# ANNUAL FINANCIAL REPORT

CANNON VALLEY SPECIAL EDUCATION COOPERATIVE
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

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Cannon Valley Special Education Cooperative
Faribault, Minnesota
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For the Year Ended June 30, 2026


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INTRODUCTORY SECTION

CANNON VALLEY SPECIAL EDUCATION COOPERATIVE
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED
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# Cannon Valley Special Education Cooperative
Faribault, Minnesota
Administrative Information
For the Year Ended June 30, 2026

## MEMBER DISTRICTS

Independent School District No. 761, Owatonna
Independent School District No. 656, Faribault
Independent School District No. 659, Northfield
Independent School District No. 763, Medford

## ADMINISTRATIVE BOARD

| | | |
|---|---|---|
| Jolayne Mohs | Chairperson | Owatonna |
| Jennifer Amberg | Vice-Chairperson | Medford |
| Corey Butler | Secretary | Northfield |
| Jerry Robicheau | Treasurer | Faribault |

## SUPERINTENDENTS

| | |
|---|---|
| Tamara Champa | Owatonna |
| Jamie Bente | Faribault |
| Tim Anderson | Northfield |
| Mark Ristau | Medford |

## ADMINISTRATIVE STAFF

| | |
|---|---|
| Sarah McGuire | Executive Director |
| Cori Weems | Executive Assistant |
| Kim Washa | Finance and Payroll Coordinator |

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FINANCIAL SECTION

CANNON VALLEY SPECIAL EDUCATION COOPERATIVE
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

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**INDEPENDENT AUDITOR'S REPORT**

Members of the Administrative Board
Cannon Valley Special Education Cooperative
Faribault, Minnesota

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Cannon Valley Special Education Cooperative, Faribault, Minnesota (the Cooperative), as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise the Cooperative'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 and the major fund of the Cooperative as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cooperative 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 10 to the financial statements, the Cooperative adopted the provisions 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**

The Cooperative's 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 the 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 Cooperative'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 Cooperative'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 Cooperative'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 15 and the Schedules of Employer's Shares of the Net Pension Liability, the Schedules of Employer's Pension and Other Post-employment Plan Contributions, the Schedule of Changes in the Cooperative's Total OPEB Liability and Related Ratios, and Budgetary Comparison Schedule and Related Note Disclosures starting on page 62 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 opinion on the financial statements that collectively comprise the Cooperative's basic financial statements. The accompanying individual fund schedule 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 related 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 individual fund schedule 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 October 30, 2026, on our consideration of the Cooperative'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 Cooperative'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 Cooperative's internal control over financial reporting and compliance.



**Abdo**
Mankato, Minnesota
October 30, 2026

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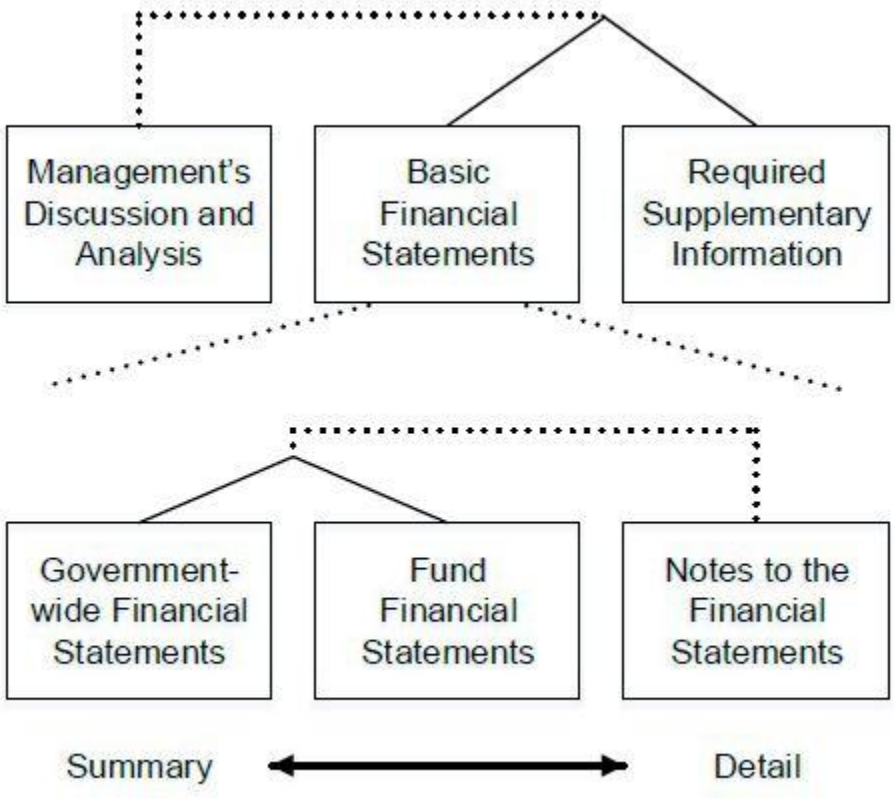
## Management's Discussion and Analysis

As management of the Cannon Valley Special Education Cooperative, (the Cooperative), we offer readers of the Cooperative's financial statements this narrative overview and analysis of the financial activities of the Cooperative 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 Cooperative's basic financial statements. The Cooperative's basic financial statements are comprised of three components: 1) Cooperative-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 Cannon Valley Special Education Cooperative**
**Annual Financial Report**



The following chart summarizes the major features of the Cooperative's financial statements, including the portion of the Cooperative'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 Cooperative-wide and Fund Financial Statements

| | | Fund Financial Statements |
|---|---|---|
| | **Cooperative-wide Statements** | **Governmental Funds** |
| Scope | Entire Cooperative | The activities of the Cooperative that are not fiduciary, such as special education and building maintenance |
| Required financial statements | • Statement of net position<br>• Statement of activities | • Balance sheet<br>• Statement of revenues, expenditures, and changes in fund balance |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial 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 |
| Type of inflow/outflow information | All revenues and expenses during the 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 |

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

The *statement of net position* presents information on all of the Cooperative'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 Cooperative is improving or deteriorating. To assess the Cooperative's overall health, you need to consider additional non-financial indicators such as changes in the Cooperative's condition of Cooperative buildings and other facilities.

The *statement of activities* presents information showing how the Cooperative'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., earned but unused sick leave that will be paid out at $10 to $20 per day if the employee has 10 years of service with the Cooperative at the time of separation).

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

- *Governmental Activities*: The Cooperative's basic services are reported here, including special education instruction, cooperative support services, administration, and instructional support services. State grants and member charges for services finance most of these activities.

The Cooperative-wide financial statements can be found starting on page 26 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 Cooperative, 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 Cooperative are reported under governmental funds.

***Governmental Funds***. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Cooperative-wide financial statements. However, unlike the Cooperative-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 Cooperative's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Cooperative-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Cooperative-wide financial statements. By doing so, readers may better understand the long-term impact of the Cooperative'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 Cooperative maintains one individual governmental fund. 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, which is considered to be a major fund.

The Cooperative adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 30 of this report.

**Notes to the Cooperative Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the Cooperative-wide and fund financial statements. The notes to the cooperative financial statements can be found starting on page 35 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Cannon Valley Special Education Cooperative'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 62 of this report.

**Other Information.** Individual fund schedule and table can be found starting on page 78 of this report.

**Cooperative-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 Cooperative, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources as shown in the summary of net position below at the close of the most recent fiscal year.

A portion of the Cooperative's net position reflects its net investment in capital assets. The Cooperative uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Similarly, the Cooperative has assets restricted for future uses, mainly due to food service. Unrestricted net position carries a balance as shown below.

## Cannon Valley Special Education Cooperative's Net Position

| | Governmental Activities | | | |
|---|---|---|---|---|
| | 2026 | 2025 | Increase (Decrease) | Percent |
| Current and Other Assets | $ 4,180,414 | $ 3,961,281 | $ 219,133 | 5.5 % |
| Capital Assets | 8,793,945 | 9,691,321 | (897,376) | (9.3) |
| Total Assets | 12,974,359 | 13,652,602 | (678,243) | (5.0) |
| Deferred Outflows of Resources | | | | |
| Deferred pension resources | 1,808,529 | 1,095,903 | 712,626 | 65.0 |
| Deferred other postemployment benefit resources | 5,689 | 8,252 | (2,563) | (31.1) |
| Total Deferred Outflows of Resources | 1,814,218 | 1,104,155 | 710,063 | 64.3 |
| Long-term Liabilities Outstanding | 14,706,492 | 15,164,223 | (457,731) | (3.0) |
| Other Liabilities | 871,780 | 804,763 | 67,017 | 8.3 |
| Total Liabilities | 15,578,272 | 15,968,986 | (390,714) | (2.4) |
| Deferred Inflows of Resources | | | | |
| Deferred pension resources | 1,387,270 | 1,028,467 | 358,803 | 34.9 |
| Deferred other postemployment benefit resources | 124,735 | 90,617 | 34,118 | 37.7 |
| Total Deferred Inflows of Resources | 1,512,005 | 1,119,084 | 392,921 | 35.1 |
| Net Position | | | | |
| Net investment in capital assets | (1,190,069) | (884,537) | (305,532) | 34.5 |
| Restricted | 1,629,515 | 1,237,895 | 391,620 | 31.6 |
| Unrestricted | (2,741,146) | (2,684,671) | (56,475) | 2.1 |
| Total Net Position | $ (2,301,700) | $ (2,331,313) | $ 29,613 | (1.3) % |
| Net Position as a Percent of Total | | | | |
| Net Investment in capital assets | (51.7) % | (37.9) % | | |
| Restricted | 70.8 | 53.1 | | |
| Unrestricted | (119.1) | (115.2) | | |
| | (100.0) % | (100.0) % | | |

As shown in the table above, as of June 30, 2026, the Cooperative's liabilities exceeded its assets and deferred outflows of resources.

