

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 30, 2026

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect) and, assuming the accuracy of certain representations and continuing compliance with certain covenants set forth in the resolutions approving the issuance of the Bonds, interest to be paid on the Bonds is excludable from gross income for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. No opinion will be expressed by Bond Counsel regarding the other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX EXEMPTION" herein.

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.

New Issue

Rating Application Made: S&P Global Ratings

INDEPENDENT SCHOOL DISTRICT NO. 129 (MONTEVIDEO PUBLIC SCHOOLS), MINNESOTA (Chippewa, Lac qui Parle and Yellow Medicine Counties)

(Minnesota School District Credit Enhancement Program)

\$20,000,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2026A

PROPOSAL OPENING: May 11, 2026, 10:30 A.M., C.T.

CONSIDERATION: May 11, 2026, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$20,000,000* General Obligation School Building Bonds, Series 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held February 10, 2026 by Independent School District No. 129 (Montevideo Public Schools), Minnesota (the "District"), for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: June 4, 2026

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2028	\$1,480,000	2035	\$865,000	2042	\$1,190,000
2029	220,000	2036	910,000	2043	1,245,000
2030	230,000	2037	950,000	2044	1,300,000
2031	720,000	2038	995,000	2045	1,355,000
2032	755,000	2039	1,045,000	2046	1,420,000
2033	790,000	2040	1,085,000	2047	1,485,000
2034	825,000	2041	1,135,000		

***MATURITY ADJUSTMENTS:** The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2027 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2035 and thereafter are subject to call for prior optional redemption on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: \$20,000,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$400,000 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Kennedy & Graven, Chartered.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a Final Official Statement.



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REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Underwriter (Syndicate Manager). Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers and Associates, Inc. prepared this Preliminary Official Statement and any addenda thereto relying on information of the District and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers and Associates, Inc., payable entirely by the District, is contingent upon the delivery of the Bonds.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the District for dissemination to potential investors. Its primary purpose is to disclose information regarding the Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to prospective bidders for review. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers and Associates, Inc. at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum prior to the sale.

Final Official Statement: Copies of the Final Official Statement will be delivered to the Underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which the District is required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the Underwriter (Syndicate Manager) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of the Bonds and all times subsequent thereto up to and including the time of the delivery of the Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for the Bonds; (3) a certificate evidencing the due execution of the Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of the Bonds, (b) neither the corporate existence or boundaries of the District nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the District which indicates that the District does not expect to use the proceeds of the Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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MONTEVIDEO PUBLIC SCHOOLS SCHOOL BOARD

		<u>Term Expires</u>
Andrew Stenson	Board Chair	January 2027
Dustin Shourds	Vice Chair	January 2027
Janet Wibben	Clerk	January 2027
Travis Birhanzl	Treasurer	January 2029
Jarrold Miller	Member	January 2029
Sarah Norman	Member	January 2029

ADMINISTRATION

Dr. Jamie Skjeveland, Superintendent of Schools

Adam Spray, Chief School Business Official

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, Bond Counsel and District Attorney, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Minneapolis, Minnesota

(Other office located in Waukesha, Wisconsin)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 129 (Montevideo Public Schools), Minnesota (the "District") and the issuance of its \$20,000,000* General Obligation School Building Bonds, Series 2026A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the School Board on May 11, 2026.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Minneapolis, Minnesota, (651) 697-8500, the District's municipal advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the Bond Sales link and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of June 4, 2026. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The District has selected Bond Trust Services Corporation, Minneapolis, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the District. If only part of the Bonds having a common maturity date are called for redemption, then the District or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held February 10, 2026, by the District, at which voters approved the issuance of \$42,000,000 in school building bonds by a vote of 1,212 to 919. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities, including the installation of safety and security improvements at all school sites and facilities; the construction of various deferred maintenance and infrastructure improvement projects at the High School site and facility, including plumbing upgrades; and the construction and equipping of an auditorium addition to the High School.

The District plans to issue the remainder of the bonds authorized by District voters within the next two years.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	\$20,000,000	
Reoffering Premium	<u>638,182</u>	
Total Sources		\$20,638,182
Uses		
Total Underwriter's Discount (1.000%)	\$200,000	
Costs of Issuance	138,000	
Capitalized Interest	622,907	
Deposit to Construction Fund	<u>19,677,275</u>	
Total Uses		\$20,638,182

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the District to which its full faith and credit and taxing powers are pledged. In accordance with Minnesota Statutes, the District will levy each year an amount not less than 105% of the debt service requirements on the Bonds, less estimated collections of other revenues pledged for payments on the Bonds. In the event funds on hand for payment of principal and interest are at any time insufficient, the District is required to levy additional taxes upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

RATING

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a credit enhanced rating from S&P Global Ratings. The S&P credit enhanced rating is based on the State of Minnesota's current "AAA"/Stable outlook rating from S&P Global Ratings. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM" for further details.

The District currently has an "A-"/Stable outlook rating from S&P and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the District nor the underwriter undertake responsibility to bring to the attention of the owner of the Bonds any proposed changes in or withdrawal of such rating or to oppose any such revision or withdrawal.

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on April 13, 2026 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, as amended, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

Under the State Payment Law, if the District believes it may be unable to make a principal or interest payment for this issue on the due date, it must notify the Commissioner of Education as soon as possible, but not less than 15 working days prior to the due date (which notice is to specify certain information) that it intends to exercise the provisions of the Law to guarantee payment of the principal and interest when due. The District also covenants in the Resolution to deposit with the Paying Agent for the issue three business days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the Commissioner of Education that it will be unable to make all or a portion of the payment.

The Law also requires the Paying Agent for this issue to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal and interest on these obligations, or if, on the day two business days prior to the payment date, there are insufficient funds to make the payment or deposit with the Paying Agent.

The Law also requires, after receipt of a notice which requests a payment pursuant to the Law, after consultation with the Paying Agent and District, and after verifying the accuracy of the information provided, the Commissioner of Education shall notify the Commissioner of Management and Budget of the potential default. The State Payment Law provides that "upon receipt of this notice . . . the commissioner of management and budget shall issue a payment and authorize the commissioner of education to pay to the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for the purposes of this subdivision are annually appropriated to the [Department of Education] from the state general fund."

The Law requires that all amounts paid by the State on behalf of any school district are required to be repaid by the district to the State with interest, either via a reduction in State aid payable to the district, or through the levy of an ad valorem tax which may be made with the approval of the Commissioner of Education.

In its Official Statement dated September 23, 2025, for General Obligation State Bonds, Series 2025A, 2025B, 2025C, 2025D and 2025E, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts:

"As of June 30, 2025, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2054, is approximately \$19,610,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of June 30, 2025 is currently estimated at \$3,155,000,000, with the maximum amount of principal and interest payable in any one month being \$1,253,600,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.

The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts."

CONTINUING DISCLOSURE

In order to assist brokers, dealers, and municipal securities dealers, in connection with their participation in the offering of the Bonds, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the District shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, or any system that may be prescribed in the future. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

On the date of issue and delivery, the District shall execute and deliver a Continuing Disclosure Certificate, under which the District will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the District are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

A failure by the District to comply with any Disclosure Undertaking will not constitute an event of default on the Bonds. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Prior continuing disclosure undertakings entered into by the District included language stating that an Annual Report including the District's audited financial statements and operating data would be filed "as soon as available." Although the District did not provide financial statements "as soon as available", the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent the foregoing deficiencies are deemed to be material, the District believes it has complied in all material respects with its prior disclosure undertakings under the Rule in the last five years. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehers is currently engaged as dissemination agent for the District.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the District ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

TAX EXEMPTION

On the date of issuance of the Bonds, Bond Counsel will render an opinion that, at the time of issuance and delivery of the Bonds to the original purchaser, based on present federal and State of Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect), and assuming the accuracy of certain representations and continuing compliance with certain covenants set forth in the Award Resolution, interest on the Bonds is excludable from gross income for federal income tax purposes and, to the same extent, is excludable from the taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, interest on the Bonds is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. Section 59(k) of the Code defines "applicable corporation" as any corporation (other than an S corporation), a regulated investment company, or a real estate investment trust which meets the average annual adjusted financial statement income test set forth in Section 59(k) of the Code in one or more taxable years. No opinion will be expressed by Bond Counsel regarding other federal or State of Minnesota tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income (for federal tax purposes) and taxable net income (for State of Minnesota tax purposes) of the owners thereof. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation.

