assigned – This amount represents resources set aside by authorized staff for purposes such as confessions, weight room, scoreboard, student needs, student ipads, bank program, committees, facility improvements, weekend food program, and memorial garden.

Note 4: Defined Benefit Pension Plans - Statewide

A. Teachers Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

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

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

With these provisions:

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

OR

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

Tier II Benefits

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

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

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

3. Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for fiscal year 2026 for the Coordinated Plan were 8.00% for the employee and 9.81% for the employer. Basic rates were 11.50% for the employee and 13.81% for the employer. The District's contributions to TRA for the plan’s fiscal year ended June 30, 2026, were $723,079. The District’s contributions were equal to the required contributions for each year as set by state statute.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Experience Studies	* August 2, 2023 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2027 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% for January 2019 through January 2023, then increasing by 1.0% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Health Retirees	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

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

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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

Changes in the actuarial assumptions since the 2023 valuation:

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

5. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2025 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Net Pension Liability

On June 30, 2026, the District reported a liability of $5,982,841 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

The District's proportionate share was 0.1044% at the end of the measurement period and 0.1024% at the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	$ 5,982,841
State's Proportionate Share of Net Pension Liability Associated with the District	371,577
Total	$ 6,354,418

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

For the year ended June 30, 2026, the District recognized pension expense of $529,289. It also recognized negative $9,305 as a decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2025, the State of Minnesota contributed $28,462,000 to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the $28,462,000 in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $29,713 for the year ended June 30, 2026 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 275,890	$ 58,758
Changes in Actuarial Assumptions	337,951	632,871
Net Difference Between Projected and Actual Investment Earnings	-	1,201,320
Changes in Proportion	251,954	141,672
Contributions Paid to TRA Subsequent to the Measurement Date	723,079	-
Total	$ 1,588,874	$ 2,034,621

The $723,079 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2027	$ 460,590
2028	(707,639)
2029	(619,572)
2030	(336,744)
2031	34,539

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7%, 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%) or one percentage point higher (8%) than the current rate.

	District's Proportionate Share of Net Pension Liability		
	One Percent Decrease (6%)	Current (7%)	One Percent Increase (8%)
Teachers Retirement Association	$ 11,285,302	$ 5,982,841	$ 1,618,949

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

8. Pension Plan Fiduciary Net Position

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

B. Public Employees Retirement Association (PERA)

1. 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.

2. 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 Benefits

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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

3. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2026 and the District was required to contribute 7.50% for General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2026, were $271,915. The District's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2026, the District reported a liability of $1,212,976 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 $29,261.

District's proportionate share of the net pension liability	$	1,212,976
State of Minnesota's proportionate share of the net pension liability associated with the District		29,261
Total	$	1,242,237

The net pension liability was measured as of June 30, 2026, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2025 through June 30, 2026, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0366% at the end of the measurement period and 0.0378% at the beginning of the period.

For the year ended June 30, 2026, the District recognized pension expense of negative $77,644 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional negative $4,488 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 115,570	$ -
Changes in actuarial assumptions	29,226	279,102
Net difference between projected and actual investment earnings	-	482,655
Changes in proportion	-	102,843
Employer contributions subsequent to the measurement date	271,915	-
Total	$ 416,711	$ 864,600

The $271,915 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2027. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2027	$ (181,622)
2028	(268,799)
2029	(183,163)
2030	(86,220)

5. Long-term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Return on Investment
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

6. Actuarial Methods and Assumptions

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

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

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service.

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund

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

Changes in Plan Provisions:
- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.

- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

7. Discount Rate

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

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

8. 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:

	1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
General Employees Fund	$ 2,946,128	$ 1,212,976	$ (193,001)

9. 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.

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health, life, and dental insurance to eligible employees and their families through the District's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available report.

At June 30, 2026, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	3
Active Plan Members	212
Total Plan Members	215

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement.

For the year ended June 30, 2026, the District's average contribution rate was 7.05 percent of covered-employee payroll. For the fiscal year 2026, the District did not directly contribute to the plan, while implicit contributions totaled $43,841. The General fund is typically used to liquidate the governmental portion of the net OPEB obligation.

C. Actuarial Methods and Assumptions

The District’s total OPEB liability of $727,855 was measured as of July 1, 2025, and the OPEB liability was determined by an actuarial valuation as of July 1, 2025.

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

Discount Rate	4.90%
20-Year Municipal Bond Yield	4.90%
Inflation Rate	2.50%
Salary Increases	Service graded table, see example rates
Medical Trend Rate	6.50% as of July 1, 2025 grading to 5.00% over 6 years and then to 4.00% over the next 48 years
Discount Trend Rate	N/A

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

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Net OPEB Liability
Balances at June 30, 2025	$ 927,759
Changes for the Year	
Service Costs	94,559
Interest Costs	38,595
Assumption Changes	(159,943)
Differences between expected and actual experience	(107,102)
Benefit Payment	(66,013)
Net Changes	(199,904)
Balances at June 30, 2026	$ 727,855

Since the prior measurement date, the following assumptions changed:
- The health care trend rates and mortality tables were updated.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The retiree plan participation percentages were updated.
- The discount rate was changed from 3.90% to 4.90%.

Since the prior measurement date, the following benefit terms changed:
- None

Since the prior measurement date, the following plan provisions changed:
- None

E. Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

1 Percent Decrease 3.9%	Discount Rate Current 4.9%	1 Percent Increase 5.9%
$ 785,605	$ 727,855	$ 673,273

The following presents the District's net OPEB liability, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

1 Percent Decrease 5.50% Decreasing to 4.00% then 3.00%	Healthcare Cost Trend Rates 6.50% Decreasing to 5.00% then 4.00%	1 Percent Increase 7.50% Decreasing to 6.00% then 5.00%
$ 640,965	$ 727,855	$ 832,728

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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

For the year ended June 30, 2026, the District recognized OPEB expense of $58,376. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 15,959	$ 91,801
Changes in Actuarial Assumptions	15,220	163,917
Contributions Paid to OPEB Subsequent to the Measurement Date	43,841	-
Total	$ 75,020	$ 255,718

Deferred outflows of resources totaling $43,841 related to OPEB resulting from the District's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability as of June 30, 2027. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2027	$ (34,692)
2028	(34,697)
2029	(43,895)
2030	(34,960)
2031	(38,150)
Thereafter	(38,145)

Note 6: Other Information

A. 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; and natural disasters for which the District carries insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

Note 7: Change in Accounting Principle

During the year ended June 30, 2026, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. There were no adjustments or restatements of beginning balance needed for the adoption of this statement.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 177
WINDOM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

Independent School District No. 177
Windom, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2026

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.1044 %	$ 5,982,841	$ 371,577	$ 6,354,418	$ 7,261,120	82.4 %	84.5 %
6/30/2024	0.1024	6,506,825	398,890	6,905,715	6,786,982	95.9	82.1
6/30/2023	0.1053	8,693,804	609,154	9,302,958	6,696,947	129.8	76.4
6/30/2022	0.1041	8,335,777	618,456	8,954,233	6,443,489	129.4	76.2
6/30/2021	0.1040	4,551,351	383,953	4,935,304	6,226,175	73.1	86.6
6/30/2020	0.0995	7,351,193	615,832	7,967,025	5,781,452	127.2	75.5
6/30/2019	0.1006	6,412,265	567,452	6,979,717	5,631,543	113.9	78.2
6/30/2018	0.0991	6,223,666	584,742	6,808,408	5,474,520	113.7	78.1
6/30/2017	0.1012	20,201,356	1,953,105	22,154,461	5,449,227	370.7	51.6
6/30/2016	0.1003	23,923,943	2,402,047	26,325,990	5,216,173	458.6	44.9

Schedule of Employer's TRA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2026	$ 723,079	$ 723,079	$ -	$ 7,370,832	9.8 %
6/30/2025	635,348	635,348	-	7,261,120	8.8
6/30/2024	593,861	593,861	-	6,786,982	8.8
6/30/2023	572,589	572,589	-	6,696,947	8.6
6/30/2022	537,387	537,387	-	6,443,489	8.3
6/30/2021	506,188	506,188	-	6,226,175	8.1
6/30/2020	457,891	457,891	-	5,781,452	7.9
6/30/2019	434,192	434,192	-	5,631,543	7.7
6/30/2018	410,589	410,589	-	5,474,520	7.5
6/30/2017	408,692	408,692	-	5,449,227	7.5

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2025 - Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

2024 - 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.

2023 - The 2023 Tax Finance and Policy Bill, effective July 1, 2025 and The 2024 Omnibus Pensions and Retirement Bill contained a number of changes. The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025. The employee contribution rate will increase from 7.75% to 8% on July 1, 2025. The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024. TRA's amortization date will remain the same at 2048. The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

2022 - No changes noted.

2021 - The investment return assumption was changed from 7.50 percent to 7.00 percent.