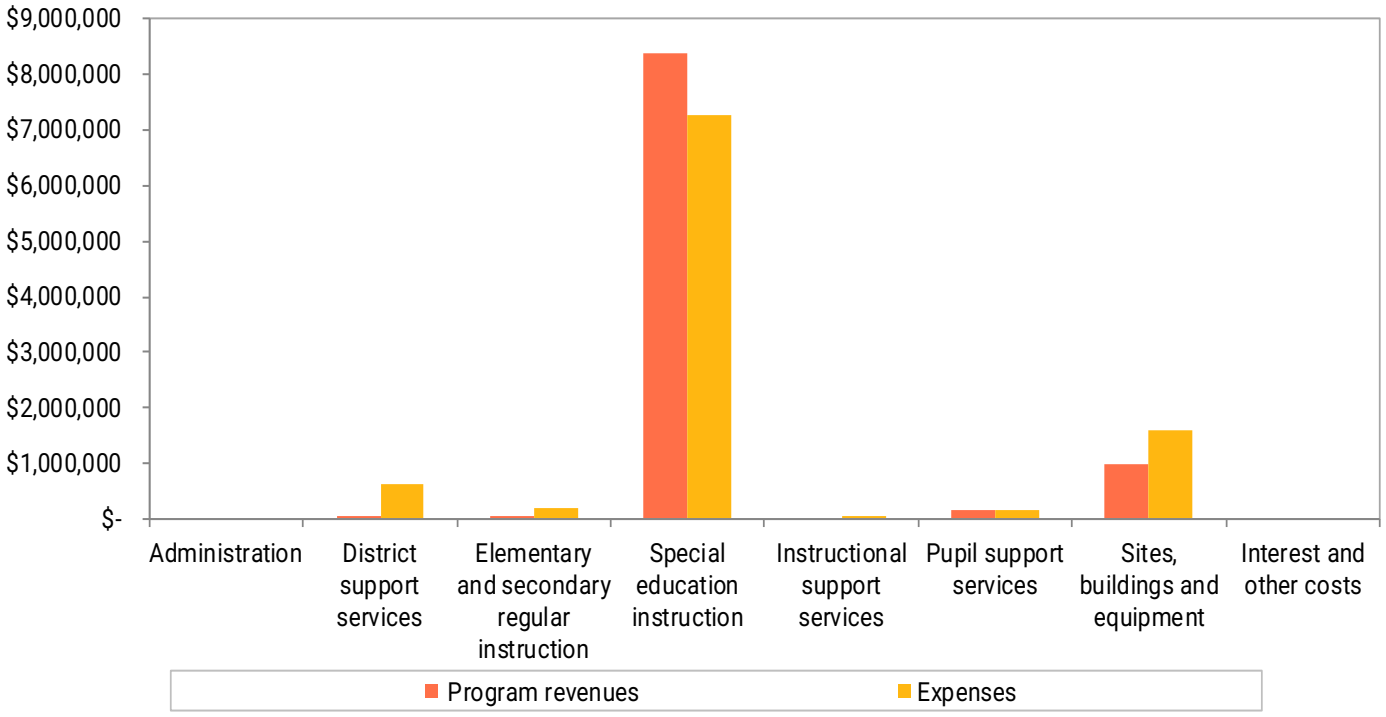
**Governmental Activities**. Governmental activities increased the Cooperative's net position, as shown below.

## Cannon Valley Special Education Cooperative's Changes in Net Position

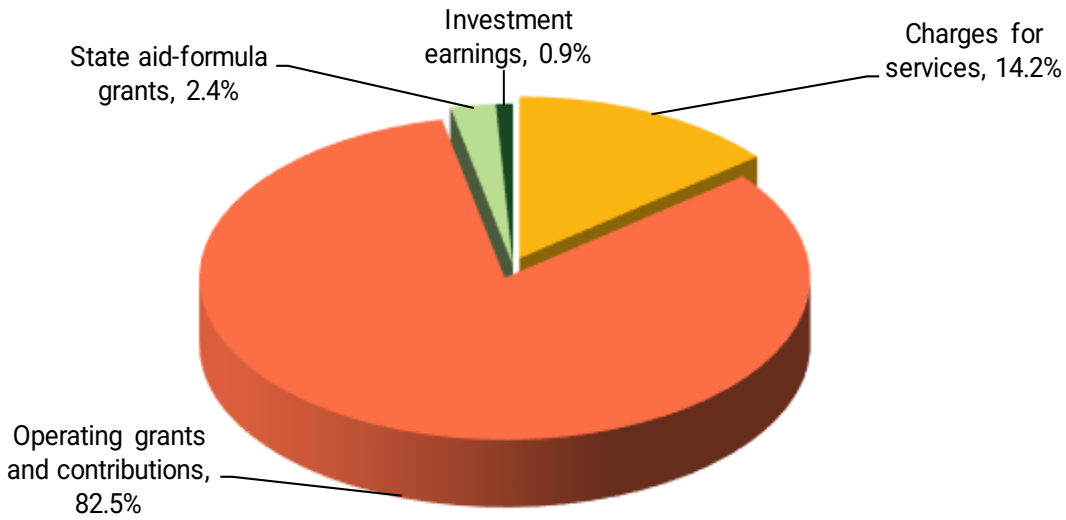
| | Governmental Activities | | Increase (Decrease) | |
|---|---|---|---|---|
| | 2026 | 2025 | Amounts | Percent |
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | $ 1,400,541 | $ 1,218,258 | $ 182,283 | 15.0 % |
| Operating grants and contributions | 8,152,197 | 8,395,651 | (243,454) | (2.9) |
| General revenues | | | | |
| State aid-formula grants | 237,488 | 251,952 | (14,464) | (5.7) |
| Investment earnings | 92,100 | 114,332 | (22,232) | (19.4) |
| Total Revenues | 9,882,326 | 9,980,193 | (97,867) | (1.0) |
| Expenses | | | | |
| District support services | 613,781 | 594,926 | 18,855 | 3.2 |
| Elementary and secondary regular instruction | 201,217 | 247,000 | (45,783) | (18.5) |
| Special education instruction | 7,256,741 | 7,535,198 | (278,457) | (3.7) |
| Instructional support services | 23,579 | 21,562 | 2,017 | 9.4 |
| Pupil support services | 173,915 | 190,376 | (16,461) | (8.6) |
| Sites, buildings and equipment | 1,583,480 | 1,635,305 | (51,825) | (3.2) |
| Interest and other costs | - | 284,691 | (284,691) | (100.0) |
| Total Expenses | 9,852,713 | 10,509,058 | (656,345) | (6.2) |
| Change in Net Position | 29,613 | (528,865) | 558,478 | (105.6) |
| Net Position, July 1 | (2,331,313) | (1,802,448) | (528,865) | (29.3) |
| Net Position, June 30 | $ (2,301,700) | $ (2,331,313) | $ 29,613 | (1.3) % |

The key element of this increase is due to a decrease in special education instruction expenses related to changing staffing levels during the year. Interest and other costs also decreased as a result of lease modification costs in the prior year not seen in the current year.

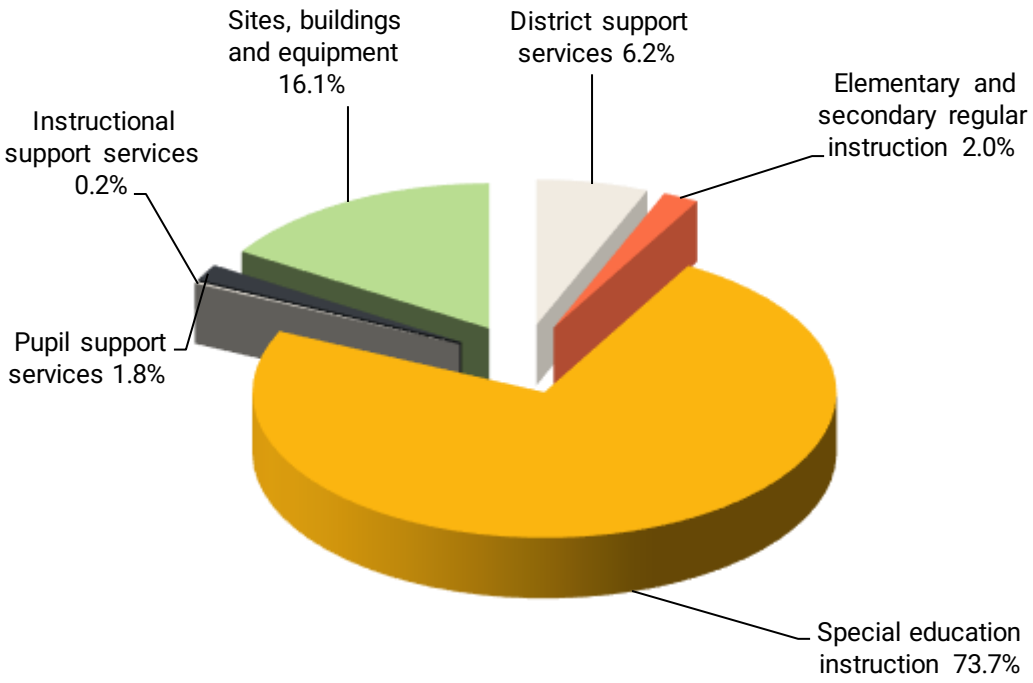
## Expenses and Program Revenues - Governmental Activities