The Code imposes an alternative minimum tax with respect to individuals on alternative minimum taxable income.

The Code provides that in the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as "losses incurred" under Section 832(b)(5) shall be reduced by an amount equal to the applicable percentage of the interest on the Bonds that is received or accrued during the taxable year.

Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code. Under certain circumstances, interest on the Bonds may be subject to the tax on "excess net passive income" of Subchapter S corporations imposed by Section 1375 of the Code.

The above is not a comprehensive list of all federal tax consequences which may arise from the receipt of interest on the Bonds. The receipt of interest on the Bonds may otherwise affect the federal or State income tax liability of the recipient based on the particular taxes to which the recipient is subject and the particular tax status of other items or deductions. Bond Counsel expresses no opinion regarding any such consequences. All prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of, or tax considerations for, purchasing or holding the Bonds.

Legislative proposals

Bond Counsel's opinion is given as of its date and Bond Counsel assumes no obligation to update, revise, or supplement such opinion to reflect any changes in facts or circumstances or any changes in law that may hereafter occur. Proposals are regularly introduced in both the United States House of Representatives and the United States Senate that, if enacted, could alter or affect the tax-exempt status on municipal bonds. For example, legislation has been proposed that would, among other things, limit the amount of exclusions (including tax-exempt interest) or deductions that certain higher-income taxpayers could use to reduce their tax liability. The likelihood of adoption of this or any other such legislative proposal relating to tax-exempt bonds cannot be reliably predicted. If enacted into law, current or future proposals may have a prospective or retroactive effect and could affect the value or marketability of tax-exempt bonds (including the Bonds). Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any such change in law.

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code, relating to the ability of certain financial institutions (within the meaning of Section 265(6)(5) of the Code) to deduct from income for federal income tax purposes, 80% of the interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor cannot participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Municipal Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the MSRB as a municipal advisor. Ehlers makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Preliminary Official Statement, and its assistance in preparing this Preliminary Official Statement should not be construed as a representation that it has independently verified such information.

MUNICIPAL ADVISOR AFFILIATED COMPANIES

Bond Trust Services Corporation ("BTSC") and Ehlers Investment Partners, LLC ("EIP") are affiliate companies of Ehlers. BTSC is chartered by the State of Minnesota and authorized in Minnesota, Wisconsin, Colorado, and Illinois to transact the business of a limited purpose trust company. BTSC provides paying agent services to debt issuers. EIP is a Registered Investment Advisor with the Securities and Exchange Commission. EIP assists issuers with the investment of bond proceeds or investing other issuer funds. This includes escrow bidding agent services. Issuers, such as the District, have retained or may retain BTSC and/or EIP to provide these services. If hired, BTSC and/or EIP would be retained by the District under an agreement separate from Ehlers.

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2025 have been audited by Abdo, Mankato, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

The following is a description of possible risks to holders of the Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds are general obligations of the District, the ultimate payment of which rests in the District's ability to levy and collect sufficient taxes to pay debt service should other revenue (state aids) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the District in time to pay debt service when due.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Future actions of the State of Minnesota (the "State") may affect the overall financial condition of the District, the taxable value of property within the District, and the ability of the District to levy and collect property taxes.

Future Changes in Law: Various State and federal laws, regulations and constitutional provisions apply to the District and to the Bonds. The District can give no assurance that there will not be a change in or interpretation of any such applicable laws, regulations and provisions which would have a material effect on the District or the taxing authority of the District.

Ratings; Interest Rates: In the future, the District's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the District to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Levy Limits: Minnesota school district tax levies for most purposes are subject to statutory limitations. No limit, however, is placed on the debt service levy, and districts are required to levy 105% of actual principal and interest requirements to allow for delinquencies. School districts receive a basic revenue amount per pupil unit from aid and levy proceeds in a variety of categorical state aids. They are also allowed to certify additional levies within limits for certain specified purposes. The State Department of Education and the applicable County Auditors review the levies of each school district to determine compliance with state levy limits.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the District to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions outside of the control of the District, including loss of major taxpayers or major employers, could affect the local economy and result in reduced tax collections and/or increased demands upon local government. Real or perceived threats to the financial stability of the District may have an adverse effect on the value of the Bonds in the secondary market.

Secondary Market for the Bonds: No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof. Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

Bankruptcy: The rights and remedies of the holders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws, or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The opinion of Bond Counsel to be delivered with respect to the Bonds will be similarly qualified.

Cybersecurity: The District is dependent on electronic information technology systems to deliver services. These systems may contain sensitive information or support critical operational functions which may have value for unauthorized purposes. As a result, the electronic systems and networks may be targets of cyberattack. There can be no assurance that the District will not experience an information technology breach or attack with financial consequences that could have a material adverse impact.

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Bonds. In order for potential investors to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Preliminary Official Statement and the Appendices hereto.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2023/24	2024/25	2025/26
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,150,000 - 0.50% ² Over \$2,150,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$3,500,000 - 0.50% ² Over \$3,500,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$3,500,000 - 0.50% ² Over \$3,500,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: First \$174,000 - 0.75% Over \$174,000 - 0.25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental: – 0.25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental – 0.25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2024/25 Economic Market Value¹

\$1,498,210,345²

2025/26 Assessor's Estimated Market Value

	Chippewa County	Lac Qui Parle County	Yellow Medicine County	Total
Real Estate	\$1,224,332,900	\$214,753,000	\$83,781,600	\$1,522,867,500
Personal Property	<u>4,374,800</u>	<u>453,500</u>	<u>322,600</u>	<u>5,150,900</u>
Total Valuation	<u>\$1,228,707,700</u>	<u>\$215,206,500</u>	<u>\$84,104,200</u>	<u>\$1,528,018,400</u>

2025/26 Net Tax Capacity

	Chippewa County	Lac Qui Parle County	Yellow Medicine County	Total
Real Estate	\$10,783,247	\$1,681,396	\$650,381	\$13,115,024
Personal Property	<u>85,697</u>	<u>9,070</u>	<u>6,452</u>	<u>101,219</u>
Net Tax Capacity	\$10,868,944	\$1,690,466	\$656,833	\$13,216,243

¹ Most recent value available from the Minnesota Department of Revenue.

² According to the Minnesota Department of Revenue, the 2024/25 Assessor's Estimated Market Value (the "AEMV") for the District was about 100.71% of the actual selling prices of property sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in a 2024/25 Economic Market Value ("EMV") for the District of \$1,498,210,345.

2025/26 NET TAX CAPACITY BY CLASSIFICATION

	2025/26 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$3,372,224	25.52%
Agricultural	7,183,027	54.35%
Commercial/industrial	1,601,548	12.12%
Public utility	58,502	0.44%
Railroad operating property	51,198	0.39%
Non-homestead residential	840,697	6.36%
Commercial & residential seasonal/rec.	7,828	0.06%
Personal property	<u>101,219</u>	<u>0.77%</u>
 Total	 <u><u>\$13,216,243</u></u>	 <u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Taxable Net Tax Capacity²	Percent Increase/Decrease in Estimated Market Value
2021/22	\$1,051,305,000	\$994,686,101	\$9,327,944	\$9,327,944	1.70%
2022/23	1,183,026,300	1,129,030,737	10,654,407	10,654,407	12.53%
2023/24	1,426,840,400	1,375,474,799	12,908,462	12,908,462	20.61%
2024/25	1,507,827,200	1,439,002,415	13,031,591	13,031,591	5.68%
2025/26	1,528,018,400	1,458,532,487	13,216,243	13,216,243	1.34%

¹ Net Tax Capacity is before fiscal disparities adjustments and includes tax increment and power line values.

² Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment or power line values.

LARGEST TAXPAYERS

Taxpayer	Type of Property	2025/26 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Walmart ¹	Commercial	\$129,250	0.98%
Brandt Properties Co.	Apartments	117,845	0.89%
Individual	Agricultural	103,119	0.78%
Rodeberg Partnership	Agricultural	90,374	0.68%
Individual	Agricultural	86,226	0.65%
Xcel Energy	Utility	83,162	0.63%
Farmers Union Oil Co.	Commercial	82,386	0.62%
Fagen Farms, LLP	Agricultural	81,579	0.62%
CGS, LLP	Commercial	75,058	0.57%
Individual	Agricultural	70,794	0.54%
Total		\$919,793	6.96%

District's Total 2025/26 Net Tax Capacity \$13,216,243

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Chippewa, Lac qui Parle and Yellow Medicine Counties.