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

2019 - No changes noted.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2025 - The 2025 Omnibus Pensions and Retirement Bill (HF 1889/SF 2884) made several changes to benefit provisions and actuarial methods. Expanded the current special early retirement reductions available at age 62 with at least 30 years of service to ages 60 and 61 with at least 30 years of service. Lowered special early retirement reductions for members who retire after reaching age 60 with 30 years of service from 6% with augmentation to 5% with augmentation. Delayed retired members' eligibility for their first COLA until age 65, including members who retire under special early retirement. Increased employer contribution rates by 0.31% above the previous scheduled increase. Changed the amortization method for financing the System's Unfunded Actuarial Accrued Liability (UAAL) from a single base being amortized over the period ending June 30, 2048 to a "layered" amortization approach. Under the new method, the UAAL as of July 1, 2024 will continue to be amortized according to its current schedule, but new bases will be amortized over varying periods depending on the source of the UAAL impact.

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

2023 - The 2023 Tax Finance and Policy Bill contained a number of changes: Effective July 1, 2025, the normal retirement age for Tier 2 members will decrease from 66 to 65. The employer contribution rate will increase from 8.75% to 9.50% on July 1, 2025. The employee contribution rate will increase from 7.75% to 8.00% on July 1, 2025.

2022 - No changes noted.

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

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

2017 - No changes noted.

2016 - No changes noted.

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2025	0.0366 %	$ 1,212,976	$ 29,261	$ 1,242,237	$ 3,334,707	36.4 %	90.8 %
6/30/2024	0.0378	1,396,049	36,099	1,432,148	3,211,340	43.5	86.7
6/30/2023	0.0393	2,197,612	60,455	2,258,067	3,140,553	70.0	83.1
6/30/2022	0.0396	3,136,333	91,810	3,228,143	2,982,467	105.2	76.7
6/30/2021	0.0389	1,661,204	50,745	1,711,949	2,820,880	58.9	87.0
6/30/2020	0.0365	2,188,342	67,435	2,255,777	2,617,240	83.6	79.0
6/30/2019	0.0322	1,780,266	55,331	1,835,597	2,293,187	77.6	80.2
6/30/2018	0.0337	1,869,538	61,315	1,930,853	2,273,867	82.2	79.5
6/30/2017	0.0321	2,049,243	25,779	2,075,022	2,068,880	99.1	75.9
6/30/2016	0.0293	2,379,015	-	2,379,015	1,829,960	130.0	68.9

Schedule of Employer's PERA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2026	$ 271,915	$ 271,915	$ -	$ 3,625,536	7.5 %
6/30/2025	250,103	250,103	-	3,334,707	7.5
6/30/2024	240,851	240,851	-	3,211,340	7.5
6/30/2023	235,541	235,541	-	3,140,553	7.5
6/30/2022	223,685	223,685	-	2,982,467	7.5
6/30/2021	211,566	211,566	-	2,820,880	7.5
6/30/2020	196,293	196,293	-	2,617,240	7.5
6/30/2019	171,989	171,989	-	2,293,187	7.5
6/30/2018	170,540	170,540	-	2,273,867	7.5
6/30/2017	155,166	155,166	-	2,068,880	7.5

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2025 - The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023 - The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Notes to the Required Supplementary Information - PERA (Continued)

Changes in Plan Provisions

2025 - The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%. The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

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

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

2016 - There were no changes in plan provisions since the previous valuation.

Independent School District No. 177
Windom, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2026

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

	2026	2025	2024
Total OPEB Liability			
Service Costs	$ 94,559	$ 94,641	$ 91,884
Interest Costs	38,595	36,314	32,850
Assumption Changes	(159,943)	-	12,367
Plan Changes	-	-	-
Differences between expected and actual experience	(107,102)	-	9,999
Benefit Payment	(66,013)	(78,617)	(87,743)
Net Change in Total OPEB Liability	(199,904)	52,338	59,357
Total OPEB Liability - Beginning	927,759	875,421	816,064
Total OPEB Liability - Ending	$ 727,855	$ 927,759	$ 875,421
Covered - Employee Payroll	$ 10,323,901	$ 9,251,038	$ 8,981,590
District's total OPEB liability as a percentage of covered employee payroll	7.05 %	10.03 %	9.75 %

Note: This schedule intended to show 10-year trends. Additional years will be reported as they become available.

2023	2022	2021	2020	2019	2018
$ 64,266	$ 79,611	$ 58,742	$ 51,377	$ 64,251	$ 62,380
19,119	20,366	24,446	38,194	37,971	37,233
(62,587)	28,544	22,555	(10,197)	-	-
-	(4,266)	-	-	-	-
-	35,872	-	(336,728)	-	-
(101,266)	(64,737)	(68,355)	(100,900)	(64,966)	(94,368)
(80,468)	95,390	37,388	(358,254)	37,256	5,245
896,532	801,142	763,754	1,122,008	1,084,752	1,079,507
$ 816,064	$ 896,532	$ 801,142	$ 763,754	$ 1,122,008	$ 1,084,752
$ 8,722,996	$ 8,468,928	$ 7,936,251	$ 7,705,098	$ 7,251,534	$ 7,040,324
9.36 %	10.59 %	10.09 %	9.91 %	15.47 %	15.41 %

Schedule of Changes in the District's OPEB Liability and Related Ratios (Continued)

Changes in assumptions:

2026
The health care trend rates and mortality tables were updated. The salary increase rates for non-teachers were updated to reflect the latest experience study. The retiree plan participation percentages were updated. The discount rate was changed from 3.90% to 4.90%.

2025
None.

2024
The discount rate was changed from 3.80% to 3.90% and the health care trend rates & mortality tables were updated.

2023
None.

2022
The discount rate was changed from 2.10% to 3.80%. The inflation rate was changed from 2.00% to 2.50%.

2021
The health care trend rates, mortality tables, salary increase rates for non-teachers, and withdrawal rates were updated. The inflation rate was changed from 2.50% to 2.00%. The discount rate was changed from 2.40% to 2.10%.

Changes in Plan Provisions:

None

Changes in benefits:

None

Independent School District No. 177
Windom, Minnesota
Required Supplementary Information (Continued)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2026

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Revenues					
Local property tax levies	$ 2,447,308	$ 2,425,914	$ (21,394)	$ 2,451,086	$ 25,172
Other local revenue	965,005	1,036,725	71,720	1,560,674	523,949
Interest earned on investments	203,510	307,615	104,105	356,512	48,897
Revenue from state sources	15,879,125	15,805,407	(73,718)	16,074,614	269,207
Revenue from federal sources	355,253	362,781	7,528	342,189	(20,592)
Sales and other conversion of assets	67,500	51,200	(16,300)	53,198	1,998
Total Revenues	19,917,701	19,989,642	71,941	20,838,273	848,631
Expenditures					
Current					
Administration	1,181,161	1,268,144	86,983	1,130,143	138,001
District support services	1,195,739	1,233,775	38,036	1,202,758	31,017
Elementary and secondary regular instruction	8,149,178	8,062,083	(87,095)	7,874,132	187,951
Vocational education instruction	410,329	456,856	46,527	432,429	24,427
Special education instruction	4,276,112	4,196,474	(79,638)	3,923,857	272,617
Instructional support services	281,380	339,146	57,766	327,444	11,702
Pupil support services	1,996,090	2,028,263	32,173	1,827,249	201,014
Sites and buildings	2,259,098	2,268,498	9,400	1,973,821	294,677
Fiscal and other fixed cost programs	373,800	343,400	(30,400)	180,908	162,492
Capital outlay			-		
Administration	-	1,000	1,000	571	429
District support services	500	500	-	684	(184)
Elementary and secondary regular instruction	104,350	97,350	(7,000)	79,631	17,719
Special education instruction	1,500	1,500	-	300	1,200
Pupil support services	35,625	63,708	28,083	79,137	(15,429)
Sites and buildings	69,000	72,000	3,000	250,850	(178,850)
Debt service			-		
Principal	2,500	2,500	-	88,119	(85,619)
Total Expenditures	20,336,362	20,435,197	98,835	19,372,033	1,063,164
Excess (Deficiency) of Revenues Over (Under) Expenditures	(418,661)	(445,555)	(26,894)	1,466,240	1,911,795
Other Financing Sources (Uses)					
Transfers out	(90,700)	(88,670)	2,030	(74,357)	14,313
Net Change in Fund Balances	(509,361)	(534,225)	(24,864)	1,391,883	1,926,108
Fund Balances, July 1	8,632,800	8,632,800	-	8,632,800	-
Fund Balances, June 30	$ 8,123,439	$ 8,098,575	$ (24,864)	$ 10,024,683	$ 1,926,108

The notes to the financial statements are an integral part of this statement.

Notes to the Required Supplementary Information - Budgetary Reporting

A. Budgetary Comparison Schedule

The budgetary comparison schedule presents the comparison of the original and legally amended budget with actual amounts on a departmental level for the General fund. The departmental level budgets are adopted on a basis consistent with generally accepted accounting principles. The fund reports revenue in the period in which they become measurable and available.