## Revenues by Source - Governmental Activities



## Expenses by Program - Governmental Activities




**Financial Analysis of the Cooperative's Funds**

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

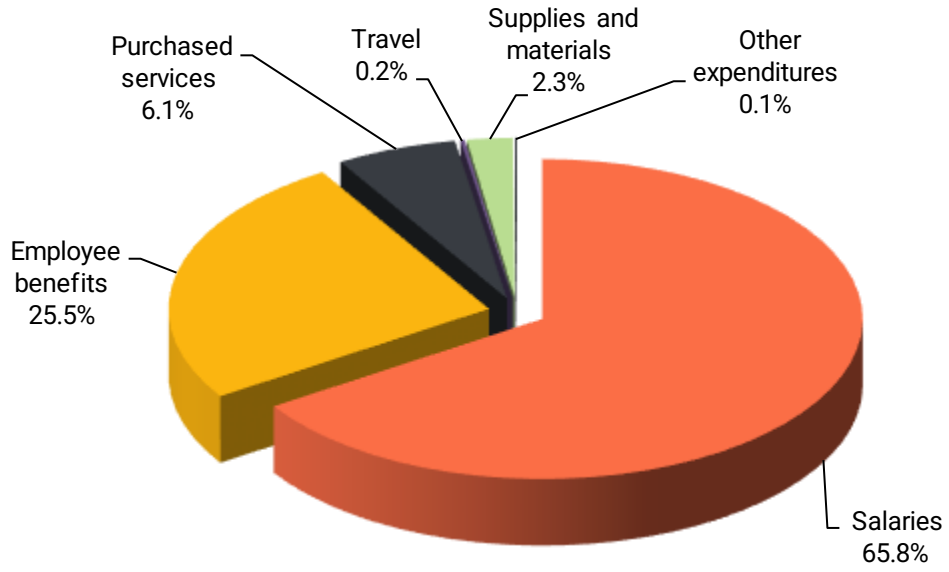
***Governmental Funds***. The focus of the Cooperative's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Cooperative's financing requirements. In particular, *unassigned fund balance* may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

The General fund is the chief operating fund of the Cooperative. 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 Balance | | | |
| Nonspendable | $ 131,393 | $ 125,685 | $ 5,708 |
| Restricted for | | | |
| Medical assistance | 1,629,515 | 1,231,891 | 397,624 |
| READ act - literacy aid | - | 3,155 | (3,155) |
| READ act - teacher training compensation | - | 2,849 | (2,849) |
| Unassigned | 1,601,817 | 1,850,249 | (248,432) |
| | $ 3,362,725 | $ 3,213,829 | $ 148,896 |
| General Fund expenditures | $ 9,754,784 | $ 8,032,599 | |
| Unassigned as a percent of expenditures | 16.4% | 23.0% | |
| Total Fund Balance as a percent of expenditures | 34.5% | 40.0% | |

The fund balance of the Cooperative's General fund increased during the current fiscal year as shown in the table above. See the discussion of governmental activities above for the key factors contributing to this increase.

## Current Expenditures by Category - General Fund




**Capital Asset and Debt Administration**

**Capital Assets**. The Cooperative'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/amortization). This investment in capital assets includes equipment and leased items.

### Cannon Valley Special Education Cooperative's Capital Assets
(Net of Depreciation)

| | Governmental Activities | | |
|---|---|---|---|
| | 2026 | 2025 | Increase (Decrease) |
| Equipment | $ 127,240 | $ 143,992 | $ (16,752) |
| Leased Building | 8,655,365 | 9,524,649 | (869,284) |
| Leased Equipment | 11,340 | 22,680 | (11,340) |
| Total | $ 8,793,945 | $ 9,691,321 | $ (897,376) |
| Percent Increase/(Decrease) | | | -9.26% |

Additional information on the Cooperative's capital assets can be found in Note 3C on page 42 of this report.

**Long-term Debt**. At the end of the current fiscal year, the Cooperative had the following noncurrent liabilities outstanding.

## Cannon Valley Special Education Cooperative's Outstanding Debt

| | Governmental Activities | | |
|---|---|---|---|
| | 2026 | 2025 | Increase (Decrease) |
| Lease Payable | $ 9,984,014 | $ 10,575,858 | $ (591,844) |
| Loan Payable | 1,000,000 | 1,000,000 | - |
| Total | $ 10,984,014 | $ 11,575,858 | $ (591,844) |
| Percent Increase/(Decrease) | | | -5.11% |

Additional information on the Cooperative's capital lease payable can be found in Note 3D on page 43 of this report.

**Currently Known Facts, Decisions, or Conditions**

At the time these financial statements were prepared and audited, the Cooperative was aware of the following circumstance that could significantly affect its financial health in the future.

- The Cooperative is dependent on state reimbursements and other grants with the remaining expenses billed to the member districts.

- Program enrollment is an important indicator of the stability of the Cooperative. All three programs had a waiting list for the majority of the 2025-2026 Cooperative year.

**Requests for Information**

This financial report is designed to provide the Cooperative's citizens, taxpayers, customers, and investors and creditors with a general overview of the Cooperative's finances and to demonstrate the Cooperative'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 in written form and addressed to the Business Office, Cannon Valley Special Education Cooperative, 200 Western Ave NW, Suite A, Faribault, MN 55021.

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COOPERATIVE-WIDE FINANCIAL STATEMENTS

CANNON VALLEY SPECIAL EDUCATION COOPERATIVE
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

# Cannon Valley Special Education Cooperative
Faribault, Minnesota
Statement of Net Position
June 30, 2026

| | Governmental Activities |
|---|---|
| Assets | |
| Cash and temporary investments | $ 2,982,865 |
| Receivables | |
| Due from participating governments | 159,095 |
| Intergovernmental | 907,061 |
| Prepaid items | 131,393 |
| Capital assets net of accumulated depreciation/amortization | 8,793,945 |
| Total Assets | 12,974,359 |
| Deferred Outflows of Resources | |
| Deferred pension resources | 1,808,529 |
| Deferred other postemployment benefit resources | 5,689 |
| Total Deferred Outflows of Resources | 1,814,218 |
| Liabilities | |
| Salaries payable | 354,063 |
| Accounts and other payables | 27,095 |
| Due to other governments | 870 |
| Accrued interest payable | 54,091 |
| Payroll deductions payable | 435,661 |
| Noncurrent liabilities | |
| Due within one year | |
| Long-term liabilities | 768,789 |
| Other postemployment benefit liability | 2,679 |
| Due in more than one year | |
| Long-term liabilities | 10,274,455 |
| Net pension liability | 3,566,547 |
| Other postemployment benefit liability | 94,022 |
| Total Liabilities | 15,578,272 |
| Deferred Inflows of Resources | |
| Deferred pension resources | 1,387,270 |
| Deferred other post employment benefit resources | 124,735 |
| Total Deferred Inflows of Resources | 1,512,005 |
| Net Position | |
| Net investment in capital assets | (1,190,069) |
| Restricted for | |
| Medical assistance | 1,629,515 |
| Unrestricted | (2,741,146) |
| Total Net Position | $ (2,301,700) |

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

Cannon Valley Special Education Cooperative
Faribault, 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 | | | | | |
| District support services | $ 613,781 | $ 4,244 | $ - | $ - | $ (609,537) |
| Elementary and secondary regular instruction | 201,217 | - | 6,357 | - | (194,860) |
| Special education instruction | 7,256,741 | 415,398 | 7,986,745 | - | 1,145,402 |
| Instructional support services | 23,579 | - | - | - | (23,579) |
| Pupil support services | 173,915 | - | 159,095 | - | (14,820) |
| Sites, buildings and equipment | 1,583,480 | 980,899 | - | - | (602,581) |
| Total Governmental Activities | $ 9,852,713 | $ 1,400,541 | $ 8,152,197 | $ - | (299,975) |
| General Revenues | | | | | |
| State aid-formula grants | | | | | 237,488 |
| Investment earnings | | | | | 92,100 |
| Total General Revenues | | | | | 329,588 |
| Change in Net Position | | | | | 29,613 |
| Net Position, July 1 | | | | | (2,331,313) |
| Net Position, June 30 | | | | | $ (2,301,700) |

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

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FUND FINANCIAL STATEMENTS

CANNON VALLEY SPECIAL EDUCATION COOPERATIVE
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

# Cannon Valley Special Education Cooperative
Faribault, Minnesota
Balance Sheet
Governmental Fund
June 30, 2026

| | General |
|---|---|
| Assets | |
| Cash and temporary investments | $ 2,982,865 |
| Receivables | |
| Due from participating governments | 159,095 |
| Intergovernmental | 907,061 |
| Prepaid items | 131,393 |
| Total Assets | $ 4,180,414 |
| Liabilities and Fund Balances | |
| Liabilities | |
| Salaries payable | $ 354,063 |
| Accounts and other payables | 27,095 |
| Due to other governments | 870 |
| Payroll deductions payable | 435,661 |
| Total Liabilities | 817,689 |
| Fund Balances | |
| Nonspendable | |
| Prepaid items | 131,393 |
| Restricted for | |
| Medical assistance | 1,629,515 |
| Unassigned | 1,601,817 |
| Total Fund Balances | 3,362,725 |
| Total Liabilities and Fund Balances | $ 4,180,414 |

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

# Cannon Valley Special Education Cooperative
Faribault, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Fund
June 30, 2026

| | |
|---|---|
| Amounts reported for governmental activities in the statement of net position are different because | |
| Total Fund Balances - Governmental Funds | $ 3,362,725 |
| Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental fund. | 8,793,945 |
| Governmental funds do not report long-term amounts related to pensions. | |
| Deferred outflows of pension resources | 1,808,529 |
| Deferred inflows of pension resources | (1,387,270) |
| Governmental funds do not report long-term amounts related to other post employment benefits. | |
| Deferred outflows of other postemployment benefit resources | 5,689 |
| Deferred inflows of other postemployment benefit resources | (124,735) |
| 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 | |
| Lease payable | (9,984,014) |
| Loan payable | (1,000,000) |
| Compensated absences payable | (59,230) |
| Other postemployment benefit liability | (96,701) |
| Net pension liability | (3,566,547) |
| Governmental funds do not report a liability for accrued interest until due and payable. | (54,091) |
| Total Net Position - Governmental Activities | $ (2,301,700) |

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

# Cannon Valley Special Education Cooperative

Faribault, Minnesota

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund

For the Year Ended June 30, 2026

| | General |
|---|---|
| Revenues | |
| Other local revenue | $ 980,899 |
| Interest earned on investments | 92,100 |
| Revenue from state sources | 8,404,682 |
| Revenue from federal sources | 411,545 |
| Miscellaneous | 14,454 |
| Total Revenues | 9,903,680 |
| Expenditures | |
| Current | |
| District support services | 616,519 |
| Elementary and secondary regular instruction | 180,723 |
| Special education instruction | 7,440,128 |
| Instructional support services | 23,886 |
| Pupil support services | 177,849 |
| Sites, buildings and equipment | 309,891 |
| Capital outlay | |
| District support services | 1,224 |
| Elementary and secondary regular instruction | 4,030 |
| Sites, buildings and equipment | 405,707 |
| Debt service | |
| Principal | 591,844 |
| Interest and other costs | 2,983 |
| Total Expenditures | 9,754,784 |
| Net Change in Fund Balances | 148,896 |
| Fund Balances, July 1 | 3,213,829 |
| Fund Balances, June 30 | $ 3,362,725 |