DEBT

DIRECT DEBT²

General Obligation Debt (see schedule following)

Total G.O. debt secured by tax abatement revenues and state aids ³	\$1,850,000
Total G.O. debt secured by taxes and state (includes the Bonds)*	20,865,000
Total General Obligation Debt*	<u>\$22,715,000</u>

¹ Walmart appealed its Net Tax Capacity valuation for pay 2026, which settled on January 21, 2026. As a result, the 2025/26 Net Tax Capacity valuation for Walmart decreased from \$146,348 to \$129,250.

² Outstanding debt is as of the dated date of the Bonds.

³ Based upon the Long Term Facilities Maintenance Revenue formula, and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

Other Obligations - Cooperative District/Joint Governmental Obligations

On September 23, 2020, the Montevideo Economic Development Authority (EDA) issued its \$5,295,000 Lease Revenue Refunding Bonds (Southwest West Central Service Cooperative, Lease with Option to Purchase Project), Series 2020A (the "Series 2020A Bonds"). The Series 2020A Bonds are payable solely from lease revenues to be paid to the EDA by the Southwest West Central Service Cooperative (SWWC). The District, as a member of SWWC, has a contractual obligation to make a portion of the debt service payments on the Series 2020A Bonds and the allocation of the debt service payments is determined by agreement among the member districts and calculated annually by SWWC.

DEBT PAYMENT HISTORY

The District has no record of default in the payment of principal and interest on its debt.

FUTURE FINANCING

The District plans to issue the remainder of the bonds authorized during the election within the next two years.

STATE AID FOR DEBT SERVICE

The Minnesota Debt Service Equalization program provides State aid to finance a portion of the principal and interest payments on voter approved school building bonds. Bonds and Certificates that are not eligible for the program include all alternative facilities bonds, facilities maintenance bonds, capital facilities bonds, OPEB bonds, building bonds with relatively short maturities, and Certificates of Participation (COPs).

Under the Debt Service Equalization Formula (the Formula) adopted by the 2001 Minnesota State Legislature, each school district is responsible for the amount of its qualifying annual debt service which is equal to 15.74% of its Adjusted Net Tax Capacity (ANTC). The District does not currently qualify for debt service equalization aid.

In addition to debt service equalization aid, some school districts will qualify for State Long Term Facilities Maintenance Aid to finance a portion of the payments on Alternative Facilities Bonds and Facilities Maintenance Bonds, pursuant to the Long Term Facilities Maintenance Revenue program approved by the State in 2015. If any aid is received, it is deposited into the school district's debt service fund and must be used for payments on the bonds; any payment of State aid into the debt service fund causes a reduction in the tax levy for Alternative Facilities Bonds and Facilities Maintenance Bonds. The amount of aid received in the debt service fund will vary each year, depending on a number of factors. Although the District expects to receive some Long Term Facilities Maintenance Aid in its debt service fund, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by State aid.

Some school districts will also receive aid for debt service payments through the State School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). The reimbursement percentage for each qualifying property is 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under Minnesota Statutes, Section 275.08, subdivision 1b. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2025 is approximately 36.53% of total annual debt service levies, based on the District's 2024/25 qualifying agricultural land valuation.

BONDED DEBT LIMIT

Minnesota Statutes, Section 475.53, subdivision 4, presently limits the "net debt" of a school district to 15% of the estimated market value of all taxable property situated within its corporate limits. The estimated market value of property within a district, on which its debt limit is based, is (a) the value certified by the county auditors, or (b) this value divided by the ratio certified by the commissioner of revenue, whichever results in a higher value. The current debt limit of the District is computed as follows:

2024/25 Economic Market Value	\$1,498,210,345
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	\$224,731,552
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	<u>(20,865,000)</u>
Unused Debt Limit*	<u><u>\$203,866,552</u></u>

*Preliminary, subject to change.

Independent School District No. 129 (Montevideo Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 06/04/2026)

Tax Abatement Bonds 1)								
Series 2025A								
Dated	06/05/2025							
Amount	\$2,250,000							
Maturity	02/01							
Fiscal Year	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal	% Paid	Fiscal Year
Ending						Outstanding		Ending
2027	430,000	92,500	430,000	92,500	522,500	1,420,000	23.24%	2027
2028	450,000	71,000	450,000	71,000	521,000	970,000	47.57%	2028
2029	475,000	48,500	475,000	48,500	523,500	495,000	73.24%	2029
2030	495,000	24,750	495,000	24,750	519,750	0	100.00%	2030
	1,850,000	236,750	1,850,000	236,750	2,086,750			

1) This represents the \$2,250,000 Tax Abatement portion of the \$3,650,000 General Obligation Facilities Maintenance & Tax Abatement Bonds, Series 2025A.

Independent School District No. 129 (Montevideo Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 06/04/2026)

	Capital Facilities Bonds Series 2014A		Facilities Maintenance Bonds 1) Series 2025A		School Building Bonds 2026A Bond							
Dated Amount	12/17/2014 \$295,000		06/05/2025 \$1,400,000		06/04/2026 \$20,000,000*							
Maturity	02/01		02/01		02/01							
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2027	25,000	2,250	615,000	39,500	0	622,907	640,000	664,657	1,304,657	20,225,000	3.07%	2027
2028	25,000	1,500	175,000	8,750	1,480,000	946,188	1,680,000	956,438	2,636,438	18,545,000	11.12%	2028
2029	25,000	750			220,000	872,188	245,000	872,938	1,117,938	18,300,000	12.29%	2029
2030					230,000	861,188	230,000	861,188	1,091,188	18,070,000	13.40%	2030
2031					720,000	849,688	720,000	849,688	1,569,688	17,350,000	16.85%	2031
2032					755,000	813,688	755,000	813,688	1,568,688	16,595,000	20.46%	2032
2033					790,000	775,938	790,000	775,938	1,565,938	15,805,000	24.25%	2033
2034					825,000	736,438	825,000	736,438	1,561,438	14,980,000	28.21%	2034
2035					865,000	695,188	865,000	695,188	1,560,188	14,115,000	32.35%	2035
2036					910,000	651,938	910,000	651,938	1,561,938	13,205,000	36.71%	2036
2037					950,000	606,438	950,000	606,438	1,556,438	12,255,000	41.27%	2037
2038					995,000	558,938	995,000	558,938	1,553,938	11,260,000	46.03%	2038
2039					1,045,000	509,188	1,045,000	509,188	1,554,188	10,215,000	51.04%	2039
2040					1,085,000	464,775	1,085,000	464,775	1,549,775	9,130,000	56.24%	2040
2041					1,135,000	418,663	1,135,000	418,663	1,553,663	7,995,000	61.68%	2041
2042					1,190,000	370,425	1,190,000	370,425	1,560,425	6,805,000	67.39%	2042
2043					1,245,000	316,875	1,245,000	316,875	1,561,875	5,560,000	73.35%	2043
2044					1,300,000	260,850	1,300,000	260,850	1,560,850	4,260,000	79.58%	2044
2045					1,355,000	202,350	1,355,000	202,350	1,557,350	2,905,000	86.08%	2045
2046					1,420,000	137,988	1,420,000	137,988	1,557,988	1,485,000	92.88%	2046
2047					1,485,000	70,538	1,485,000	70,538	1,555,538	0	100.00%	2047
	75,000	4,500	790,000	48,250	20,000,000	11,742,369	20,865,000	11,795,119	32,660,119			

* Preliminary, subject to change.

1) This represents the \$1,400,000 Facilities Maintenance portion of the \$3,650,000 General Obligation Facilities Maintenance & Tax Abatement Bonds, Series 2025A.