B. Budget Amendments

In accordance with state statutes governing municipal financial management and compliance with GASB Statement No. 103, the District's budget amendments were processed and approved through established legal and procedural frameworks. The School Board exercised its authority as delineated in Minnesota Statutes Section 123B.77, ensuring that all modifications to the budget were deliberated and approved in public meetings, adhering to principles of transparency and accountability. Each amendment or group of amendments were documented and justified based on emergent fiscal requirements or reallocation of resources, following criteria that align with GASB 103 guidelines. This process underscores the District's commitment to maintaining financial integrity and regulatory compliance, providing a clear audit trail for citizens and auditors alike.

C. Summary of Significant Budget Amendments

There were no significant budget amendments.

D. Summary of Significant Budget Variances

The General fund revenues and expenditures varied significantly from final budget amounts as noted below:

Revenues

- Other local revenue exceeded the final budget due primarily to higher-than-anticipated revenue related to the band and choir trip.
- State revenue exceeded the final budget due primarily to uncertainty regarding award amounts when the budget was prepared.

Expenditures

- Salary expenditures were under budget because the District used conservative salary assumptions for open positions.
- Supplies and materials expenditures were under budget because the District used conservative expenditure assumptions

E. Budgetary Compliance

- There were no budgetary compliance violations for the fiscal year ending June 30, 2026.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 177
WINDOM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

Independent School District No. 177
Windom, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2026

	Special Revenue		
	Food Service	Community Service	Totals
Assets			
Cash and temporary investments	$ 168,313	$ 477,374	$ 645,687
Receivables			
Taxes			
Current	-	33,563	33,563
Delinquent	-	995	995
Accounts	334	7,613	7,947
Due from other school districts	-	6,418	6,418
Intergovernmental	125,017	6,944	131,961
Inventories	15,784	-	15,784
Prepaid items	40	-	40
Total Assets	$ 309,488	$ 532,907	$ 842,395
Liabilities			
Salaries and wages payable	$ 5,512	$ 22,786	$ 28,298
Accounts payable	3,860	1,573	5,433
Unearned revenue	2,928	-	2,928
Total Liabilities	12,300	24,359	36,659
Deferred Inflows of Resources			
Property taxes levied for subsequent year	-	76,795	76,795
Unavailable revenue - delinquent property taxes	-	995	995
Total Deferred Inflows of Resources	-	77,790	77,790
Fund Balances			
Nonspendable	15,824	-	15,824
Restricted	281,364	430,758	712,122
Total Fund Balances	297,188	430,758	727,946
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 309,488	$ 532,907	$ 842,395

Independent School District No. 177
Windom, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2026

	Special Revenue		
	Food Service	Community Service	Total
Revenues			
Local property tax levies	$ -	$ 84,554	$ 84,554
Other local revenue	5,609	267,195	272,804
Interest earned on investments	4,885	12,637	17,522
Revenue from state sources	411,439	140,315	551,754
Revenue from federal sources	742,177	-	742,177
Sales and other conversion of assets	86,873	-	86,873
Total Revenues	1,250,983	504,701	1,755,684
Expenditures			
Current expenditures			
Community education and services	-	443,461	443,461
Pupil support services	1,195,909	-	1,195,909
Capital outlay	3,724	11,620	15,344
Total Expenditures	1,199,633	455,081	1,654,714
Excess (Deficiency) of Revenues Over (Under) Expenditures	51,350	49,620	100,970
Other Financing Sources (Uses)			
Transfers in	192	74,165	74,357
Net Change in Fund Balances	51,542	123,785	175,327
Fund Balances, July 1, as adjusted if restated	245,646	306,973	552,619
Fund Balances, June 30	$ 297,188	$ 430,758	$ 727,946

Independent School District No. 177
Windom, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Pages)
For the Year Ended June 30, 2026

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Revenues					
Local property tax levies	$ 2,447,308	$ 2,425,914	$ (21,394)	$ 2,451,086	$ 25,172
Other local revenue	965,005	1,036,725	71,720	1,560,674	523,949
Interest earned on investments	203,510	307,615	104,105	356,512	48,897
Revenue from state sources	15,879,125	15,805,407	(73,718)	16,074,614	269,207
Revenue from federal sources	355,253	362,781	7,528	342,189	(20,592)
Sales and other conversion of assets	67,500	51,200	(16,300)	53,198	1,998
Total Revenues	19,917,701	19,989,642	71,941	20,838,273	848,631
Expenditures					
Current					
Administration					
Salaries	665,821	661,596	(4,225)	628,766	32,830
Employee benefits	472,590	525,848	53,258	469,928	55,920
Purchased services	13,600	44,600	31,000	18,786	25,814
Supplies and materials	15,200	21,950	6,750	13,708	8,242
Other expenditures	13,950	14,150	200	(1,045)	15,195
Total administration	1,181,161	1,268,144	86,983	1,130,143	138,001
District support services					
Salaries	785,448	802,773	17,325	786,687	16,086
Employee benefits	294,291	288,057	(6,234)	278,504	9,553
Purchased services	98,500	105,745	7,245	96,087	9,658
Supplies and materials	17,500	37,200	19,700	41,480	(4,280)
Total district support services	1,195,739	1,233,775	38,036	1,202,758	31,017
Elementary and secondary regular instruction					
Salaries	5,214,392	5,184,821	(29,571)	5,009,489	175,332
Employee benefits	1,728,297	1,626,128	(102,169)	1,587,978	38,150
Purchased services	429,266	402,321	(26,945)	532,650	(130,329)
Supplies and materials	764,063	837,018	72,955	731,006	106,012
Other expenditures	13,160	11,795	(1,365)	13,009	(1,214)
Total elementary and secondary regular instruction	8,149,178	8,062,083	(87,095)	7,874,132	187,951
Vocational education instruction					
Salaries	284,038	302,000	17,962	294,746	7,254
Employee benefits	101,241	128,106	26,865	105,710	22,396
Purchased services	-	-	-	5,639	(5,639)
Supplies and materials	25,050	26,750	1,700	26,334	416
Total vocational education instruction	410,329	456,856	46,527	432,429	24,427
Special education instruction					
Salaries	2,972,278	2,913,989	(58,289)	2,778,245	135,744
Employee benefits	858,319	832,908	(25,411)	731,965	100,943
Purchased services	417,815	420,177	2,362	390,872	29,305
Supplies and materials	27,700	29,400	1,700	22,775	6,625
Total special education instruction	4,276,112	4,196,474	(79,638)	3,923,857	272,617
Instructional support services					
Salaries	148,121	194,605	46,484	199,011	(4,406)
Employee benefits	35,959	44,641	8,682	44,619	22
Purchased services	66,800	66,500	(300)	59,410	7,090
Supplies and materials	30,500	33,400	2,900	24,404	8,996
Total instructional support services	281,380	339,146	57,766	327,444	11,702
Pupil support services					
Salaries	455,594	462,691	7,097	449,372	13,319
Employee benefits	152,881	152,327	(554)	144,932	7,395
Purchased services	1,366,785	1,390,050	23,265	1,215,656	174,394
Supplies and materials	20,380	22,745	2,365	17,276	5,469
Other expenditures	450	450	-	13	437
Total pupil support services	1,996,090	2,028,263	32,173	1,827,249	201,014

Independent School District No. 177
Windom, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2026

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Expenditures (Continued)					
Current (continued)					
Sites and buildings					
Salaries	$ 747,076	$ 745,407	$ (1,669)	$ 729,609	$ 15,798
Employee benefits	256,352	257,222	870	275,188	(17,966)
Purchased services	946,570	959,269	12,699	731,595	227,674
Supplies and materials	309,100	306,600	(2,500)	237,429	69,171
Total sites, buildings and equipment	2,259,098	2,268,498	9,400	1,973,821	294,677
Fiscal and other fixed cost programs					
Employee benefits	183,800	155,400	(28,400)	-	155,400
Purchased services	190,000	188,000	(2,000)	180,908	7,092
Total fiscal and other fixed cost programs	373,800	343,400	(30,400)	180,908	162,492
Total current	20,122,887	20,196,639	73,752	18,872,741	1,323,898
Capital outlay					
Administration	-	1,000	1,000	571	429
District support services	500	500	-	684	(184)
Elementary and secondary regular instruction	104,350	97,350	(7,000)	79,631	17,719
Special education instruction	1,500	1,500	-	300	1,200
Pupil support services	35,625	63,708	28,083	79,137	(15,429)
Sites and buildings	69,000	72,000	3,000	250,850	(178,850)
Total capital outlay	210,975	236,058	25,083	411,173	(175,115)
Debt service					
Principal	2,500	2,500	-	88,119	(85,619)
Total Expenditures	20,336,362	20,435,197	98,835	19,372,033	1,063,164
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (418,661)	$ (445,555)	$ (26,894)	$ 1,466,240	$ 1,911,795
Other Financing Sources (Uses)					
Transfers out	(90,700)	(88,670)	2,030	(74,357)	14,313
Net Change in Fund Balances	(509,361)	(534,225)	(24,864)	1,391,883	1,926,108
Fund Balances, July 1	8,632,800	8,632,800	-	8,632,800	-
Fund Balances, June 30	$ 8,123,439	$ 8,098,575	$ (24,864)	$ 10,024,683	$ 1,926,108