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

# Cannon Valley Special Education Cooperative
Faribault, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Fund
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 | $ 148,896 |
| 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. | |
| Depreciation/amortization expense | (897,376) |
| 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 deferred and amortized in the statement of activities. | |
| Principal repayment | 591,844 |
| 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. | 3,220 |
| Long-term pension activity is not reported in governmental funds. | |
| Pension expense | 226,612 |
| Direct aid contributions | (21,354) |
| 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. | |
| Compensated absences | (9,565) |
| Other postemployment benefit expense | (12,664) |
| Change in Net Position - Governmental Activities | $ 29,613 |

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

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## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

The Cannon Valley Special Education Cooperative, (the Cooperative) is a public agency established by a Joint Powers Agreement entered into pursuant to Minnesota Statutes, Section 471.59. The four member school districts are listed in the Joint Powers Agreement. The primary objective of the Cooperative is to provide, by a cooperative effort, comprehensive special educational programs and other related services as can be efficiently and effectively operated by its group of four member Independent Districts. The four member Independent Districts are Faribault, Medford, Northfield and Owatonna Public Schools. The governing body of the Cooperative consists of one District Board member representative appointed by the respective school board of each member district.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the Cooperative's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the Cooperative. In addition, the Cooperative's financial statements are to include all component units - entities for which the Cooperative is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the Cooperative. There are no other entities for which the Cooperative is financially accountable.

### B. Cooperative-wide and Fund Financial Statements

The Cooperative-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Cooperative.

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. Interest and other items not properly included among program revenues are reported instead as *general revenues*.

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

### C. Measurement Focus, Basis of Accounting and Basis of Presentation

The Cooperative-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## Note 1: Summary of Significant Accounting Policies (Continued)

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. Federal and State revenue is recognized in the year to which it applies according to accounting principles generally accepted in the United States of America. Minnesota statutes include Federal and 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, 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.

Intergovernmental revenues and interest are susceptible to accrual. Other receipts become measurable and available when cash is received by the Cooperative and are recognized as revenue at that time.

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 Cooperative receives value without directly giving equal value in return, include grants, entitlements and donations. On an accrual basis, 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 Cooperative must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Cooperative 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.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

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

***Description of Funds***

The Cooperative fund has been established by the State of Minnesota Department of Education. The fund is accounted for as an independent entity. A description of the fund included in this report is as follows:

*Major Governmental Fund*

The G*eneral fund* is the Cooperative's primary operating fund. It accounts for all financial resources and transactions of the Cooperative.

## Note 1: Summary of Significant Accounting Policies (Continued)

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

***Deposits and Investments***

The Cooperative's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments or equity 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 Cooperative 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 and received the highest credit rating, are 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.

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. Obligation of a school Cooperative 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 (GIC's) 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.

The Cooperative has not adopted a formal investment policy.

***Accounts Receivable***

All receivables are shown net of any allowance for uncollectible amounts. No allowances for uncollectible have been recorded. It is expected that all receivables will be fully collected within one year.

## Note 1: Summary of Significant Accounting Policies (Continued)

***Prepaid Items***

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

***Capital Assets***

Capital assets include property, plant and equipment. Capital assets are defined by the Cooperative as assets with an initial, individual cost of more than $5,000 (amount not rounded). Capitalization threshold is $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquistion 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 asset lives are not capitalized.

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

| Assets | Years |
|---|---|
| Buildings | 20 - 50 |
| Equipment and Machinery | 3 - 20 |

***Deferred Outflows of Resources***

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that apply to future periods and, therefore, will not be recognized as an expense until those periods.

The Cooperative reports two items in this category: deferred pension resources and deferred OPEB resources. These amounts are reported only in the statement of net position and result from actuarial calculations and current-year pension and OPEB contributions made after the respective measurement dates.

***Compensated Absences***

It is the Cooperative's policy to permit certain employees to accumulate earned but unused sick and vacation benefits. All vacation pay is accrued when incurred in the Cooperative-wide financial statements. Accumulated sick leave was evaluated using the LIFO method under GASB 101 and was determined to be immaterial. The amount calculated as compensated absences payable for June 30, 2026 is $59,230.

***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.

## Note 1: Summary of Significant Accounting Policies (Continued)

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. 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. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for GERP and TRA is as follows:

| | GERP | TRA | Total All Plans |
|---|---|---|---|
| Cooperative's proportionate share | $ 48,015 | $ 243,919 | $ 291,934 |
| Proportionate share of State's contribution | (2,501) | (4,496) | (6,997) |
| Total pension expense | $ 45,514 | $ 239,423 | $ 284,937 |

***Other Postemployment Benefits (OPEB) Obligation***

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 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.

***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. Furthermore, the Cooperative has two additional items which qualify for reporting in this category. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and result from actuarial calculations.

## Note 1: Summary of Significant Accounting Policies (Continued)

***Fund Balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Cooperative 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 Administrative Board (the Board), which is the Cooperative'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 of directors passed a resolution authorizing the Director of Special Services and the Business Manager to assign fund balances and its intended uses.

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

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

The Cooperative has not formally adopted a fund balance policy for the General fund.

***Net Position***

In the Cooperative-wide financial statements, net position represents the difference between assets, 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 acquire capital assets.

b. Restricted net position - Consists of net position 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 Cooperative'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 Cooperative governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds. Budgets presented in the report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. Final budgeted amounts represent the originally adopted budget as amended.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not employed by the Cooperative because it is at present considered not necessary to assure effective budgeting control or to facilitate effective cash planning and control.

## 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 Cooperative's deposits may not be returned or the Cooperative 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 Cooperative maintains deposits at those depository banks which are members of the Federal Reserve System.

Minnesota statutes require that all Cooperative 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 includes the legal investments described below, as well as certain first mortgage notes, and certain other State or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Cooperative Treasurer or in a financial institution other than that furnishing the collateral.

At year end, the Cooperative's carrying amount of deposits was $519,098 and the bank balance was $701,975. Of the bank balance, $250,000 was covered by Federal depository insurance. The remaining balance was covered by collateral held by the pledging financial institution's trust department in the Cooperative's name.

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

| Types of Investments | Credit Quality/ Ratings (1) | Segmented Time Distribution (2) | Amount |
|---|---|---|---|
| Pooled Investment at Amortized Costs | | | |
| Minnesota School District Liquid Asset Fund (MSDLAF) | Aaam | Under 6 months | $ 2,463,767 |

(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.

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 AAAm. The weighted average days to maturity are less than six months. The Cooperative's investment in the MSDLAF is equal to the value of pool shares. The MSDLAF's carrying amount as of June 30, 2026 is shown in the table above.

## Note 3: Detailed Notes on all Funds (Continued)

A reconciliation of cash and temporary investments as shown on the financial statements for the Cooperative follows:

| | |
|---|---|
| Deposits | $ 519,098 |
| Investments | 2,463,767 |
| Total Cash and Temporary Investments | $ 2,982,865 |

### B. Intergovernmental Receivables

A summary of all intergovernmental receivables as of June 30, 2026 is as follows:

| | General |
|---|---|
| State Department of Education | |
| State grants | $ 907,061 |

### C. Capital Assets

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

| | Balance Beginning of Year | Additions | Deletions | Balance End of Year |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets Being Depreciated/Amortized | | | | |
| Equipment | $ 182,252 | $ - | $ - | $ 182,252 |
| Leased Building (Intangible Right to Use Asset) | 12,234,126 | - | - | 12,234,126 |
| Leased Equipment (Intangible Right to Use Asset) | 75,600 | - | - | 75,600 |
| Total Capital Assets Being Depreciated/Amortized | 12,491,978 | - | - | 12,491,978 |
| Less Accumulated Depreciation/Amortization | | | | |
| Equipment | (38,260) | (16,752) | - | (55,012) |
| Leased Building (Intangible Right to Use Asset) | (2,709,477) | (869,284) | - | (3,578,761) |
| Leased Equipment (Intangible Right to Use Asset) | (52,920) | (11,340) | - | (64,260) |
| Total Accumulated Depreciation/Amortization | (2,800,657) | (897,376) | - | (3,698,033) |
| Governmental Activities Capital Assets, Net | $ 9,691,321 | $ (897,376) | $ - | $ 8,793,945 |

Depreciation/Amortization expense was charged to governmental activities as follows:

| | |
|---|---|
| District Support Services | $ 1,395 |
| Elementary and Secondary Regular Instruction | 20,130 |
| Site, Buildings and Equipment | 875,851 |
| Total Depreciation/Amortization Expense | $ 897,376 |

## Note 3: Detailed Notes on all Funds (Continued)

### D. Long-term Debt

Lease Payable

Lease agreements are summarized as follows:

| Description | Total Lease Liability | Interest Rate | Issue Date | Payment Terms | Payment Amount | | Balance at Year End |
|---|---|---|---|---|---|---|---|
| Faribo West Mall | $ 12,234,126 | 6.50 % | 06/01/21 | 15 Years | Variable | Annually | $ 9,970,879 |
| EO Johnson Copiers | 75,600 | 7.50 | 04/01/22 | 5 Years | 1,505 | Monthly | 13,135 |
| | | | | | | | $ 9,984,014 |

The Faribo West Mall was leased for the Cooperative beginning June 1, 2021 for a term of fifteen years at a fixed interest rate of 6.50%. This lease is not renewable

The E.O. Johnson copiers were leased for the Cooperative beginning April 1, 2022 for a term of five years at a fixed interest rate of 6.50%. This lease is not renewable.