OVERLAPPING DEBT¹

Taxing District	2025/26 Taxable Net Tax Capacity	% In District	Total G.O. Debt²	District's Proportionate Share
Counties of:				
Chippewa	\$34,567,002	31.4431%	\$4,255,000	\$1,337,904
Lac qui Parle	31,761,490	5.3224%	9,233,328	491,435
Yellow Medicine	37,638,291	1.7451%	8,927,286	155,790
City of:				
Montevideo	4,058,208	100.0000%	8,610,000	8,610,000
Watson	53,667	84.7579%	251,753	<u>213,381</u>
District's Share of Total Overlapping Debt				<u>\$10,808,509</u>

¹ Overlapping debt is as of the dated date of the Bonds. Only those taxing jurisdictions with general obligation debt outstanding are included in this section. It does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² Outstanding debt is based on information in Official Statements obtained on EMMA and the Municipal Advisor's records.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$1,498,210,345	Debt/ Per Capita 7,344¹
Direct G.O. Debt Secured By:			
Tax Abatement Revenues and State Aids	\$1,850,000		
Taxes and State Aids*	<u>20,865,000</u>		
Total General Obligation Debt*	\$22,715,000		
Less: Agricultural Credit ²	<u>(8,297,790)</u>		
Tax Supported General Obligation Debt*	\$14,417,211	0.96%	\$1,963.13
 District's Share of Total Overlapping Debt	 <u>\$10,808,509</u>	 <u>0.72%</u>	 <u>\$1,471.75</u>
 Total*	 <u>\$25,225,720</u>	 <u>1.68%</u>	 <u>\$3,434.87</u>

*Preliminary, subject to change.

¹ Estimated 2024 population.

² Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 36.53% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is \$8,297,790.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date	% Collected
2021/22	\$2,403,051	\$2,376,426	\$2,399,764	99.86%
2022/23	2,624,864	2,587,911	2,614,048	99.59%
2023/24	2,726,342	2,688,844	2,688,844	98.62%
2024/25	2,883,315	2,831,109	2,831,109	98.19%
2025/26	3,090,514	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.² Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

¹ This reflects the Final Levy Certification of the District after all adjustments have been made.

² Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES¹

	2021/22	2022/23	2023/24	2024/25	2025/26
I.S.D. No. 129 (Montevideo Public Schools)	20.027%	19.441%	16.802%	16.905%	17.914%
Chippewa County	48.817%	45.446%	41.799%	45.811%	49.708%
Lac qui Parle County	33.464%	31.194%	26.951%	26.708%	24.546%
Yellow Medicine County	47.707%	43.640%	31.934%	33.968%	38.386%
City of Montevideo	86.207%	86.021%	76.956%	82.040%	89.903%
City of Watson	288.350%	254.530%	225.368%	241.138%	248.839%
Town of Camp Release ²	6.426%	5.728%	4.810%	4.711%	4.843%
Chippewa HRA	0.285%	0.213%	0.173%	0.305%	0.308%
Johnson Memorial Health Services	6.800%	6.348%	5.249%	5.051%	4.647%
Lac qui Parle EDA	1.038%	1.014%	0.532%	0.508%	0.786%
Lac qui Parle- Yellow Bank Watershed	1.172%	1.025%	0.979%	1.053%	0.958%
Montevideo EDA	1.257%	1.283%	1.242%	1.346%	1.331%
Region 6W (portion applicable to Chippewa County)	0.335%	0.294%	0.247%	0.246%	0.251%
Region 6W (portion applicable to Lac qui Parle County)	0.321%	0.301%	0.250%	0.238%	0.216%
Upper Minnesota RDC	0.323%	0.296%	0.211%	0.252%	0.269%
Yellow Medicine County HRA	0.244%	0.221%	0.199%	0.200%	0.214%

Referendum Market Value Rates:

I.S.D. No. 129 (Montevideo Public Schools)	0.19097%	0.18029%	0.16100%	0.18780%	0.18162%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Chippewa, Lac qui Parle and Yellow Medicine Counties.

¹ After reduction for State aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

² Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 273, including 144 non-licensed employees and 129 licensed employees (121 of whom are teachers). The District provides education for 1,337 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

All teachers employed by the District are covered by defined benefit pension plans administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356, as amended.

Public Employees' Retirement Association (PERA)

All full-time and certain part-time employees of the District (other than those covered by TRA) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356, as amended.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Montevideo Education Association	June 30, 2027
Montevideo Principals Association	June 30, 2027
Educational Office Personnel	June 30, 2027
AFL-CIO Local 1686 (Maintenance)	June 30, 2027
Montevideo Educational Assistants (Local 70)	June 30, 2026

Status of Contract

Negotiations on contracts which expired on June 30, 2026 will begin in the near future.

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Audited Financial Statements/Annual Comprehensive Financial Report (Audit) shows a total OPEB liability of \$1,665,799 as of June 30, 2025. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent Audit.

STUDENT BODY

The number of students enrolled for the past four years and for the current year have been as follows:

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2021/22	106	621	586	1,313
2022/23	110	633	609	1,352
2023/24	112	635	611	1,358
2024/25	105	630	617	1,352
2025/26	100	627	610	1,337

Enrollments for the next three years are projected to be as follows:

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2026/27	110	625	615	1,350
2027/28	113	635	615	1,363
2028/29	116	638	617	1,371

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Ramsey Elementary	1954	1988
Sanford Elementary	1958	1988
Montevideo Middle School	1996	--
Montevideo Senior High School	1965	1974, 1976, 1986

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the District or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

MUNICIPAL BANKRUPTCY

Municipalities are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

Currently there is no statutory authority for Minnesota school districts to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future while the Bonds are outstanding; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the District to file for relief under Chapter 9; or (c) whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. Such action could impact the rights of holders of the Bonds. Such modifications could be adverse to holders of the Bonds and there could ultimately be no assurance that holders of the Bonds would be paid in full or in part on the Bonds.

FUNDS ON HAND (as of March 31, 2026)

Fund	Total Cash and Investments
General	\$1,249,437
Food Service	744,726
Community Service	(512,232)
Debt Service	446,658
Building/Construction	434,447
Trust & Agency	<u>2,261,627</u>
Total Funds on Hand	<u><u>\$4,624,663</u></u>

BUDGET SUMMARY

Fund	June 30, 2025 Actual Fund Balance	2025-26 Projected Revenues and Transfers In	2025-26 Projected Expenditures and Transfers Out	2025-26 Revenues over (under) expenditures	June 30, 2026 Projected Fund Balance
General	\$1,955,376	\$23,544,237	(\$23,789,283)	(\$245,046)	\$1,710,330
Food Service	867,592	1,459,700	(1,557,586)	(97,886)	769,706
Community Service	(487,028)	1,692,466	(1,623,225)	69,241	(417,787)
Debt Service	336,159	1,336,387	(1,228,638)	107,749	443,908
Total All Funds	<u><u>\$2,672,099</u></u>	<u><u>\$28,032,790</u></u>	<u><u>(\$28,198,732)</u></u>	<u><u>(\$165,942)</u></u>	<u><u>\$2,506,157</u></u>