Independent School District No. 177
Windom, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2026

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Revenues					
Other local revenue	$ 2,800	$ 5,000	$ 2,200	$ 5,609	$ 609
Interest earned on investments	6,000	6,000	-	4,885	(1,115)
Revenue from state sources	452,700	472,700	20,000	411,439	(61,261)
Revenue from federal sources	688,000	707,000	19,000	742,177	35,177
Sales and other conversion of assets	84,970	84,700	(270)	86,873	2,173
Total Revenues	1,234,470	1,275,400	40,930	1,250,983	(24,417)
Expenditures					
Current					
Pupil support services					
Salaries	366,498	381,766	15,268	370,157	11,609
Employee benefits	97,320	91,760	(5,560)	86,361	5,399
Purchased services	35,155	33,300	(1,855)	24,371	8,929
Supplies and materials	741,325	777,000	35,675	699,687	77,313
Other expenditures	25,625	825	(24,800)	15,333	(14,508)
Total current	1,265,923	1,284,651	18,728	1,195,909	88,742
Capital outlay					
Pupil support services	48,000	33,000	(15,000)	3,724	29,276
Total Expenditures	1,313,923	1,317,651	3,728	1,199,633	118,018
Excess (deficiency) of revenues over (under) expenditures	(79,453)	(42,251)	37,202	51,350	93,601
			-		
Other financing sources (uses)					
Transfers in	-	-	-	192	192
			-		
Net Change in Fund Balances	(79,453)	(42,251)	37,202	51,542	93,793
			-		
Fund Balances, July 1	245,646	245,646	-	245,646	-
Fund Balances, June 30	$ 166,193	$ 203,395	$ 37,202	$ 297,188	$ 93,793

Independent School District No. 177
Windom, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2026

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Revenues					
Local property tax levies	$ 87,377	$ 85,362	$ (2,015)	$ 84,554	$ (808)
Other local revenue	190,603	198,038	7,435	267,195	69,157
Interest earned on investments	5,000	8,000	3,000	12,637	4,637
Revenue from state sources	141,478	139,587	(1,891)	140,315	728
Total Revenues	424,458	430,987	6,529	504,701	73,714
Expenditures					
Current					
Community education and services					
Salaries	312,652	318,595	5,943	297,747	20,848
Employee benefits	92,171	94,430	2,259	87,079	7,351
Purchased services	44,220	48,310	4,090	43,941	4,369
Supplies and materials	24,954	21,704	(3,250)	14,694	7,010
Total current	473,997	483,039	9,042	443,461	39,578
Capital outlay					
Community education and services	4,695	4,000	(695)	11,620	(7,620)
Total Expenditures	478,692	487,039	8,347	455,081	31,958
Excess (Deficiency) of Revenues Over (Under) Expenditures	(54,234)	(56,052)	(1,818)	49,620	105,672
Other Financing Sources (Uses)					
Transfers in	90,700	88,670	(2,030)	74,165	(14,505)
Net Change In Fund Balances	36,466	32,618	(3,848)	123,785	91,167
Fund Balances, July 1	306,973	306,973	-	306,973	-
Fund Balances, June 30	$ 343,439	$ 339,591	$ (3,848)	$ 430,758	$ 91,167

Independent School District No. 177
Windom, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2026

	Budgeted Amounts		Budget	Actual	Variance with
	Original	Final	Amendments	Amounts	Final Budget
Revenues					
Local property tax levies	$ 1,290,000	$ 1,264,456	$ (25,544)	$ 1,253,662	$ (10,794)
Interest earned on investments	30,000	38,000	8,000	39,568	1,568
Revenue from state sources	1,041,225	1,014,640	(26,585)	1,014,305	(335)
Total Revenues	2,361,225	2,317,096	(44,129)	2,307,535	(9,561)
Expenditures					
Debt service					
Principal	1,460,000	1,460,000	-	1,460,000	-
Interest and other costs	848,263	848,263	-	847,563	700
Total Expenditures	2,308,263	2,308,263	-	2,307,563	700
Net Change in Fund Balances	52,962	8,833	(44,129)	(28)	(8,861)
Fund Balances, July 1	545,092	545,092	-	545,092	-
Fund Balances, June 30	$ 598,054	$ 553,925	$ (44,129)	$ 545,064	$ (8,861)

Independent School District No. 177
Windom, Minnesota
Combining Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2026

	Marcus Behrends Scholarship	Krueger Family Scholarship	Total
Assets			
Cash and temporary investments	$ 94	$ 6,134	$ 6,228
Fund Balances			
Restricted			
Held in trust for scholarships	$ 94	$ 6,134	$ 6,228

Independent School District No. 177
Windom, Minnesota
Combining Statement of Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2026

	Marcus Behrends Scholarship	Krueger Family Scholarship	Total
Additions			
Donations	$ -	$ 7,500	$ 7,500
Investment earnings	3	553	556
Total Additions	3	8,053	8,056
Deductions			
Scholarships	-	12,000	12,000
Net Increase (Decrease) in Fiduciary Net Position	3	(3,947)	(3,944)
Net Position, July 1	91	10,081	10,172
Net Position, June 30	$ 94	$ 6,134	$ 6,228

Independent School District No. 177
Windom, Minnesota
Schedules of Tax Capacity, Tax Levy and Tax Rates
For the Year Ended June 30, 2026

Tax Capacity	
Agricultural	$ 8,591,912
Nonagricultural	6,495,496
Total	$ 15,087,408
Tax Levy	
General	$ 2,248,813
Community Service	76,795
Debt Service	2,344,734
Total	$ 4,670,342
Tax Capacity Rates	
General	5.210 %
Community Service	0.509
Debt Service	15.541
Total	21.260 %

DEPARTMENT OF EDUCATION

Fiscal Compliance

Fiscal Compliance Report - 6/30/2026

Help Logoff

District: WINDOM (177-1)

Back Print

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$20,838,273	$20,838,260	$13
Total Expenditures	$19,372,033	$19,372,017	$16
Non Spendable:			
4.60 Non Spendable Fund Balance	$314,892	$314,892	$0
Restricted / Reserved:			
4.01 Student Activities	$292,653	$292,651	$2
4.02 Scholarships	$16,867	$16,867	$0
4.03 Staff Development	$436,558	$436,558	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.12 Literacy Incentive Aid	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.20 American Indian Education Aid	$0	$0	$0
4.24 Operating Capital	$1,621,174	$1,621,175	($1)
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.37 Q Comp	$20,818	$20,819	($1)
4.38 Gifted & Talented	$0	$0	$0
4.39 English Learner	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.43 School Library Aid	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe Schools Levy	$92,472	$92,472	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.56 READ Act - Literacy Aid	$0	$0	$0
4.57 READ Act - Tchr Training Compensation	$1,500	$1,500	$0
4.67 LTFM	$853,324	$853,323	$1
4.71 Student Support Personnel Aid	$0	$0	$0
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$55,596	$55,596	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$2,453,685	$2,453,685	$0
Unassigned:			
4.22 Unassigned Fund Balance	$3,865,144	$3,865,148	($4)
02 FOOD SERVICES			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
06 BUILDING CONSTRUCTION			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Funded by COP/FP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$2,307,535	$2,307,535	$0
Total Expenditures	$2,307,563	$2,307,563	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$545,064	$545,065	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$8,056	$8,057	($1)
Total Expenditures	$12,000	$12,000	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$6,228	$6,228	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0

Total Revenue	$1,250,983	$1,250,982	$1
Total Expenditures	$1,199,633	$1,199,633	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$15,824	$15,824	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$281,364	$281,362	$2
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$504,701	$504,703	($2)
Total Expenditures	$455,081	$455,083	($2)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$295,131	$295,131	$0
4.32 E.C.F.E	$134,975	$134,976	($1)
4.37 Q Comp	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$136	$135	$1
4.47 Adult Basic Education	$516	$517	($1)
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.56 READ Act - Literacy Aid	$0	$0	$0
4.57 READ Act - Tchr Training Compensation	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

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

47 OPEB DEBT SERVICE

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

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 177
WINDOM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 177
Windom, 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 the Independent School District No. 177, Windom, Minnesota, (the District) as of and for the year ended June 30, 2026, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the board approval of disbursements and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal Compliance Audit Guide for Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the Schedule of Findings and Responses as item 2026-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Abdo
Mankato, Minnesota
November 16, 2026

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*

Members of the School Board
Independent School District No. 177
Windom, 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 the Independent School District No. 177, Windom, Minnesota, (the District) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 16, 2026.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. Given these limitations, during our audit we did identify one deficiency in internal control that we consider to be a material weakness, as described as finding 2026-001 in the Schedule of Findings and Responses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as finding 2026-002 in the Schedule of Findings and Responses.