Annual requirements to amortize long-term obligations and related interest are as follows:

| Year Ending June 30, | Principal Payments | Interest Payments | Total |
|---|---|---|---|
| 2027 | $ 709,559 | $ 628,016 | $ 1,337,575 |
| 2028 | 743,065 | 580,962 | 1,324,027 |
| 2029 | 792,829 | 531,197 | 1,324,026 |
| 2030 | 845,927 | 478,100 | 1,324,027 |
| 2031 | 902,580 | 421,447 | 1,324,027 |
| 2032 - 2036 | 5,990,054 | 1,042,083 | 7,032,137 |
| Total | $ 9,984,014 | $ 3,681,805 | $ 13,665,819 |

Loans Payable

During fiscal year 2018, the Cooperative borrowed a total of $1,000,000 from four districts to assist with cash flow. The loan will be repaid to the districts as excess fund balance is available. The balances owed to each district as of June 30, 2026 are as follows:

| District | Amount |
|---|---|
| Faribault Public Schools | $ 318,827 |
| Medford Public Schools | 41,686 |
| Northfield Public Schools | 284,471 |
| Owatonna Public Schools | 355,016 |
| Total | $ 1,000,000 |

## 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:

| | Restated Beginning Balance | Additions | Deductions | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Lease Payable | $ 10,575,858 | $ - | $ (591,844) | $ 9,984,014 | $ 709,559 |
| Loans Payable | 1,000,000 | - | - | 1,000,000 | - |
| Compensated Absences Payable* | 49,665 | 9,565 | - | 59,230 | 59,230 |
| Total Long-term Liabilities | $ 11,625,523 | $ 9,565 | $ (591,844) | $ 11,043,244 | $ 768,789 |

## 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 Cooperative's contributions to TRA for the plan’s fiscal year ended June 30, 2026, were $363,109. The Cooperative’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 Cooperative reported a liability of $2,890,758 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 Cooperative's proportion of the net pension liability was based on the Cooperative'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 Cooperative's proportionate share was 0.0504% at the end of the measurement period and 0.044% 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 Cooperative 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 Cooperative were as follows:

| | |
|---|---|
| Cooperative's Proportionate Share of Net Pension Liability | $ 2,890,758 |
| State's Proportionate Share of Net Pension Liability Associated with the Cooperative | 179,535 |
| Total | $ 3,070,293 |

For the year ended June 30, 2026, the Cooperative recognized pension expense of $243,919. It also recognized negative $4,496 as a decrease to pension expense for the support provided by direct aid.

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

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 Cooperative recognized $14,357 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 Cooperative 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 | $ 133,303 | $ 28,390 |
| Changes in Actuarial Assumptions | 163,289 | 305,787 |
| Net Difference Between Projected and Actual Investment Earnings | - | 580,448 |
| Changes in Proportion | 694,512 | 48,245 |
| Contributions Paid to TRA Subsequent to the Measurement Date | 363,109 | - |
| Total | $ 1,354,213 | $ 962,870 |

The $363,109 reported as deferred outflows of resources related to pensions resulting from Cooperative 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 | $ 321,359 |
| 2028 | (155,432) |
| 2029 | (167,383) |
| 2030 | (52,312) |
| 2031 | 82,002 |

**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.

| | Cooperative's Proportionate Share of Net Pension Liability | | |
|---|---|---|---|
| | One Percent Decrease (6%) | Current (7%) | One Percent Increase (8%) |
| Teachers Retirement Association | $ 5,452,774 | $ 2,890,758 | $ 782,235 |

**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.

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

### B. Public Employees Retirement Association (PERA)

#### 1. Plan Description

The Cooperative 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 Cooperative was required to contribute 7.50% for General Plan members. The Cooperative's contributions to the General Employees Fund for the year ended June 30, 2026, were $148,440. The Cooperative'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 Cooperative reported a liability of $675,789 for its proportionate share of the General Employees Fund's net pension liability. The Cooperative'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 Cooperative totaled $16,302.

| | | |
|---|---|---|
| Cooperative's proportionate share of the net pension liability | $ | 675,789 |
| State of Minnesota's proportionate share of the net pension liability associated with the Cooperative | | 16,302 |
| Total | $ | 692,091 |

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 Cooperative's proportion of the net pension liability was based on the Cooperative'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 Cooperative's proportionate share was 0.0204% at the end of the measurement period and 0.0168% at the beginning of the period.

For the year ended June 30, 2026, the Cooperative recognized pension expense of $48,015 for its proportionate share of the General Employees Plan's pension expense. In addition, the Cooperative recognized an additional negative $2,501 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 Cooperative 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 | $ 64,388 | $ - |
| Changes in actuarial assumptions | 16,283 | 155,497 |
| Net difference between projected and actual investment earnings | - | 268,903 |
| Changes in proportion | 225,205 | - |
| Employer contributions subsequent to the measurement date | 148,440 | - |
| Total | $ 454,316 | $ 424,400 |

The $148,440 reported as deferred outflows of resources related to pensions resulting from Cooperative 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 | $ 20,757 |
| 2028 | (50,310) |
| 2029 | (40,934) |
| 2030 | (48,037) |

**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 Cooperative'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 Cooperative'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 | $ 1,641,387 | $ 675,789 | $ (107,527) |

### 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 Cooperative operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the Cooperative'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 Cooperative and various unions representing Cooperative employees and are renegotiated at various times. The Plan does not issue a publicly available report.

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

| | |
|---|---|
| Active Plan Members | 97 |

### B. Funding Policy

Contribution requirements are also negotiated between the Cooperative and union representatives. The Cooperative contributes various amounts based on contracts in effect at retirement for eligible retired plan members.

For the year ended June 30, 2026, the Cooperative's average contribution rate was 1.76 percent of covered-employee payroll. For the fiscal year 2026, the Cooperative did not directly contribute to the plan, while implicit contributions totaled $4,237. The General fund is typically used to liquidate the governmental portion of the net OPEB obligation.

### C. Actuarial Methods and Assumptions

The Cooperative’s total OPEB (Liability) Asset of $96,701 was measured as of July 1, 2025, and the OPEB (Liability) Asset was determined by an actuarial valuation as of July 1, 2025.

The total OPEB (Liability) Asset 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 | See sample rates in actuarial valuation report |
| Medical Trend Rate | 6.5% 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-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale

Future retiree electing coverage for retiree plan participation pre-65 subsidy not available is 25%. Percent of future retirees electing coverage for retirees pre-65 spouse coverage not available is 25%.

## Note 5: Postemployment Benefits Other Than Pensions (Continued)

### D. Changes in the Total OPEB Liability

| | Net OPEB (Liability) Asset |
|---|---|
| Balances at June 30, 2025 | $ 120,718 |
| Changes for the Year | |
| Service Costs | 38,398 |
| Interest Costs | 6,124 |
| Assumption Changes | (7,858) |
| Differences Between Expected and Actual Experience | (56,444) |
| Benefit Payment | (4,237) |
| Net Changes | (24,017) |
| Balances at June 30, 2026 | $ 96,701 |

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 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) Asset of the Cooperative, as well as what the Cooperative'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% |
|---|---|---|
| $ 106,672 | $ 96,701 | $ 87,640 |

The following presents the Cooperative's net OPEB (liability) Asset, as well as what the Cooperative'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% |
|---|---|---|
| $ 81,127 | $ 96,701 | $ 116,105 |

## 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 Cooperative recognized OPEB expense of $12,664. At June 30, 2026, the Cooperative 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 |
|---|---|---|
| Changes in Actuarial Assumptions | $ 3,010 | $ 13,938 |
| Net Difference Between Projected and Actual Investment Earnings | - | 110,797 |
| Contributions Paid to OPEB Subsequent to the Measurement Date | 2,679 | - |
| Total | $ 5,689 | $ 124,735 |

Deferred outflows of resources totaling $2,679 related to pensions resulting from the Cooperative's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB (liability) Asset 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 | $ (29,172) |
| 2028 | (24,912) |
| 2029 | (24,912) |
| 2030 | (18,622) |
| 2031 | (8,039) |
| Thereafter | (16,068) |

## Note 6: Other Information

### A. Risk Management

The Cooperative is exposed to various risks of loss related to torts; theft or, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Cooperative carries commercial insurance. Settled claims have not exceeded this commercial 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 Cooperative's management is not aware of any incurred but not reported claims.

## Note 7: Defined Contribution Plan

The Cooperative provides eligible employees future retirement benefits through the Cooperative's 403(b) Plan (the Plan). Employees of the Cooperative are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a Cooperative match of employee contributions up to the qualifying amounts set forth by the Governing Board. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The Cooperative contributions for the year ended June 30, 2026 were $53,747. The employee contributions were $72,510 for the year ended June 30, 2026.

## Note 8: Flexible Benefit Plan

The Cooperative has a flexible benefit plan that is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employee groups of the Cooperative are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which is from July 1 to June 30, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the Cooperative is contingently liable for claims against the total amount of participants' annual contributions for the health care portion of the plan, whether or not such contributions have been made.

Payments of health insurance premiums are made by the Cooperative directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

Payments for amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

All plan property and income attributable to that property is solely the property of the Cooperative, subject to the claims of the Cooperative's general creditors. Participants' rights under the plan are equal to those of general creditors of the Cooperative in an amount equal to eligible health care and dependent care expenses incurred by the participants. The Cooperative believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

## Note 9: Commitments

State Programs

The Cooperative has amounts received or receivable from state agencies that are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the Cooperative expects such amounts, if any, to be immaterial.