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues and expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the 2025 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2025 Audited
Revenues					
Local property taxes	\$1,701,737	\$1,745,177	\$1,703,686	\$2,008,934	\$2,028,437
Other local and county revenues	765,524	1,290,552	1,433,309	1,337,830	1,346,898
Interest on investments	0	0	0	0	77,749
Revenue from state sources	15,930,886	15,715,338	16,056,580	17,791,899	19,262,008
Revenue from federal sources	1,403,802	926,858	1,459,142	737,799	424,506
Earnings and investments	17,780	6,119	105,686	144,136	920
Total Revenues	<u>\$19,819,729</u>	<u>\$19,684,044</u>	<u>\$20,758,403</u>	<u>\$22,020,598</u>	<u>\$23,140,518</u>
Expenditures					
Current:					
Administration	\$1,470,343	\$1,218,048	\$1,160,884	\$1,250,073	\$1,339,012
District support services	465,097	508,666	658,183	663,300	645,829
Elementary and secondary regular instruction	8,911,417	8,966,424	9,313,312	8,979,052	9,895,426
Vocational education instruction	232,076	258,997	319,919	310,885	319,638
Special education instruction	3,793,733	3,840,018	3,821,427	4,061,315	4,178,804
Instructional support services	1,061,482	1,156,124	1,013,089	1,215,573	1,157,210
Pupil support services	1,273,959	1,318,826	1,505,111	1,470,258	1,491,800
Sites and buildings	1,993,685	2,387,908	2,102,807	2,005,493	2,376,312
Fiscal and other fixed cost programs	307,613	393,082	351,190	343,420	423,518
Debt service	0	0	168,000	168,000	168,000
Capital outlay	0	0	1,759,492	692,249	1,656,778
Total Expenditures	<u>\$19,509,405</u>	<u>\$20,048,093</u>	<u>\$22,173,414</u>	<u>\$21,159,618</u>	<u>\$23,652,327</u>
Excess of revenues over (under) expenditures	\$310,324	(\$364,049)	(\$1,415,011)	\$860,980	(\$511,809)
Other Financing Sources (Uses)					
Insurance recovery	\$0	\$54,100	\$1,225,544	\$0	\$8,434
Transfers (out)	0	0	(73,341)	0	0
Total Other Financing Sources (Uses)	0	54,100	1,152,203	0	8,434
Net changes in Fund Balances	\$310,324	(\$309,949)	(\$262,808)	\$860,980	(\$503,375)
General Fund Balance July 1	\$1,860,203	\$2,170,527	\$1,860,578	\$1,597,770	\$2,458,750
Prior Period Adjustment	0	0	0	0	0
General Fund Balance June 30	\$2,170,527	\$1,860,578	\$1,597,770	\$2,458,750	\$1,955,375
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	\$1,440	\$224,889	\$65,210	\$269,026	\$28,083
Restricted	1,241,361	1,415,513	1,416,053	1,354,020	913,668
Assigned	14,916	11,463	25,507	20,884	32,124
Unassigned	912,810	208,713	91,000	814,820	981,500
Total	<u>\$2,170,527</u>	<u>\$1,860,578</u>	<u>\$1,597,770</u>	<u>\$2,458,750</u>	<u>\$1,955,375</u>

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 7,477 and a 2023 population estimate of 7,270, and comprising an area of 186.21 square miles, is located approximately 127 miles west of St. Paul, Minnesota. The City of Montevideo, Minnesota is the County Seat for Chippewa County, Minnesota.

LARGER EMPLOYERS¹

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Walmart	Retail	350
Chippewa County Montevideo Hospital	Hospital	300
Jennie-O Turkey Store, Inc.	Turkey and poultry processing	270
I.S.D. No. 129 (Montevideo Public Schools)	Elementary and secondary education	246
Friendship Homes of Minnesota, Inc.	Home manufacturing	180
Luther Haven Nursing Home	Nursing Home	160
American Surplus	Fish house manufacturers	150
Chippewa County	County government and services	129
Chandler Industries, Inc.	Machine shops	100
Specsys, Inc.	Engineering and manufacturing	70

Source: Data Axle Reference Solutions, written and telephone survey, and the Minnesota Department of Employment and Economic Development.

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	7,610
2020 U.S. Census population	7,477
Percent of Change 2010 - 2020	-1.75%
2024 State Demographer Estimate	7,344

¹ This does not purport to be a comprehensive list and is based on available data obtained through a survey of individual employers, as well as the sources identified above.

Income and Age Statistics

	The District	Chippewa County	State of Minnesota	United States
2024 per capita income	\$34,983	\$35,718	\$48,237	\$44,673
2024 median household income	\$73,702	\$71,458	\$89,062	\$80,734
2024 median family income	\$92,045	\$92,442	\$113,993	\$99,999
2024 median gross rent	\$851	\$869	\$1,280	\$1,413
2024 median value owner occupied units	\$157,000	\$156,100	\$329,300	\$332,700
2024 median age	42.7 yrs.	41.7 yrs.	38.8 yrs.	38.9 yrs.

	State of Minnesota	United States
District % of 2024 per capita income	72.52%	78.31%
District % of 2024 median family income	80.75%	92.05%

Source: 2010 and 2020 Census of Population and Housing, and 2024 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>) and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-place/school-district-data.jsp>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Chippewa County	Chippewa County	Chippewa County	State of Minnesota
2022	5,934		2.4%	2.5%
2023	5,940		3.0%	2.8%
2024	6,018		3.1%	3.0%
2025	5,889		4.4%	4.3%
2026, February	5,771		5.8%	5.3%

Source: Minnesota Department of Employment and Economic Development.

FINANCIAL STATEMENTS

Potential purchasers should read the included financial statements in their entirety for more complete information concerning the District's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The District has not requested or engaged the Auditor to perform, and the Auditor has not performed, any additional examination, assessments, procedures or evaluation with respect to such financial statements since the date thereof or with respect to this Preliminary Official Statement, nor has the District requested that the Auditor consent to the use of such financial statements in this Preliminary Official Statement. Although the inclusion of the financial statements in this Preliminary Official Statement is not intended to demonstrate the fiscal condition of the District since the date of the financial statements, in connection with the issuance of the Bonds, the District represents that there have been no material adverse change in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.

ANNUAL FINANCIAL REPORT

INDEPENDENT SCHOOL DISTRICT NO. 129
MONTEVIDEO, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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Montevideo, Minnesota
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Independent School District No. 129

Montevideo, Minnesota

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INTRODUCTORY SECTION
INDEPENDENT SCHOOL DISTRICT NO. 129
MONTEVIDEO, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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Independent School District No. 129
Montevideo, Minnesota
School District Officials
For the Year Ended June 30, 2025

BOARD OF EDUCATION

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Andrew Stenson	1/1/2026	Chair
Janet Wibben	1/1/2026	Clerk
Travis Birhanzi	1/1/2028	Treasurer
Dustin Shourds	1/1/2026	Vice-Chair
Jarrold Miller	1/1/2028	Director
Sarah Norman	1/1/2028	Director

ADMINISTRATION

Wade McKittrick	Superintendent
Adam Spray	Chief School Business Official

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 129
MONTEVIDEO, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 129
Montevideo, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 129, Montevideo, Minnesota, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2025, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Change in Accounting Principle

As described in Note 10 to the financial statements, the District adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 100, Accounting Changes and Error Corrections for the year ended June 30, 2025. Adoption of the provision of this statement results in a significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Schedule of Changes in the District's Total OPEB Liability and Related Ratios starting on page 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual fund financial statements and schedules and table and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund financial statements and schedules and table and schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information in the 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 statement 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 December 11, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to provide an opinion on the effectiveness of the District's internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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Mankato, Minnesota
December 11, 2025



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Management's Discussion and Analysis

As management of the Independent School District No. 129, Montevideo, Minnesota (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

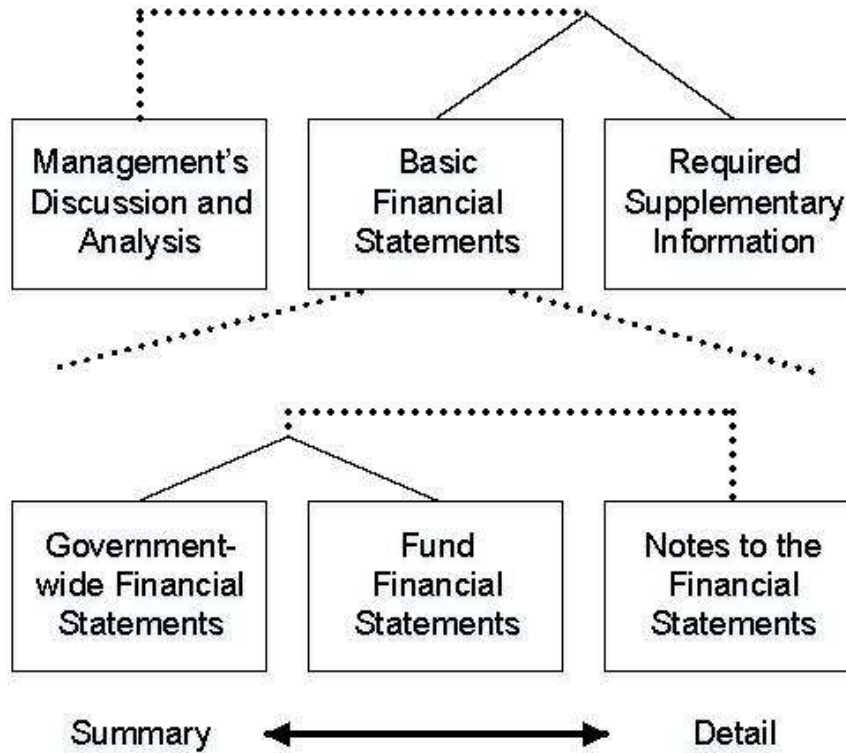
Financial Highlights

- The assets and deferred outflow of resources exceeded the liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages.
- The District's total net position increased as shown in the summary of changes in net position on the following pages. This change is mainly due to increases in state aid formula grants and other contributions from the prior year. Expenses increased primarily in the elementary and secondary regular instruction, special education instruction, and interest on long-term debt categories, but revenues were sufficient to cover these increases.
- As of the close of the current fiscal year, the District's governmental funds are shown in the financial analysis of the District's funds section of the MD&A. The total fund balance increased in comparison with the prior year. This increase is attributable to unspent bond proceeds for the construction project.
- At the end of the current fiscal year, unassigned fund balance for the General fund, as shown in the financial analysis of the District's funds section, increased from the prior year.