.

Response 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 Responses. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



Abdo
Mankato, Minnesota
November 16, 2026

Independent School District No. 177
Windom, Minnesota
Schedule of Findings and Responses
For the Year Ended June 30, 2026

Finding	Description
2026-001	**Material Audit Adjustment – State Revenues and Receivables**
Condition:	During the audit, material adjustments were identified related to the recording of state revenues and related receivables. Audit adjustments were necessary to properly report state revenue and amounts due from the State at year-end in accordance with the District's applicable basis of accounting.
Criteria:	Management is responsible for establishing and maintaining internal controls over financial reporting that provide reasonable assurance that financial statement amounts are properly recorded and that revenues and related receivables are recognized in the appropriate accounting period. This includes performing year-end procedures to reconcile state aid entitlements and payments to amounts recorded in the general ledger.
Cause:	The District's year-end closing and reconciliation procedures did not identify all adjustments necessary to properly record state revenues and related receivables prior to the audit.
Effect:	As a result, state revenues and receivables were materially misstated prior to the audit adjustments. The necessary adjustments were proposed and recorded as part of the audit process to properly state the District's financial statements.
Recommendation:	We recommend the District strengthen its year-end closing procedures over state revenues and receivables. This should include reconciling applicable state aid entitlements and payment information to the general ledger and reviewing significant year-end receivable balances to ensure revenues and related receivables are complete, accurate, and recorded in the proper period before the financial statements are prepared.

Management Response:

The District will review year-end revenues and receivables more closely, comparing to state reports.

Finding	Description
2026-002	**Board Approval of Disbursements**
Condition:	During our testing of disbursements, we noted that wire payments and checks issued from December 4, 2025 through December 10, 2025 were not included in the Board packets and, therefore, were not presented to the Board for approval.
Criteria:	The District's internal control procedures should ensure that all disbursements, including checks and wire payments, are presented to the Board for review and approval. Timely Board review provides oversight over District expenditures and helps ensure disbursements are properly authorized.
Cause:	The listing of wire payments and checks issued from December 4, 2025 through December 10, 2025 was inadvertently omitted from the applicable Board packet.
Effect:	When disbursements are not presented to the Board for approval, the District's established oversight control is not performed as intended, increasing the risk that unauthorized or inappropriate disbursements may not be identified timely.
Recommendation:	We recommend the District strengthen procedures to ensure all checks, wire payments, and other applicable disbursements are included in the appropriate Board packet and presented to the Board for approval. The District should also present the omitted December 4, 2025 through December 10, 2025 disbursements to the Board for approval.

Management Response:

The District included the previously omitted listing of wire payments and checks in a fiscal year 2027 Board packet for approval.

WINDOM AREA SCHOOLS

DISTRICT OFFICE
PO BOX 177
WINDOM, MN 56101

PHONE: 507-831-6901
FAX: 507-831-6919

WINDOM AREA
MIDDLE/HIGH SCHOOL

PHONE: 507-831-6910
FAX: 507-831-6919

WINFAIR
ELEMENTARY

PHONE: 507-831-6925
FAX: 507-831-6932

WWW.WINDOM.K12.MN.US

2026-001 Material Audit Adjustment – State Revenue and Receivables

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

Business Manager will more closely review year-end revenues and receivables, comparing to state reports.

Official Responsible for Ensuring CAP:

District management is responsible for ensuring corrective action.

Planned Completion Date for CAP:

June 30, 2027.

Plan to Monitor Completion of CAP:

The Superintendent will monitor the corrective action plan to ensure thorough review is performed.

Jamie Frank
Superintendent

WINDOM AREA SCHOOLS

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ELEMENTARY

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2026-002 Board Approval of Disbursements

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District included the listing of wire payments and checks issued from December 4, 2025 through December 10, 2025 in a fiscal year 2027 Board packet for approval. Going forward, the District will ensure that all applicable disbursements are included in the appropriate Board packet and presented to the Board for approval.

Official Responsible for Ensuring CAP:

District management is responsible for ensuring corrective action.

Planned Completion Date for CAP:

June 30, 2027.

Plan to Monitor Completion of CAP:

The Board of Education will monitor the corrective action plan to ensure applicable disbursements are presented for Board approval.

Jamie Frank
Superintendent



Executive Governance Summary

Independent School District No. 177

Windom, Minnesota

For the year ended June 30, 2026

Abdo
Lighting the path forward

5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

14500 N Northsight Blvd, Ste 321
Scottsdale, AZ 85260
P 480.864.5579

November 16, 2026

Management and the Members of the School Board
Independent School District No. 177
Windom, Minnesota

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 177, Windom, Minnesota (the District) for the year ended June 30, 2026, and have issued our report thereon dated November 16, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 29, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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 were not identified. Given these limitations, during our audit we did identify one deficiency in internal control that we consider to be material weaknesses. As described below, we identified a deficiency in internal control that we consider to be a material weakness, as finding 2026-001

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify one deficiency in internal control that we consider to be material weaknesses. As described below, we identified a deficiency in internal control that we consider to be a material weakness, as finding 2026-001.

2026-001 Material Audit Adjustment – State Revenues and Receivables

Condition:	During the audit, material adjustments were identified related to the recording of state revenues and related receivables. Audit adjustments were necessary to properly report state revenue and amounts due from the State at year-end in accordance with the District's applicable basis of accounting.
Criteria:	Management is responsible for establishing and maintaining internal controls over financial reporting that provide reasonable assurance that financial statement amounts are properly recorded and that revenues and related receivables are recognized in the appropriate accounting period. This includes performing year-end procedures to reconcile state aid entitlements and payments to amounts recorded in the general ledger.
Cause:	The District's year-end closing and reconciliation procedures did not identify all adjustments necessary to properly record state revenues and related receivables prior to the audit.
Effect:	As a result, state revenues and receivables were materially misstated prior to the audit adjustments. The necessary adjustments were proposed and recorded as part of the audit process to properly state the District's financial statements.
Recommendation:	We recommend the District strengthen its year-end closing procedures over state revenues and receivables. This should include reconciling applicable state aid entitlements and payment information to the general ledger and reviewing significant year-end receivable balances to ensure revenues and related receivables are complete, accurate, and recorded in the proper period before the financial statements are prepared.

Management Response:

The District will review year-end revenues and receivables more closely, comparing to state reports.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, and 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 one instance of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards* or Minnesota statues.

2026-002	**Board Approval of Disbursements**
Condition:	During our testing of disbursements, we noted that wire payments and checks issued from December 4, 2025 through December 10, 2025 were not included in the Board packets and, therefore, were not presented to the Board for approval.
Criteria:	The District's internal control procedures should ensure that all disbursements, including checks and wire payments, are presented to the Board for review and approval. Timely Board review provides oversight over District expenditures and helps ensure disbursements are properly authorized.
Cause:	The listing of wire payments and checks issued from December 4, 2025 through December 10, 2025 was inadvertently omitted from the applicable Board packet.
Effect:	When disbursements are not presented to the Board for approval, the District's established oversight control is not performed as intended, increasing the risk that unauthorized or inappropriate disbursements may not be identified timely.
Recommendation:	We recommend the District strengthen procedures to ensure all checks, wire payments, and other applicable disbursements are included in the appropriate Board packet and presented to the Board for approval. The District should also present the omitted December 4, 2025 through December 10, 2025 disbursements to the Board for approval.

Management Response:

The District included the previously omitted listing of wire payments and checks in a fiscal year 2027 Board packet for approval.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. The District changed accounting policies during the year ended June 30, 2026 related to financial reporting model improvements (GASB 103). . We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates made relates to estimated historical cost of the capital assets, depreciation on capital assets and amounts receivable from the Minnesota Department of Education (MDE) and the liability for the District's pension and Other Postemployment Benefits (OPEB).

- Management's estimate of capital asset basis is based on estimated historical cost of the capital assets and depreciation is based on the estimated useful lives of capital assets.

Qualitative Aspects of Accounting Practices (Continued)

- Management's estimate of amounts receivable from the Minnesota Department of Education are based on pupil unit data provided by MDE.
- Management's estimate of its OPEB liability is based on several factors including, but not limited to, anticipated retirement age for active employees, life expectancy, turnover, and healthcare cost trend rate.
- Management's estimate of its pension liability is based on several factors including, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases, and form annuity payment upon retirement.
- Management's estimate of its lease receivable is based on the present value of lease payments expected to be received during the lease term.
- Management's estimate of future paid sick time usage is based on historical usage data.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- State revenues and receivables

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 16, 2026.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) (Management's Discussion and Analysis, the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Schedule of Changes in the District's Net OPEB Liability, and Related Ratios, and budgetary comparison schedules and related notes), which is information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information (combining and individual fund financial statements and schedules and schedule of federal awards), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

During our audit, we noted that the District has no formal process to review and approve journal entries. We recommend current policies and procedures be revised to ensure proper journal entry review and approval procedures are in place.