## Note 10: Change in Accounting Principle

During the year ended June 30, 2026, the Cooperative 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

CANNON VALLEY SPECIAL EDUCATION COOPERATIVE
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

Cannon Valley Special Education Cooperative
Faribault, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2026

**Schedule of Employer's Share of TRA Net Pension Liability**

| Fiscal Year Ending | Cooperative's Proportion of the Net Pension Liability | Cooperative's Proportionate Share of the Net Pension Liability (a) | State's Proportionate Share of the Net Pension Liability Associated with the Cooperative (b) | Total (a+b) | Cooperative's Covered Payroll (c) | Cooperative'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 | 0.0504 % | $ 2,890,758 | $ 179,535 | $ 3,070,293 | $ 3,508,354 | 82.4 % | 84.5 % |
| 6/30/2024 | 0.0440 | 2,795,901 | 171,278 | 2,967,179 | 2,897,406 | 96.5 | 82.1 |
| 6/30/2023 | 0.0417 | 3,442,845 | 241,216 | 3,684,061 | 2,647,626 | 130.0 | 76.4 |
| 6/30/2022 | 0.0395 | 3,162,951 | 234,854 | 3,397,805 | 2,469,462 | 128.1 | 76.2 |
| 6/30/2021 | 0.0364 | 1,592,973 | 134,452 | 1,727,425 | 2,270,481 | 70.2 | 86.6 |
| 6/30/2020 | 0.0390 | 2,881,372 | 241,648 | 3,123,020 | 2,256,861 | 127.7 | 75.5 |
| 6/30/2019 | 0.0370 | 2,358,388 | 208,843 | 2,567,231 | 2,070,586 | 113.9 | 78.2 |
| 6/30/2018 | 0.0326 | 2,049,651 | 192,577 | 2,242,228 | 1,802,933 | 113.7 | 78.1 |

**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) | Cooperative's Covered Payroll (c) | Contributions as a Percentage of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 6/30/2026 | $ 363,109 | $ 363,109 | $ - | $ 3,701,419 | 9.8 % |
| 6/30/2025 | 306,981 | 306,981 | - | 3,508,354 | 8.8 |
| 6/30/2024 | 253,523 | 253,523 | - | 2,897,406 | 8.7 |
| 6/30/2023 | 226,372 | 226,372 | - | 2,647,626 | 8.5 |
| 6/30/2022 | 205,953 | 205,953 | - | 2,469,462 | 8.3 |
| 6/30/2021 | 184,590 | 184,590 | - | 2,270,481 | 8.1 |
| 6/30/2020 | 178,743 | 178,743 | - | 2,256,861 | 7.9 |
| 6/30/2019 | 159,642 | 159,642 | - | 2,070,586 | 7.7 |
| 6/30/2018 | 135,220 | 135,220 | - | 1,802,933 | 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 | Cooperative's Proportion of the Net Pension Liability | Cooperative's Proportionate Share of the Net Pension Liability (a) | State's Proportionate Share of the Net Pension Liability Associated with the Cooperative (b) | Total (a+b) | Cooperative's Covered Payroll (c) | Cooperative'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 | 0.0204 % | $ 675,789 | $ 16,302 | $ 692,091 | $ 1,846,929 | 36.6 % | 90.8 % |
| 6/30/2024 | 0.0168 | 622,081 | 16,086 | 638,167 | 1,424,187 | 43.7 | 86.7 |
| 6/30/2023 | 0.0152 | 849,967 | 23,402 | 873,369 | 1,210,320 | 70.2 | 83.1 |
| 6/30/2022 | 0.0139 | 1,100,885 | 32,258 | 1,133,143 | 1,042,150 | 105.6 | 76.7 |
| 6/30/2021 | 0.0123 | 525,265 | 16,071 | 541,336 | 884,846 | 59.4 | 87.0 |
| 6/30/2020 | 0.0164 | 983,255 | 30,310 | 1,013,565 | 1,167,823 | 84.2 | 79.0 |
| 6/30/2019 | 0.0174 | 962,007 | 29,999 | 992,006 | 1,233,504 | 78.0 | 80.2 |
| 6/30/2018 | 0.0153 | 848,781 | 27,838 | 876,619 | 1,029,773 | 82.4 | 79.5 |

**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) | Cooperative's Covered Payroll (c) | Contributions as a Percentage of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 6/30/2026 | $ 148,440 | $ 148,440 | $ - | $ 1,979,194 | 7.5 % |
| 6/30/2025 | 138,520 | 138,520 | - | 1,846,929 | 7.5 |
| 6/30/2024 | 106,814 | 106,814 | - | 1,424,187 | 7.5 |
| 6/30/2023 | 90,774 | 90,774 | - | 1,210,320 | 7.5 |
| 6/30/2022 | 78,161 | 78,161 | - | 1,042,150 | 7.5 |
| 6/30/2021 | 66,363 | 66,363 | - | 884,846 | 7.5 |
| 6/30/2020 | 87,587 | 87,587 | - | 1,167,823 | 7.5 |
| 6/30/2019 | 92,513 | 92,513 | - | 1,233,504 | 7.5 |
| 6/30/2018 | 77,233 | 77,233 | - | 1,029,773 | 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.

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

| | 2026 | 2025 | 2024 |
|---|---|---|---|
| Total OPEB Liability | | | |
| Service Costs | $ 38,398 | $ 36,251 | $ 35,195 |
| Interest Costs | 6,124 | 4,562 | 3,226 |
| Assumption Changes | (7,858) | - | (9,657) |
| Plan Changes | - | - | - |
| Differences Between Expected and Actual Experience | (56,444) | - | (64,472) |
| Benefit Payment | (4,237) | (1,645) | (2,309) |
| Net Change in Total OPEB Liability | (24,017) | 39,168 | (38,017) |
| Total OPEB Liability - Beginning | 120,718 | 81,550 | 119,567 |
| Total OPEB Liability - Ending | $ 96,701 | $ 120,718 | $ 81,550 |
| Covered - Employee Payroll | $ 5,485,119 | $ 4,333,523 | $ 4,207,304 |
| Cooperative's total OPEB liability as a percentage of covered employee payroll | 1.76 % | 2.79 % | 1.94 % |

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

| 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| $ 35,145 | $ 34,121 | $ 33,318 | $ 32,348 | $ 37,568 | $ 36,474 |
| 2,464 | 3,992 | 2,848 | 3,984 | 2,797 | 1,472 |
| - | 8,035 | - | (12,382) | - | - |
| - | - | - | (28,325) | - | - |
| - | (58,291) | - | (21,747) | - | - |
| (470) | (148) | - | (318) | (153) | - |
| 37,139 | (12,291) | 36,166 | (26,440) | 40,212 | 37,946 |
| 82,428 | 94,719 | 58,553 | 84,993 | 44,781 | 6,835 |
| $ 119,567 | $ 82,428 | $ 94,719 | $ 58,553 | $ 84,993 | $ 44,781 |
| $ 3,573,184 | $ 3,469,111 | $ 3,709,959 | $ 3,601,902 | $ 3,074,397 | $ 2,984,851 |
| 3.35 % | 2.38 % | 2.55 % | 1.63 % | 2.76 % | 1.50 % |

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

*Changes in assumptions:*

2026
The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General,Teachers) with MP-2021 Generational Improvement Scale to the Pub-2016 Public Retirement Plans Headcount-WeightedMortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale. The salary increase rates for non-teachers were updated to reflect the latest experience study. The discount rate was changed from 3.90% to 4.90%

2025
No changes noted.

2024
The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General,Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-WeightedMortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale. The inflation rate was changed from2.00% to 2.50%. The discount rate was changed from 2.10% to 3.90%.

2023
No changes noted.

2022
The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General,Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale. The salary increase rates for non-teachers were updated to reflect the latest experience study. The withdrawal rates were updated to reflect the latest experience study. The inflation rate was changed from 2.50% to 2.00%. The discount rate was changed from 3.10% to2.10%. These changes increased the liability $8,035.

2021
The health care trend rates were changed to better anticipate short term and long term medical increases.

2020
No changes noted.

2019
The health care trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale. The salary increase rates were changed from a flat 33.00% per year for all employees to rates which vary by service and contract group. The Discount rate was changed from 3.40% to 3.10%.

2018
Not applicable. This was the first actuarial valuation for the Cooperative.

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

*Changes in Plan Provisions:*

2026
No changes noted.

2025
No changes noted.

2024
No changes noted.

2023
No changes noted.

2022
No changes noted.

2021
No changes noted.

2020
No changes noted.

2019
No changes noted.

2018
Not applicable. This was the first actuarial valuation completed

*Changes in benefits:*

2026

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

No changes noted.

2025
No changes noted.

2024
No changes noted.

2023
No changes noted.

2022
No changes noted.

2021
No changes noted.

2020
No changes noted.

2019
The subsidized post-employment benefit for nonunion administrators was replaced with a defined contribution benefit (not valued under GASB 75). The years of service required to be eligible for a benefit (implicit rate subsidy) for non-TRA employees was increased from three years to five years.

2018
Not applicable. This was the first actuarial valuation completed

Cannon Valley Special Education Cooperative
Faribault, 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 | | | | | |
| Other local revenue | $ 980,900 | $ 980,900 | $ - | $ 980,899 | $ (1) |
| Interest earned on investments | 100,000 | 100,000 | - | 92,100 | (7,900) |
| Revenue from state sources | 10,025,220 | 9,901,452 | (123,768) | 8,404,682 | (1,496,770) |
| Revenue from federal sources | 600,000 | 177,806 | (422,194) | 411,545 | 233,739 |
| Miscellaneous | 4,500 | 4,500 | - | 14,454 | 9,954 |
| Total Revenues | 11,710,620 | 11,164,658 | (545,962) | 9,903,680 | (1,260,978) |
| Expenditures | | | | | |
| Current | | | | | |
| Administration | 900 | - | (900) | - | - |
| District support services | 765,370 | 739,116 | (26,254) | 616,519 | 122,597 |
| Elementary and secondary regular instruction | 228,323 | 212,431 | (15,892) | 180,723 | 31,708 |
| Special education instruction | 8,251,247 | 8,005,401 | (245,846) | 7,440,128 | 565,273 |
| Instructional support services | 14,500 | 28,474 | 13,974 | 23,886 | 4,588 |
| Pupil support services | 229,355 | 198,798 | (30,557) | 177,849 | 20,949 |
| Sites, buildings and equipment | 364,108 | 389,121 | 25,013 | 309,891 | 79,230 |
| Capital outlay | | | | | |
| District support services | 10,000 | 10,000 | - | 1,224 | 8,776 |
| Elementary and secondary regular instruction | 65,000 | 65,000 | - | 4,030 | 60,970 |
| Sites, buildings and equipment | 523,438 | 523,438 | - | 405,707 | 117,731 |
| Debt service | | | | | |
| Principal | 485,158 | 485,158 | - | 591,844 | (106,686) |
| Interest and other costs | 3,221 | 3,221 | - | 2,983 | 238 |
| Total Expenditures | 10,940,620 | 10,660,158 | (280,462) | 9,754,784 | 905,374 |
| Net Change in Fund Balances | 770,000 | 504,500 | (265,500) | 148,896 | (355,604) |
| Fund Balances, July 1 | 3,213,829 | 3,213,829 | - | 3,213,829 | - |
| Fund Balances, June 30 | $ 3,983,829 | $ 3,718,329 | $ (265,500) | $ 3,362,725 | $ (355,604) |

The notes to the district 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 General 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 Cooperative'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 Cooperative'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**

Significant amendments to the original General fund budget were approved as noted below:

**Revenues**

- Revenue from state sources budgeted amounts were decreased to reflect updated projections from the Minnesota Department of Education.