Overview of the Financial Statements

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

Organization of Independent School District No. 129 Annual Financial Report



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

Major Features of the District-wide and Fund Financial Statements

	Fund Financial Statements		
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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

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

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

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

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

The District-wide financial statements can be found starting on page 30 of this report.

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

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

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact by the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund, and Building Construction fund, all of which are considered to be major funds. The food service and community service fund are considered nonmajor funds.

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

The basic governmental fund financial statements can be found starting on page 34 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 41 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 the Independent School District No. 129's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension benefits to its employees. The required supplementary information also includes information on the schedule of changes in the District's net OPEB liability and related ratios. Required supplementary information can be found starting on page 76 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules and table can be found starting on page 86 of this report.

District-wide Financial Analysis

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

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

Independent School District No. 129's Net Position

	Governmental Activities		Increase (Decrease)	
	2025	2024	Amount	Percent
Current and Other Assets	\$ 10,908,351	\$ 9,007,033	\$ 1,901,318	21.1 %
Capital Assets	12,237,698	11,708,862	528,836	4.5
Total Assets	<u>23,146,049</u>	<u>20,715,895</u>	<u>2,430,154</u>	<u>11.7</u>
Deferred Outflows of Resources	<u>3,470,081</u>	<u>8,303,757</u>	<u>(4,833,676)</u>	<u>(58.2)</u>
Long-term Liabilities Outstanding	16,775,696	18,200,993	(1,425,297)	(7.8)
Other Liabilities	2,071,083	3,936,472	(1,865,389)	(47.4)
Total Liabilities	<u>18,846,779</u>	<u>22,137,465</u>	<u>(3,290,686)</u>	<u>(14.9)</u>
Deferred Inflows of Resources	<u>7,530,669</u>	<u>9,356,944</u>	<u>(1,826,275)</u>	<u>(19.5)</u>
Net Position				
Net investment in capital assets	10,293,290	9,337,314	955,976	10.2
Restricted	1,637,413	2,380,627	(743,214)	(31.2)
Unrestricted	<u>(11,692,021)</u>	<u>(14,192,698)</u>	<u>2,500,677</u>	<u>17.6</u>
Total Net Position	<u>\$ 238,682</u>	<u>\$ (2,474,757)</u>	<u>\$ 2,713,439</u>	<u>(109.6) %</u>
Net Position as a Percent of Total				
Net investment in capital assets	4,312.6 %	(377.3) %		
Restricted	686.0	(96.2)		
Unrestricted	<u>(4,898.6)</u>	<u>573.5</u>		
	<u>100.0 %</u>	<u>100.0 %</u>		

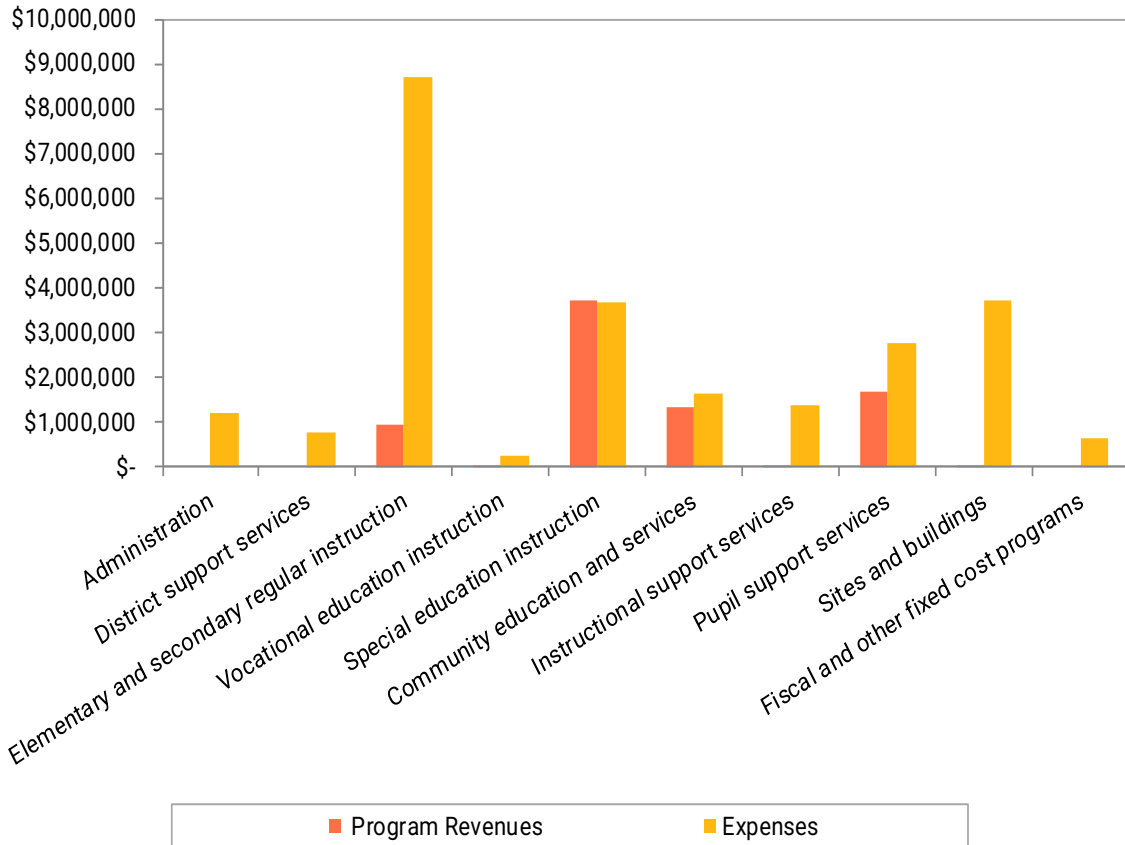
At the end of the current fiscal year, the District reports positive balances in the net investment in capital assets and restricted categories, and a negative balance in the unrestricted category.