We were not engaged to report on the introductory section, which accompany the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact

GASB Statement No. 105 – *Subsequent Events* *Effective: 06/30/2027*

Further information on upcoming GASB pronouncements.

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Restriction on Use

This communication is intended solely for the information and use of the members of the School Board, management and others within the administration of the District, federal awarding agencies and the Minnesota Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

The comments and recommendations in the report are purely constructive in nature, and should be read in this context. Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the opportunity to be of service and for the courtesy and cooperation extended to us by your staff.



Abdo
Mankato, Minnesota
November 16, 2026

Pacific Islander Students in our Classrooms

Sara Barfknecht
Alyssa Quade
Autumn Hauge

“ I get very scared to talk in front of other students.

I am scared to ask for help. “

Goals:

1. Gain a better understanding of our Pacific Islander students and their families.

2. Improved classroom practices that support student belonging and academic success.

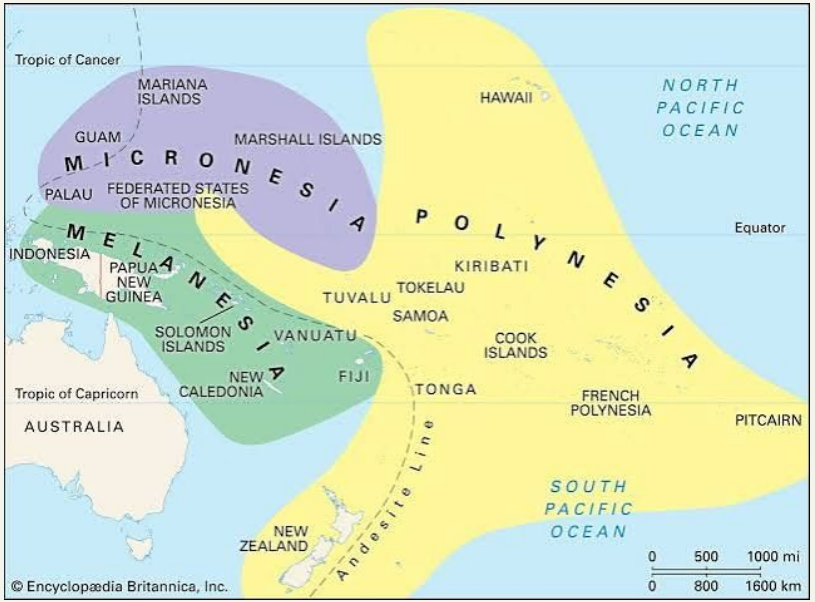
3. Long-term positive impact on student engagement, attendance, and achievement.

4. Improved communication between General Education, Special Education, and EL in how to best work with the influx of AAPI students in our district.

Who are “Pacific Islanders”

- The Pacific Islands consist of tens of thousands of islands grouped into three major regions: **Melanesia**, **Micronesia**, and **Polynesia**.

- This is currently one of the fastest growing populations in our area. There are currently 50 Windom students who identify as Pacific Island students, another 37 students who identify as Asian, and 37 students who identify as having 2 or more races.

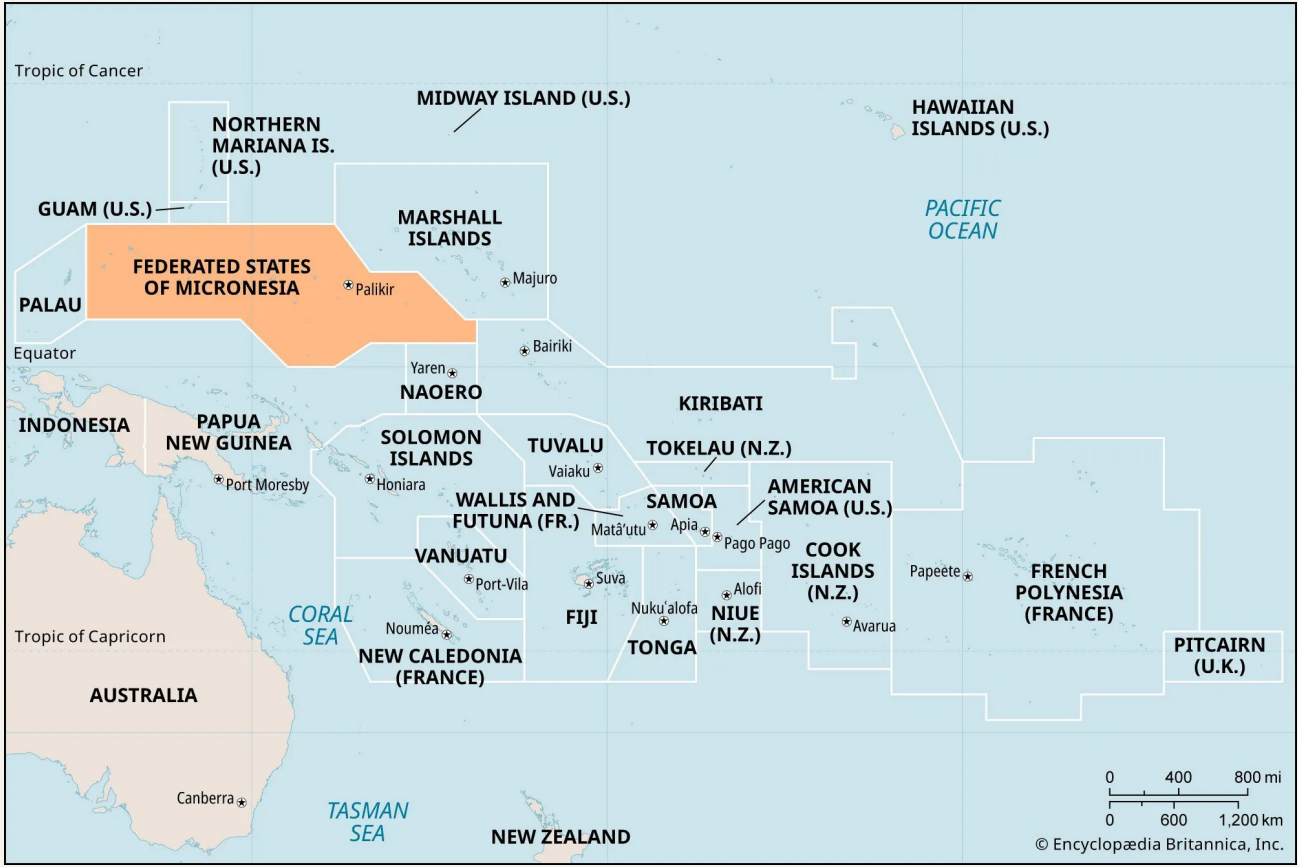


Regions

1. Chuuk (Federated States of Micronesia)

2. Palau

3. Guam



While each family has their own unique story and reasons for moving to the United States, there are three major factors that contribute to their migration to the United States.

1. Compact of Free Association

2. Search of better opportunities specifically for jobs and education

3. The threat that climate change poses on their Island nations.

What is school like in the Pacific Islands?



Differences with School in the United States vs. Micronesia

Topic:	United States	Micronesia
Language & Culture	Primarily English minimal focus on indigenous traditions.	Schools balance Western curriculum with preserving local cultural knowledge and indigenous languages.
Resources & Infrastructure	Highly developed infrastructure, widespread digital learning, reliable electricity, and robust school funding.	Often faces infrastructure challenges, such as unreliable power, limited internet access, and shortages of up-to-date textbooks or supplies.
Geographic Access	Centralized school districts accessible by school buses or cars.	Students on remote outer islands may rely on boats or have to leave home to board at a central high school on a main island.
Higher Education Access	Thousands of universities and technical colleges available domestically.	Limited local options; students often must migrate to the U.S., Guam, or Hawaii to pursue four-year or graduate degrees.

“ We only had batteries that worked from the sun. We didn’t have power on the island. “

Cultural Values and Norms of Pacific Islander Students and Families

1. Respect
    - Respect reflects a person's responsibility to care for others and maintain strong family and community relationships. Respecting elders honors their experience, guidance, and role in passing down traditions.
    - One way that respect is shown is by how they refer to family members. Any family member that is in an older generation may be referred to as Aunt or Uncle, anyone in their same generation may be referred to as brother, sister, or cousin, and anyone in the generations younger than them may be referred to as niece or nephew. If a female family member takes on a nurturing role they may be referred to as mom.
2. Family
    - Families share caregiving responsibilities, support one another, and pass down language, traditions, and respect for elders.
3. Tradition
    - Traditions help many Pacific Islander families preserve their identity and connect generations. Through storytelling, language, ceremonies, dance, and shared practices, elders pass down history, knowledge, and values. These traditions strengthen belonging and help families maintain connections to their islands and communities, including while living in America.