**Expenses**

- Special education instruction budgeted expenditures were decreased to reflect changes in staffing levels.

**D. Summary of Significant Budget Variances**

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

**Revenues**

- State special education aid was below budget due to the Cooperative having less expenditures to be reimbursed by the State.

- Revenue from federal sources exceeded budgeted amounts due to medical assistance collections being higher than expected.

**Expenditures**

- District support services were below budget mainly from lower consulting, administrative-support, legal, and technology-service expenditures.

- Special education instruction expenditures were below budget due to changing staff levels.

**Notes to the Required Supplementary Information - Budgetary Reporting (Continued)**

**D. Summary of Significant Budget Variances (Continued)**

**Expenditures (Continued)**

- Capital outlay expenditures were below budget due to being able to delay equipment and technology purchases to future years.

**F. Budgetary Compliance**

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

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INDIVIDUAL FUND SCHEDULE AND TABLE

CANNON VALLEY SPECIAL EDUCATION COOPERATIVE
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

Cannon Valley Special Education Cooperative
Faribault, 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 | | | | | |
| Other local revenue | $ 980,900 | $ 980,900 | $ - | $ 980,899 | $ (1) |
| Interest earned on investments | 100,000 | 100,000 | - | 92,100 | (7,900) |
| Revenue from state sources | 10,025,220 | 9,901,452 | (123,768) | 8,404,682 | (1,496,770) |
| Revenue from federal sources | 600,000 | 177,806 | (422,194) | 411,545 | 233,739 |
| Miscellaneous | 4,500 | 4,500 | - | 14,454 | 9,954 |
| Total Revenues | 11,710,620 | 11,164,658 | (545,962) | 9,903,680 | (1,260,978) |
| Expenditures | | | | | |
| Current | | | | | |
| Administration | | | | | |
| Other expenditures | 900 | - | (900) | - | - |
| District support services | | | | | |
| Salaries | 324,534 | 322,604 | (1,930) | 301,289 | 21,315 |
| Employee benefits | 135,136 | 131,512 | (3,624) | 122,860 | 8,652 |
| Purchased services | 223,600 | 199,800 | (23,800) | 119,068 | 80,732 |
| Travel | 800 | 500 | (300) | 164 | 336 |
| Supplies and materials | 77,700 | 77,600 | (100) | 66,483 | 11,117 |
| Other expenditures | 3,600 | 7,100 | 3,500 | 6,655 | 445 |
| Total district support services | 765,370 | 739,116 | (26,254) | 616,519 | 122,597 |
| Elementary and secondary regular instruction | | | | | |
| Salaries | 129,081 | 126,859 | (2,222) | 115,648 | 11,211 |
| Employee benefits | 59,342 | 46,672 | (12,670) | 41,747 | 4,925 |
| Purchased services | 500 | 200 | (300) | - | 200 |
| Supplies and materials | 39,400 | 38,700 | (700) | 23,328 | 15,372 |
| Total elementary and secondary regular instruction | 228,323 | 212,431 | (15,892) | 180,723 | 31,708 |
| Special education instruction | | | | | |
| General special education | | | | | |
| Salaries | 137,731 | 140,153 | 2,422 | 137,224 | 2,929 |
| Employee benefits | 222,189 | 213,730 | (8,459) | 190,664 | 23,066 |
| Purchased services | 100,400 | 105,700 | 5,300 | 81,929 | 23,771 |
| Supplies and materials | 27,000 | 14,400 | (12,600) | 5,949 | 8,451 |
| Other expenditures | - | 300 | 300 | 3,469 | (3,169) |
| Total general special education | 487,320 | 474,283 | (13,037) | 419,235 | 55,048 |
| Speech/language impaired | | | | | |
| Purchased services | 60,000 | 101,800 | 41,800 | 93,977 | 7,823 |
| Developmental cognitive disabilities mild to moderate | | | | | |
| Salaries | 1,444,506 | 1,194,930 | (249,576) | 1,092,902 | 102,028 |
| Employee benefits | 537,679 | 440,880 | (96,799) | 399,948 | 40,932 |
| Purchased services | 6,200 | 6,500 | 300 | 5,140 | 1,360 |
| Supplies and materials | 19,800 | 27,800 | 8,000 | 15,413 | 12,387 |
| Other expenditures | 1,500 | 1,500 | - | 577 | 923 |
| Total developmental cognitive disabilities mild to moderate | 2,009,685 | 1,671,610 | (338,075) | 1,513,980 | 157,630 |
| Developmental cognitive disabilities: severe to profound | | | | | |
| Salaries | - | 100,091 | 100,091 | 100,089 | 2 |
| Employee benefits | - | 29,958 | 29,958 | 28,719 | 1,239 |
| Total development cognitive disabilities: severe to profound | - | 130,049 | 130,049 | 128,808 | 1,241 |
| Deaf/hard of hearing | | | | | |
| Salaries | 17,400 | - | (17,400) | - | - |
| Employee benefits | 5,555 | - | (5,555) | - | - |
| Purchased services | - | 4,000 | 4,000 | 3,738 | 262 |
| Total deaf/hard of hearing | 22,955 | 4,000 | (18,955) | 3,738 | 262 |
| Emotional/behavioral disorder | | | | | |
| Salaries | 2,204,241 | 1,924,014 | (280,227) | 1,854,589 | 69,425 |
| Employee benefits | 820,779 | 753,066 | (67,713) | 701,314 | 51,752 |
| Purchased services | 28,600 | 7,300 | (21,300) | 3,595 | 3,705 |
| Supplies and materials | 31,900 | 29,300 | (2,600) | 15,418 | 13,882 |
| Other expenditures | 1,400 | 1,400 | - | 577 | 823 |
| Total emotional/behavior disorder | 3,086,920 | 2,715,080 | (371,840) | 2,575,493 | 139,587 |

Cannon Valley Special Education Cooperative
Faribault, 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) | | | | | |
| Emotional/behavioral disorder (continued) | | | | | |
| Autistic spectrum disorder | | | | | |
| Salaries | $ 1,478,839 | $ 1,640,606 | $ 161,767 | $ 1,518,999 | $ 121,607 |
| Employee benefits | 481,359 | 560,043 | 78,684 | 514,732 | 45,311 |
| Purchased services | 22,000 | 35,000 | 13,000 | 29,986 | 5,014 |
| Supplies and materials | 17,400 | 21,900 | 4,500 | 18,636 | 3,264 |
| Other expenditures | 1,400 | 1,300 | (100) | 437 | 863 |
| Total autistic spectrum disorder | 2,000,998 | 2,258,849 | 257,851 | 2,082,790 | 176,059 |
| Severely impaired - multiple | | | | | |
| Purchased services | - | 25,000 | 25,000 | 23,418 | 1,582 |
| Special education - aggregate | | | | | |
| Salaries | 330,600 | 374,068 | 43,468 | 371,576 | 2,492 |
| Employee benefits | 136,769 | 145,812 | 9,043 | 141,982 | 3,830 |
| Purchased services | 78,600 | 62,450 | (16,150) | 54,635 | 7,815 |
| Supplies and materials | 36,000 | 41,000 | 5,000 | 29,919 | 11,081 |
| Other expenditures | 1,400 | 1,400 | - | 577 | 823 |
| Total special education - aggregate | 583,369 | 624,730 | 41,361 | 598,689 | 26,041 |
| Total special education instruction | 8,251,247 | 8,005,401 | (245,846) | 7,440,128 | 565,273 |
| Instructional support services | | | | | |
| Salaries | - | 10,500 | 10,500 | 10,378 | 122 |
| Employee benefits | - | 2,074 | 2,074 | 1,837 | 237 |
| Purchased services | 5,500 | 6,900 | 1,400 | 6,080 | 820 |
| Travel | 7,000 | 7,000 | - | 5,522 | 1,478 |
| Supplies and materials | 2,000 | 2,000 | - | 69 | 1,931 |
| Total instructional support services | 14,500 | 28,474 | 13,974 | 23,886 | 4,588 |
| Pupil support services | | | | | |
| Salaries | 146,856 | 121,193 | (25,663) | 120,706 | 487 |
| Employee benefits | 48,399 | 44,705 | (3,694) | 38,433 | 6,272 |
| Purchased services | 23,100 | 22,600 | (500) | 15,713 | 6,887 |
| Travel | 1,000 | 300 | (700) | 252 | 48 |
| Supplies and materials | 10,000 | 10,000 | - | 2,745 | 7,255 |
| Total pupil support services | 229,355 | 198,798 | (30,557) | 177,849 | 20,949 |
| Sites, buildings and equipment | | | | | |
| Salaries | 167,097 | 183,875 | 16,778 | 147,843 | 36,032 |
| Employee benefits | 49,211 | 54,446 | 5,235 | 45,167 | 9,279 |
| Purchased services | 117,800 | 121,800 | 4,000 | 93,548 | 28,252 |
| Supplies and materials | 30,000 | 29,000 | (1,000) | 23,333 | 5,667 |
| Total sites, buildings and equipment | 364,108 | 389,121 | 25,013 | 309,891 | 79,230 |
| Total current | 9,853,803 | 9,573,341 | (280,462) | 8,748,996 | 824,345 |
| Capital outlay | | | | | |
| District support services | 10,000 | 10,000 | - | 1,224 | 8,776 |
| Elementary and secondary regular instruction | 65,000 | 65,000 | - | 4,030 | 60,970 |
| Sites, buildings and equipment | 523,438 | 523,438 | - | 405,707 | 117,731 |
| Total capital outlay | 598,438 | 598,438 | - | 410,961 | 187,477 |
| Debt service | | | | | |
| Principal | 485,158 | 485,158 | - | 591,844 | (106,686) |
| Interest and other costs | 3,221 | 3,221 | - | 2,983 | 238 |
| Total debt service | 488,379 | 488,379 | - | 594,827 | (106,448) |
| Total Expenditures | 10,940,620 | 10,660,158 | (280,462) | 9,754,784 | 905,374 |
| Net Change in Fund Balances | 770,000 | 504,500 | (265,500) | 148,896 | (355,604) |
| Fund Balances, July 1 | 3,213,829 | 3,213,829 | - | 3,213,829 | - |
| Fund Balances, June 30 | $ 3,983,829 | $ 3,718,329 | $ (265,500) | $ 3,362,725 | $ (355,604) |