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

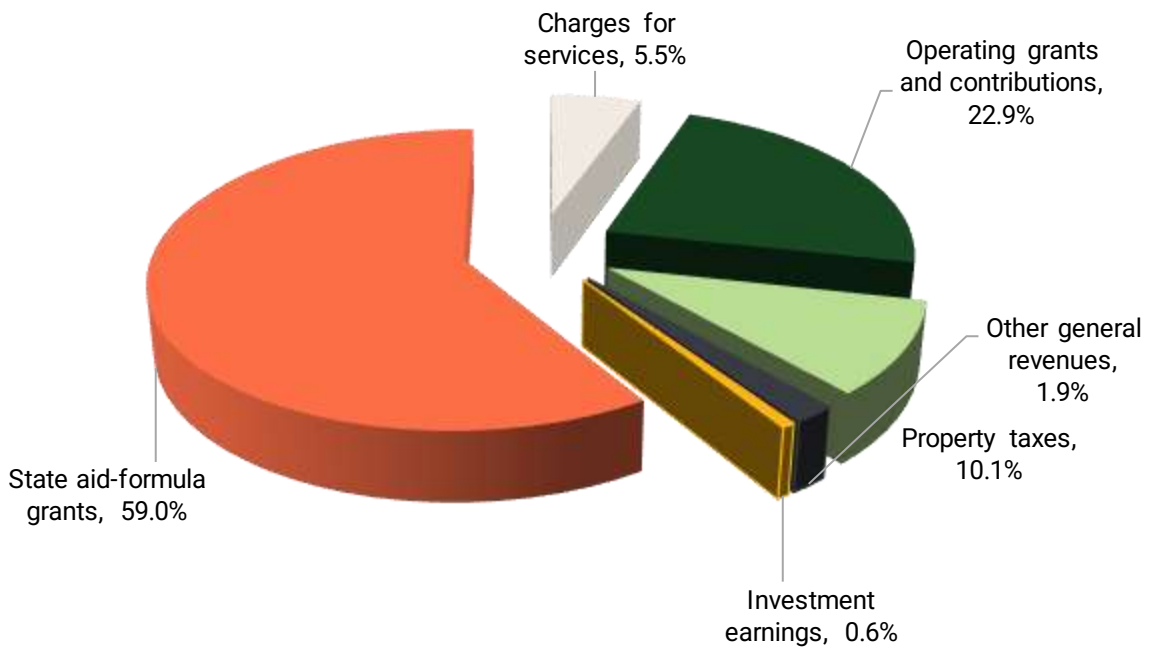
Independent School District No. 129’s Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2025	2024	Amounts	Percent
Revenues				
Program revenues				
Charges for services	\$ 1,517,279	\$ 1,865,693	\$ (348,414)	(18.7) %
Operating grants and contributions	6,296,314	8,704,976	(2,408,662)	(27.7)
Capital grants and contributions	-	349,992	(349,992)	(100.0)
General revenues				
Property taxes	2,779,001	2,671,693	107,308	4.0
State aid-formula grants and other contributions	16,263,380	11,901,646	4,361,734	36.6
Other general revenues	523,761	622,799	(99,038)	(15.9)
Investment earnings	151,922	180,192	(28,270)	(15.7)
Sale of assets	116	-	116	1.0
Total Revenues	27,531,773	26,296,991	1,234,782	4.7
Expenses				
Administration	1,200,629	1,259,631	(59,002)	(4.7)
District support services	798,778	744,377	54,401	7.3
Elementary and secondary regular instruction	8,687,878	8,521,831	166,047	1.9
Vocational education instruction	272,329	310,885	(38,556)	(12.4)
Special education instruction	3,691,350	3,881,761	(190,411)	(4.9)
Community education and services	1,644,723	1,641,651	3,072	0.2
Instructional support services	1,369,200	1,469,853	(100,653)	(6.8)
Pupil support services	2,771,624	2,905,857	(134,233)	(4.6)
Sites and buildings	3,742,506	3,202,055	540,451	16.9
Fiscal and other fixed cost programs	639,317	345,997	293,320	84.8
Loss on disposal of assets	-	2,577	-	-
Total Expenses	24,818,334	24,286,475	534,436	2.2
Change in Net Position	2,713,439	2,010,516	702,923	35.0
Net Position, July 1	(2,474,757)	(4,485,273)	2,010,516	44.8
Net Position, June 30	\$ 238,682	\$ (2,474,757)	\$ 2,713,439	(109.6) %

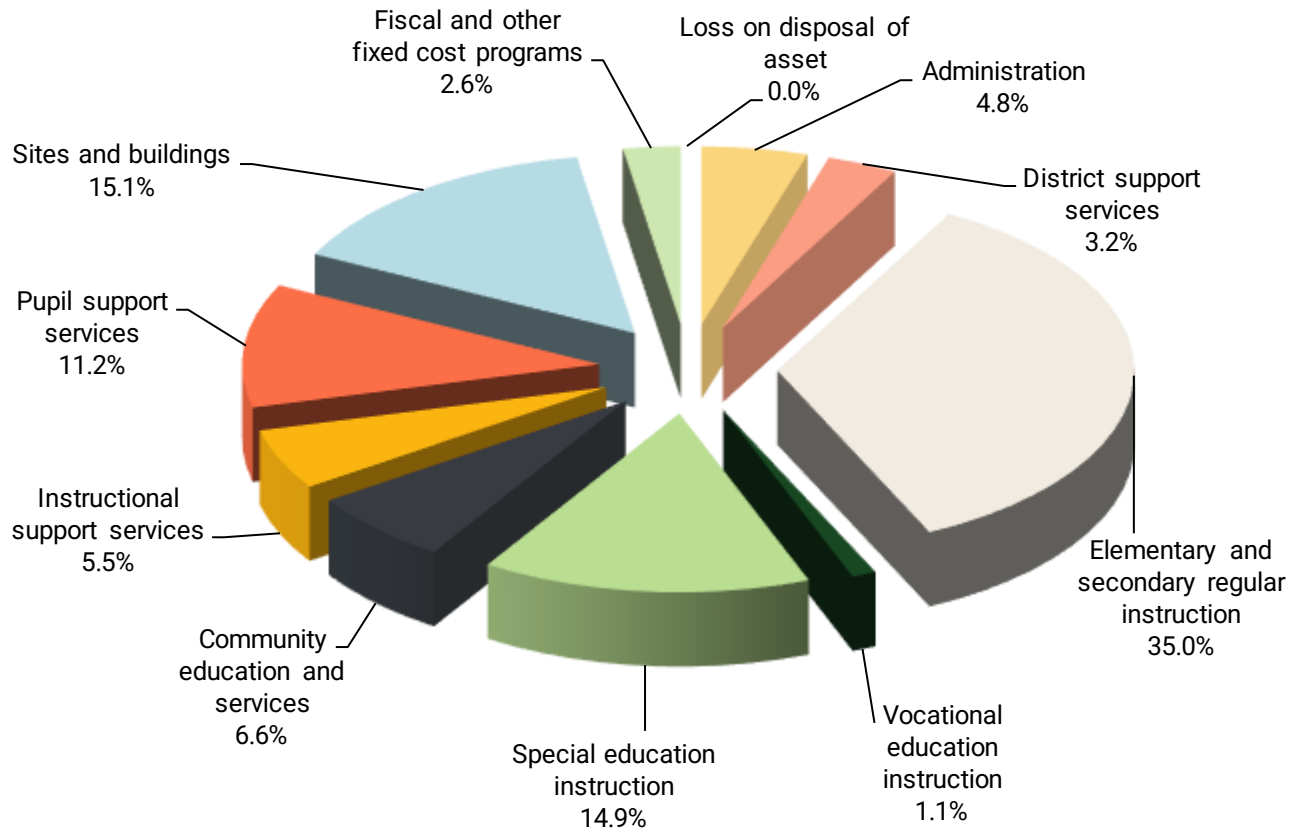
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

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

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *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 table below outlines the governmental fund balances for the year ending June 30, 2025.

	General Fund	Debt Service	Building Construction	Nonmajor Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	\$ 28,083	\$ -	\$ -	\$ 13,595	\$ 41,678	\$ 293,210	\$ (251,532)
Restricted	913,668	336,158	3,016,813	385,387	4,652,026	2,451,254	2,200,772
Assigned	32,124	-	-	-	32,124	20,884	11,240
Unassigned	981,500	-	-	(18,417)	963,083	450,981	512,102
Total Fund Balances	\$ 1,955,375	\$ 336,158	\$ 3,016,813	\$ 380,565	\$ 5,688,911	\$ 3,216,329	\$ 2,472,582

The General fund is the chief operating fund of the District. Unassigned fund balance represents amounts that are available for spending at the District's discretion. 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.

	<u>Current Year Ending Balance</u>	<u>Prior Year Ending Balance</u>	<u>Increase/ (Decrease)</u>
General Fund Fund Balances			
Nonspendable	\$ 28,083	\$ 269,026	\$ (240,943)
Restricted	913,668	1,354,020	(440,352)
Assigned	32,124	20,884	11,240
Unassigned	<u>981,500</u>	<u>814,820</u>	<u>166,680</u>
 Total Fund Balances	 <u>\$ 1,955,375</u>	 <u>\$ 2,458,750</u>	 <u>\$ (503,375)</u>
 General Fund expenditures	 \$ 23,652,327	 \$ 21,159,618	
Unassigned as a percent of expenditures	4.1%	3.9%	
Total fund balance as a percent of expenditures	8.3%	11.6%	

The fund balance of the District's General fund decreased as shown above during the current fiscal year. The main reasons for this decrease can be attributed to decreases in restricted balances.

The Debt Service fund's fund balance, all of which is restricted for the payment of debt service is shown below. The increase can mainly be attributable to revenue from state sources and interest earned on investments.