“ Our culture is surrounded by respect, everything that we do is out of respect. “

“ I wish my teachers could see us do stuff like dancing and doing steps for the dance in our culture. I wish I could see more of my culture here. “

Life on a Pacific Island vs America



Life on a Pacific Island vs America



Life on a Pacific Island vs America



Life on a Pacific Island vs America



“We used to only eat rice, fish, chicken, and coconuts on the island.”

Cultural Challenges affecting education

1. **Families may tend to move around a lot; many family members often live together in one house**

2. **Alcoholism rates**

3. **Communication challenges between home and school**

“We all live together in a small house with 9 people. My dad can’t find a job because he was sick and had to stop his old job. We might have to move our family to live with more family because my dad needs to work. “

Specific Examples: Windom Students

Student 1: This student has lived in the United States their whole life, in several different states, but did not attend school until 6th grade. Due to cultural differences, student's family was not aware that student could attend school with a disability. Student speaks fluent English due to siblings attending school, but family communicates almost exclusively in Chuukese, and follows very traditional Chuukese culture in their home.

Specific Examples: Windom Students

Student 2: This student moved to the United States as a Kindergarten student and attended 5 schools in 4 different states before 7th grade due to paperwork delays and finding steady work. Student did come to the United States with parents, but father recently died due to complications with alcoholism. Student speaks English but is unable to read or write in any language.

Specific Examples: Windom Students

Student 3: This student appears to be very popular, is very social, but does not know letter names or sounds. Often gets in trouble for ‘acting out’ - avoids class, leaves to go to the bathroom and is frequently seen socializing in the halls. Student is not on an IEP so receives grade-level instruction with no para support. Student will now need to receive several weeks of documented intervention before special education can even be considered.

Specific Examples: Windom Students

Student 4: This student grew up in Guam, moved to the United States in 6th grade without parents and siblings, and is currently living with extended family in Windom that they had never met before. Several children are living in this home with adults who are not their parents. Student speaks English but reading and writing ability is extremely limited. Student's English is 'conversational' but student does not know the words for many things; for example, they wanted to take a test home to show their family, but did not know the word for test. Described it as 'the paper with numbers on it.'

Specific Examples: Windom Students

Student 5: This former student arrived in the United States alone at the age of 15. This student ended up living with extended family members that he had never met before. His parents and siblings are all back in his native country. His parents sent him here with the goal for him to receive a better education and have better opportunities in life. He lived in the United States for 6 years before returning home due to the passing of his brother.

“It is important that my kids learn to live by the American way of living especially while being here in the U.S.. While it is important for my children to understand where they come from and to be proud of being a Pacific Islander. Living the “Island life” will not work here. Life here is much more fast paced and the expectations and pressures from peers and society is much greater. I just wish for my kids not to be treated differently and to be given the same opportunities, guidelines, and structure to be successful here in America. “

Conversational English ≠ Academic English

Students may be able to… (Conversational/Social Language)	Yet still struggle to: (Academic Language)
Examples of Conversational Language • "Hey, what did you do this weekend?" • "I like basketball!" • "Can I go to the bathroom?" • "Yes, I understand." • "What are we doing today?"	**Examples of Academic Language** • "Explain why the character made this decision." • "Use evidence from the text to support your answer." • "Write a complete paragraph describing the life cycle."

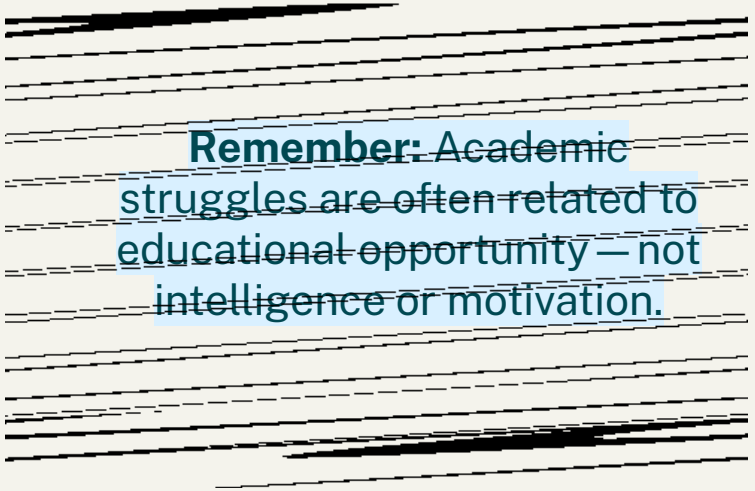
Why Some Students Still Struggle

Many of our students in Windom may have experienced:

- Interrupted or inconsistent schooling
- Limited literacy instruction in any language
- Gaps in academic vocabulary
- Frequent moves or school changes
- Learning in multiple languages

These experiences can affect:

- Reading comprehension
- Writing skills
- Organization
- Note-taking
- Processing new information
- Ability to focus in class



Common Misconceptions

❌ "She doesn't participate because she doesn't care."

✅ She may need more processing time or support, so she avoids the task completely.

❌ "He never asks questions."

✅ Many students avoid asking for help because they don't want to draw attention to themselves or they aren't sure how to express that they are confused and need help.

What seems like common knowledge to us may be completely new to our students.

- Students may lack background knowledge their peers already have.
- Small gaps in understanding can make lessons difficult to follow.

The goal: We don't need to reteach everything, but taking a minute to fill in these gaps can make a huge difference.

Technology

Some students have very limited experience using computers.

“Simple tasks” like opening a website, navigating tabs, typing in a search bar, or finding information online may need to be explicitly taught or assisted when a newcomer is in your class.



Cultural Differences in Communication

Some Pacific Islander students may raise their eyebrows instead of verbally saying “yes,” “okay,” or nodding their heads.

This can be a way of:

- **Showing agreement**
- **Acknowledging what someone said**
- **Showing they are listening or paying attention**

“I am good at talking to people, but school is hard. I do not understand a lot of the words in my classes. “

Tips for Supporting Pacific Islander Students in your Classroom

1. Pre-Teach Important Vocabulary

Teach the words students *need* before starting the lesson. Using pictures and examples.



2. Make Directions Understandable

Break directions into smaller steps

Instead of: “Read the article, highlight the important information, answer questions 1–5, and turn it in.”

1. Read the first paragraph.

2. Highlight one important sentence.

3. Answer question #1.

4. Check in with me. (I would use a para/TA for this if I had one with me.)

3. Check for Understanding

“Do you understand?” Students will probably say yes even when they are confused.

Instead, ask them to SHOW their understanding:

❌ “Do you understand migration?”

✅ “Why might a family migrate to another country?”

❌ “Do you understand the directions?”

✅ “Show me what you're going to do first.”

❌ “Does this make sense?”

✅“Tell your partner what you learned.”

4. Additional Supports

- After consistently following the first three steps, if a student is still struggling, reach out to Intervention teachers if help is needed. Students can only move to being on an IEP after a significant period of targeted, documented intervention has been done.

5. Tips for Connecting with Families

- Keep trying. Don’t give up on getting families involved with school.
- Utilize interpretation services if needed. Contact Holly in the business office for information on the interpreters that the school has contracts to work with.
- Be mindful of cultural differences while still maintaining high expectations.
- Remember that a family not being involved could be happening for a wide variety of reasons. Take time to figure out what the roadblock to communication is.
- Perhaps the student does not live with a parent. Talk to the student and see if there is anyone at home who can be the person of contact

Questions

Jamie Frank <jfrank@isd177.com>

Resignation

1 message

Lisa Lundy <llundy@isd177.com> Tue, Nov 17, 2026 at 9:35 AM
To: Jamie Frank <jfrank@isd177.com>, "Michelson, Brian [MN]" <brian.michelson@edmn.org>
Cc: Jana Raverty <jraverty@isd177.com>

Dear Jamie,

This letter serves as formal confirmation that my employment as School Psychologist with Windom Public Schools will conclude effective November 25,2026, pursuant to the mutually agreed upon separation agreement.

I appreciate the opportunity to have served the students and families of the district and wish them continued success.

Respectfully,
Lisa Lundy

--
Lisa Lundy
School Psychologist
Windom Area Schools
(507) 831-6910 ext. 308
llundy@isd177.com

Learning. Leading. Excelling. Together.
Aprendiendo. Liderando. Sobresaliendo. Juntos.