DEPARTMENT OF EDUCATION

# Fiscal Compliance

## Fiscal Compliance Report - 6/30/2026
## District: CANNON VALLEY SPEC ED (6094-52)

| | Audit | UFARS | Audit - UFARS |
|---|---|---|---|
| **01 GENERAL FUND** | | | |
| Total Revenue | $9,903,680 | $9,903,674 | $6 |
| Total Expenditures | $9,754,784 | $9,754,780 | $4 |
| *Non Spendable:* | | | |
| 4.60 Non Spendable Fund Balance | $131,393 | $131,393 | $0 |
| *Restricted / Reserved:* | | | |
| 4.01 Student Activities | $0 | $0 | $0 |
| 4.02 Scholarships | $0 | $0 | $0 |
| 4.03 Staff Development | $0 | $0 | $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 | $0 | $0 | $0 |
| 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 | $0 | $0 | $0 |
| 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 | $0 | $0 | $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 | $0 | $0 | $0 |
| 4.67 LTFM | $0 | $0 | $0 |
| 4.71 Student Support Personnel Aid | $0 | $0 | $0 |
| 4.72 Medical Assistance | $1,629,515 | $1,629,515 | $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 | $0 | $0 | $0 |
| 4.61 Committed Fund Balance | $0 | $0 | $0 |
| *Assigned:* | | | |
| 4.62 Assigned Fund Balance | $0 | $0 | $0 |
| *Unassigned:* | | | |
| 4.22 Unassigned Fund Balance | $1,601,817 | $1,601,818 | ($1) |
| **02 FOOD SERVICES** | | | |
| Total Revenue | $0 | $0 | $0 |

| | Audit | UFARS | Audit - UFARS |
|---|---|---|---|
| **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 | $0 | $0 | $0 |
| Total Expenditures | $0 | $0 | $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 | $0 | $0 | $0 |
| *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 | $0 | $0 | $0 |
| Total Expenditures | $0 | $0 | $0 |
| *Restricted / Reserved:* | | | |
| 4.01 Student Activities | $0 | $0 | $0 |
| 4.02 Scholarships | $0 | $0 | $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 Expenditures | $0 | $0 | $0 |
| *Non Spendable:* | | | |
| 4.60 Non Spendable Fund Balance | $0 | $0 | $0 |
| *Restricted / Reserved:* | | | |
| 4.52 OPEB Liab Not In Trust | $0 | $0 | $0 |
| *Restricted:* | | | |
| 4.64 Restricted Fund Balance | $0 | $0 | $0 |
| *Unassigned:* | | | |
| 4.63 Unassigned Fund Balancee | $0 | $0 | $0 |

## 04 COMMUNITY SERVICE

| | | | |
|---|---|---|---|
| Total Revenue | $0 | $0 | $0 |
| Total Expenditures | $0 | $0 | $0 |
| *Non Spendable:* | | | |
| 4.60 Non Spendable Fund Balance | $0 | $0 | $0 |
| *Restricted / Reserved:* | | | |
| 4.26 $25 Taconite | $0 | $0 | $0 |
| 4.31 Community Education | $0 | $0 | $0 |
| 4.32 E.C.F.E | $0 | $0 | $0 |
| 4.37 Q Comp | $0 | $0 | $0 |
| 4.40 Teacher Development and Evaluation | $0 | $0 | $0 |
| 4.44 School Readiness | $0 | $0 | $0 |
| 4.47 Adult Basic Education | $0 | $0 | $0 |
| 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

CANNON VALLEY SPECIAL EDUCATION COOPERATIVE
FARIBAULT, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2026

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**INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE**

Members of the Administrative Board
Cannon Valley Special Education Cooperative
Faribault, 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 and the major fund of the Cannon Valley Special Education Cooperative, Faribault, Minnesota (the Cooperative) as of and for the year ended June 30, 2026, and the related notes to the financial statements which collectively comprise the Cooperatives basic financial statements, and have issued our report thereon dated October 30, 2026.

In connection with our audit, nothing came to our attention that caused us to believe that the Cooperative failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Cooperative'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
October 30, 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 Administrative Board
Cannon Valley Special Education Cooperative
Faribault, 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 and the major fund of the Cannon Valley Special Education Cooperative, Faribault, Minnesota, (the Cooperative) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated October 30, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Cooperative'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 Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Findings and Responses as items 2026-001 and 2026-002 that we consider to be significant deficiencies.

**Report on Compliance and Other Matters**

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

**The Cooperative's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Cooperative's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Cooperative'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 Cooperative'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 Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Abdo**
Mankato, Minnesota
October 30, 2026

Cannon Valley Special Education Cooperative
Faribault, Minnesota
Schedule of Findings and Responses
For the Year Ended June 30, 2026

| Finding | Description |
|---|---|
| **2026-001** | **Segregation of Duties** |
| *Condition:* | During our audit we reviewed internal control procedures and found the Cooperative to have limited segregation of duties in the areas as noted below. |
| *Criteria:* | There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities. |
| *Effect*: | The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the Cooperative. |

**Internal Control Over Cash Receipts**

| | |
|---|---|
| *Cause:* | As a result of the small staff, the Finance and Payroll Coordinator sets up and maintains customers, posts to the general ledger, prepares deposits, takes deposits to the bank, generates billing statements, and maintains receipts and accounts receivables. The Executive Assistant opens mail. |
| *Recommendation:* | While we recognize staff is not large enough to eliminate this deficiency, it is important that the Board is aware of this condition and monitor all financial information. |

**Internal Control Over Cash Disbursements**

| | |
|---|---|
| *Cause:* | As a result of the small staff, the Finance and Payroll Coordinator maintains and controls checks, matches invoices to purchase orders, maintains and posts to the general ledger, prepares checks and maintains purchase journal and accounts payable records. The Executive Assistant sets up and maintains vendors and opens mail. |
| *Recommendation:* | While we recognize staff is not large enough to eliminate this deficiency, it is important that the Board is aware of this condition and monitor all financial information. |

**Internal Control Over Payroll**

| | |
|---|---|
| *Cause:* | As a result of the small staff, the Finance and Payroll Coordinator sets up and maintains employee records, runs payroll, maintains and posts to the general ledger, initiates payroll transfers for direct deposit, reconciles bank accounts and prepares payroll tax returns. |
| *Recommendation:* | While we recognize staff is not large enough to eliminate this deficiency, it is important that the Board is aware of this condition and monitor all financial information. |

*Management Response:*

The Cooperative is aware of the limited segregation of duties and will continue to review internal controls and make changes when they are feasible.

| Finding | Description |
|---|---|
| **2026-002** | **Financial Report Preparation** |
| *Condition:* | We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process. |
| *Criteria:* | Internal controls should be in place to provide reasonable assurance over financial reporting. |
| *Cause:* | From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size. |
| *Effect:* | The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. |
| *Recommendation:* | It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the Cooperative is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the Cooperative should agree its financial software to the numbers reported in the financial statements. |

*Management Response:*

Management is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of small cooperatives. Each year, the Cooperative has a presentation from our auditor to the Board of Education after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight of management and Board to monitor the deficiency.

CANNON VALLEY
Special Education
Cooperative

128 8th Ave NW, Faribault, MN 55021
Phone: 507.209.2030 Fax: 507.209.1802
www.cannonvalleyspecialed.org

**Corrective Action Plan (CAP):**

**2026-001 Segregation of Duties**

1. Explanation of Disagreement with Audit Finding

   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

   The Cooperative is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

3. Official Responsible for Ensuring CAP

   Sarah McGuire, Executive Director, is the official responsible for ensuring continued implementation of certain control measures.

4. Planned Completion Date for CAP

   Continuous.

5. Plan to Monitor Completion of CAP

   The Cannon Valley Special Education Board will be monitoring this corrective action plan.

Sincerely,

Sarah McGuire
Executive Director

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Special Education
Cooperative

128 8th Ave NW, Faribault, MN 55021
Phone: 507.209.2030 Fax: 507.209.1802
www.cannonvalleyspecialed.org

**Corrective Action Plan (CAP):**

**2026-002 Financial Report Preparation**

1. Explanation of Disagreement with Audit Finding

   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

   The Cooperative will continue to have the auditor prepare the financial statements and will continue to have the board review the financial statements. The Cooperative is aware of the deficiency and is relying on oversight of management and Board to monitor the deficiency.

3. Official Responsible for Ensuring CAP

   Sarah McGuire, Executive Director, is the official responsible for ensuring corrective action plan.

4. Planned Completion Date for CAP

   Continuous.

5. Plan to Monitor Completion of CAP

   The Cannon Valley Special Education Board will be monitoring this corrective action plan.

Sincerely,

Sarah McGuire
Executive Director