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Windom Area Schools

Minimum Fund Balance %	36.73%		42.72%	35.18%

		Revised based on 1,189.5 ADMS (VPK=17.5 ADM)/Actual 1182.85 (VPK of 24.96 ADM)			Preliminary Budget based on 1,180 ADMS (VPK=19 ADM)/Revised based on 1207 ADMS (VPK=15.5 ADM)		
	FY2025	FY2026	FY2026	FY2026	FY2027	FY2027	FY2027
FUND DESCRIPTION	**2024-25 ACTUAL BALANCE**	**2025-26 ACTUAL REVENUES/TRANSFERS**	**2025-26 ACTUAL EXPENDITURES/TRANSFERS**	**2025-26 ACTUAL BALANCE**	**2026-27 PRELIMINARY REVENUES/TRANSFERS**	**2026-27 PRELIMINARY EXPENDITURES/TRANSFERS**	**2026-27 PRELIMINARY BALANCE**
GENERAL FUND							
A. 1 - UNASSIGNED (422)	$ 3,864,772	$ 15,411,589	$ 15,411,211	$ 3,865,150	$ 16,780,217	$ 16,787,502	$ 3,857,865
B. 2 - NON SPENDABLE (460)	$ 300,146			$ 314,892			$ 314,892
C. 2 - COMMITTED (418)	$ -			$ 55,596			$ 55,596
D. 3 - ASSIGNED (462)	$ 1,406,379	$ 1,164,884	$ 117,577	$ 2,453,685	$ 214,405	$ 692,234	$ 1,975,856
B. RESERVED FOR							
(1) STAFF DEVELOPMENT (403)	$ 386,103	$ 195,059	$ 144,604	$ 436,558	$ 202,827	$ 186,964	$ 452,421
(2) LEARNING AND DEVELOPM (428)	$0	$ 272,420	$ 272,420	$ -	$ 270,500	$ 270,500	$ -
(3) BASIC SKILLS (441)	$0	$ 1,366,831	$ 1,366,831	$ -	$ 1,676,203	$ 1,676,203	$0
~~(4) BASIC SKILLS EXTENDED TIME (459)~~	NA	NA	NA	NA	NA	NA	NA
(5) GIFTED & TALENTED (438)	$0	$ 16,957	$ 16,957	$ -	$ 17,170	$ 17,170	$ -
(6) SAFE SCHOOL LEVY (449)	$ 97,998	$ 46,832	$ 52,358	$ 92,473	$ 46,849	$ 61,500	$ 77,822
~~(7) CAREER TECHNICAL PROG (445)~~	NA	NA	NA	NA	NA	NA	NA
(8) OPERATING CAPITAL (424)	$ 1,364,336	$ 294,681	$ 37,843	$ 1,621,174	$ 300,203	$ 404,902	$ 1,516,475
~~(9) DEFERRED MAINTENANCE (405)~~	NA	NA	NA	NA	NA	NA	NA
~~(10) HEALTH & SAFETY (406)~~	NA	NA	NA	NA	NA	NA	NA
(11) ACHIEVEMENT & INTEGRATION (448)	$ -	$ 174,416	$ 174,416	$ -	$ 179,951	$ 179,951	$ -
(12) LONG TERM FACILITIES MAINT. (467)	$ 872,810	$ 324,090	$ 343,577	$ 853,323	$ 302,235	$ 374,450	$ 781,108
(13) MEDICAL ASSISTANCE (472)	$0	$ 376,472	$ 376,472	$ -	$ 120,000	$ 120,000	$ -
~~(14) FEDERAL EIDL (474)~~	NA	NA	NA	NA	NA	NA	NA
(15) PAYMENT IN LIEU OF TAXES (476)	$ -	$ 61,173	$ 61,173	$ -	$ 59,640	$ 59,640	$ -
(16) SCHOLARSHIPS (402)	$ 18,178	$ 1,988	$ 3,300	$ 16,866	$ 3,015	$ 4,300	$ 15,581
(17) STUDENT ACTIVITIES (401)	$279,219	$ 371,893	$ 358,460	$ 292,651	$ 247,030	$ 219,690	$ 319,991
(18) STUDENT SUPPORT PERSONNEL (471)	$ -	$ 40,000	$ 40,000	$ -	$ 40,000	$ 40,000	$ -
(19) LITERACY INCENTIVE AID (412)	$ -	$ 58,627	$ 58,627	$ -	$ 58,627	$ 58,627	$ -
(20) ENGLISH LEARNER (439)	$ -	$ 424,592	$ 424,592	$ -	$ 596,440	$ 596,440	$ -
(21) SCHOOL LIBRARY (443)	$ -	$ 19,805	$ 19,805	$ -	$ 19,803	$ 19,803	$ -
(22) Q COMP-ALT TEACHER PAY (437)	$ 39,069	$ 304,300	$ 322,550	$ 20,819	$ 306,643	$ 313,491	$ 13,971
~~(23) READ ACT LITERACY AID (456)~~	$ -	NA	NA	NA	NA	NA	NA
(24) READ ACT TEACHER COMP (457)	$ 3,790	$ -	$ 2,290	$ 1,500	$ -	$ 1,500	$ (0)
TOTAL GENERAL FUND (01)	**$ 8,632,800**	**$ 20,926,608**	**$ 19,534,721**	**$ 10,024,687**	**$ 21,441,758**	**$ 22,084,867**	**$ 9,381,578**
TOTAL FOOD SERVICE (02)	**$ 245,646**	**$ 1,251,174**	**$ 1,199,633**	**$ 297,186**	**$ 1,375,543**	**$ 1,438,957**	**$ 233,772**
COMMUNITY EDUCATION							
REGULAR COMMUNITY ED (431)	$ 198,812	$ 258,623	$ 162,304	$ 295,131	$ 466,310	$ 527,256	$ 234,185
EARLY CHILDHOOD FAMILY ED (432)	$ 107,330	$ 78,643	$ 50,997	$ 134,976	$ 72,349	$ 66,267	$ 141,058
SCHOOL READINESS (444)	$ 116	$ 181,311	$ 181,291	$ 135	$ 185,709	$ 185,632	$ 212
ADULT BASIC EDUCATION (447)	$ 614	$ 30,846	$ 30,944	$ 516	$ 47,000	$ 47,000	$ 516
RESTRICTED (464)	$ 101	$ 29,446	$ 29,547	$ (0)	$ 39,682	$ 39,682	$ (0)
TOTAL COMMUNITY EDUCATION (04)	**$ 306,973**	**$ 578,868**	**$ 455,083**	**$ 430,758**	**$ 811,050**	**$ 865,837**	**$ 375,971**
TOTAL DEBT SERVICE (07)	**$ 545,092**	**$ 2,307,535**	**$ 2,307,563**	**$ 545,064**	**$ 2,470,784**	**$ 2,310,263**	**$ 705,585**
(1) NEW ELEMENTARY/CTE REMODEL (464-000)	NA	NA	NA	NA	NA	NA	NA
(2) LTFM BONDS (467)	NA	NA	NA	NA	NA	NA	NA
(3) ABATEMENT PARKING LOT BONDS (464-001)	NA	NA	NA	NA	NA	NA	NA
TOTAL BUILDING CONSTRUCTION (06)	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**
TOTAL CUSTODIAL/SCHOLARSHIPS (18)	**$ 10,172**	**$ 8,057**	**$ 12,000**	**$ 6,228**	**$ 10,503**	**$ 12,000**	**$ 4,731**
TOTAL DISTRICT WIDE	**$ 9,740,683**	**$ 25,072,241**	**$ 23,509,000**	**$ 11,303,924**	**$ 26,109,638**	**$ 26,711,924**	**$ 10,701,638**

FY2026 Actual Budget Information	FY2027 Revised Budget Information
VPK of 24.96 ADM	This revised budget was built with information from the MN Dept of Education in October 2026 and uses 1,189 ADM's K-12 Students & Out of District Placements, 2.5 ADM's for ECSE and 15.5 ADM's for VPK

Estimated Operating Capital Balance as of 6/30/2026			Estimated Operating Capital Balance as of 6/30/2027		
Curriculum	$	195,281.15	Curriculum	$	85,281.15
Other Items	$	1,425,893.35	Other Items	$	1,431,194.13
TOTAL	**$**	**1,621,174.50**	**TOTAL**	**$**	**1,516,475.28**

Cross fund Bridges Preschool by $73,350 Unassigned and $25,000 Basic Skills	Cross fund Bridges Preschool by $80,000 Unassigned and $32,000 Basic Skills
Cross fund Preschool screening by $1,273.38	Cross fund Preschool screening by $3,660
Cross fund EL by $88,347.53	Formula Allowance $7,683 per APU - 2.69% Increase

V. MINIMUM FUND BALANCE

To ensure the financial strength and stability of the District, the Board will endeavor to maintain at least 12% of the District's General Fund operating budget, excluding those accounts associated within the Restricted category, in the combined total of the General Fund Committed, Assigned and Unassigned fund balances.

VI. ORDER OF RESOURCE USE

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): nonspendable, restricted, committed, assigned, and unassigned. Journal entries at the end of the fiscal year may be used to accomplish this.

When the combined total of the General Fund Committed, Assigned and Unassigned fund balance falls below 12% the district shall initiate the following measures:

i. Reduce expenditures through implementation of cost containment measures.

ii. Seek opportunities to increase revenue. Consider fee increases where appropriate. Examine options to increase enrollment.

iii. If permitted by state law, request from voters additional revenue through an increase in the operating referendum or other financial options.

iv. A combination of the above.