	<u>Current Year Ending Balance</u>	<u>Prior Year Ending Balance</u>	<u>Increase/ (Decrease)</u>
Debt Service Fund Balances			
Restricted	<u>\$ 336,158</u>	<u>\$ 233,553</u>	<u>\$ 102,605</u>
 Debt Service expenditures	 \$ 1,116,663	 \$ 1,104,414	
Total fund balance as a percent of expenditures	30.1%	21.1%	

The Building Construction fund's fund balance, all of which is restricted for building construction is shown below. The increase can be attributable to bond issuance for the elementary school project.

	<u>Current Year Ending Balance</u>	<u>Prior Year Ending Balance</u>	<u>Increase/ (Decrease)</u>
Building Construction Fund Balances			
Restricted	<u>\$ 3,016,813</u>	<u>\$ -</u>	<u>\$ 3,016,813</u>
 Building Construction expenditures	 \$ 826,474	 \$ -	
Total fund balance as a percent of expenditures	365.0%		

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 23,117,260	\$ (310,236)	\$ 22,807,024	\$ 23,140,518	\$ 333,494
Expenditures	<u>23,252,944</u>	<u>9,606</u>	<u>23,262,550</u>	<u>23,652,327</u>	<u>(389,777)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(135,684)	(319,842)	(455,526)	(511,809)	(56,283)
Other Financing Sources (Uses)					
Insurance recoveries	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,434</u>	<u>8,434</u>
Net Change in Fund Balances	(135,684)	(319,842)	(455,526)	(503,375)	(47,849)
Fund Balances, July 1	<u>2,458,750</u>	<u>-</u>	<u>2,458,750</u>	<u>2,458,750</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 2,323,066</u>	<u>\$ (319,842)</u>	<u>\$ 2,003,224</u>	<u>\$ 1,955,375</u>	<u>\$ (47,849)</u>

The District's general fund budget was amended during the year as shown above. The budget amendment decreased revenues and increased expenditures. Actual revenues were over the final budget and expenditures were over the final budget amounts as shown above.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2025 is shown in the chart below (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, equipment, and right to use assets. The following is a schedule of capital assets as of June 30, 2025.

Independent School District No. 129's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2025	2024	Increase (Decrease)
Land	\$ 150,539	\$ 150,539	\$ -
Land Improvements	418,478	394,526	23,952
Buildings	8,424,547	8,499,492	(74,945)
Equipment	1,458,099	1,459,636	(1,537)
Right to use asset	1,041,666	1,174,904	(133,238)
Construction in Progress	<u>744,369</u>	<u>17,655</u>	<u>726,714</u>
Total	<u>\$ 12,237,698</u>	<u>\$ 11,696,752</u>	<u>\$ 540,946</u>
Percent increase (decrease)			4.6%

Additional information on the District's capital assets can be found in Note 3C on page 53 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total general obligation bonds and lease payable outstanding as shown in the chart below.

Independent School District No. 129’s Outstanding Debt

	Governmental Activities		
	2025	2024	Increase (Decrease)
General Obligation Bonds	\$ 3,750,000	\$ 1,175,000	\$ 2,575,000
Lease payable	1,062,187	1,196,548	(134,361)
Total	<u>\$ 4,812,187</u>	<u>\$ 2,371,548</u>	<u>\$ 2,440,639</u>
Percent increase (decrease)			102.9%

Additional information on the District’s leases and long-term debt can be found in Note 3E on page 54 of this report.

Factors Bearing on the District’s Future

The District will strive to maintain a minimum unassigned general fund balance of five percent of actual expenditures. The district is committed to maintaining a positive financial environment for the residents of the Montevideo School District. Our system of financial planning, budgeting, and internal financial controls are well organized, and will prepare us to meet the financial challenges that lie ahead. The district will be going out for a \$42 Million Building Bond Referendum in February of 2026 to address critical facility needs across the district to better serve the students, staff, and community for years to come.

Requests for Information

This financial report is designed to provide the District’s citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Independent School District No. 129, 2001 William Avenue, Montevideo, Minnesota 56265.

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DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 129
MONTEVIDEO, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 129
Montevideo, Minnesota
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and temporary investments	\$ 6,170,772
Receivables	
Taxes	1,831,084
Accounts	20,805
Due from other school districts	218,262
Intergovernmental	2,530,269
Interest	95,481
Inventories	13,595
Prepaid items	28,083
Capital assets not being depreciated	894,908
Capital assets net of accumulated depreciation	11,342,790
Total Assets	23,146,049
Deferred Outflows of Resources	
Deferred pension resources	3,092,276
Deferred other post employment benefit resources	377,805
Total Deferred Outflows of Resources	3,470,081
Liabilities	
Salaries and wages payable	1,101,835
Accounts payables	852,349
Accrued interest payable	14,955
Due to other school districts	87,359
Due to other governments	14,585
Noncurrent liabilities	
Due within one year	
Long-term liabilities	1,173,448
Other post employment benefit liability	88,258
Due in more than one year	
Long-term liabilities	3,930,223
Net pension liability	10,006,226
Other post employment benefit liability	1,577,541
Total Liabilities	18,846,779
Deferred Inflows of Resources	
Property taxes levied for subsequent year	3,144,652
Deferred pension resources	4,124,862
Deferred other post employment benefit resources	261,155
Total Deferred Inflows of Resources	7,530,669
Net Position	
Net investment in capital assets	10,293,290
Restricted for	
Debt service	322,345
Food service	867,593
Educational purposes	447,475
Unrestricted	(11,692,021)
Total Net Position	\$ 238,682

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

Independent School District No. 129

Montevideo, Minnesota

Statement of Activities

For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities					
Administration	\$ 1,200,629	\$ -	\$ -	\$ -	\$ (1,200,629)
District support services	798,778	-	-	-	(798,778)
Elementary and secondary regular instruction	8,687,878	140,062	822,954	-	(7,724,862)
Vocational education instruction	272,329	-	1,548	-	(270,781)
Special education instruction	3,691,350	179,991	3,550,096	-	38,737
Community education and services	1,644,723	1,138,758	199,524	-	(306,441)
Instructional support services	1,369,200	26,430	32,412	-	(1,310,358)
Pupil support services	2,771,624	32,038	1,663,017	-	(1,076,569)
Sites and buildings	3,742,506	-	26,763	-	(3,715,743)
Fiscal and other fixed cost programs	639,317	-	-	-	(639,317)
Total Governmental Activities	\$ 24,818,334	\$ 1,517,279	\$ 6,296,314	\$ -	(17,004,741)
General Revenues					
Property taxes, levied for general purposes					2,091,487
Property taxes, levied for community service					187,365
Property taxes, levied for debt service					500,149
State aid-formula grants and other contributions					16,263,380
Other general revenues					523,761
Investment earnings					151,922
Gain on sale of assets					116
Total General Revenues					19,718,180
Change in Net Position					2,713,439
Net Position, July 1					(2,474,757)
Net Position, June 30					\$ 238,682

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

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 129
MONTEVIDEO, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 129

Montevideo, Minnesota

Balance Sheet

Governmental Funds

June 30, 2025

	General	Debt Service	Building Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 1,668,779	\$ 578,529	\$ 3,423,927	\$ 499,537	\$ 6,170,772
Receivables					
Taxes					
Current	1,051,380	662,655	-	98,389	1,812,424
Delinquent	15,100	1,142	-	2,418	18,660
Accounts	20,176	-	-	629	20,805
Due from other school districts	218,262	-	-	-	218,262
Intergovernmental	2,409,301	61,788	-	59,180	2,530,269
Interest	95,481	-	-	-	95,481
Inventories	-	-	-	13,595	13,595
Prepaid items	28,083	-	-	-	28,083
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 5,506,562</u>	<u>\$ 1,304,114</u>	<u>\$ 3,423,927</u>	<u>\$ 673,748</u>	<u>\$ 10,908,351</u>
Liabilities					
Salaries and wages payable	\$ 1,028,346	\$ -	\$ -	\$ 73,489	\$ 1,101,835
Accounts payable	432,858	-	407,114	12,377	852,349
Due to other school districts	87,359	-	-	-	87,359
Due to other governments	14,585	-	-	-	14,585
Total Liabilities	<u>1,563,148</u>	<u>-</u>	<u>407,114</u>	<u>85,866</u>	<u>2,056,128</u>
Deferred Inflows of Resources					
Property taxes levied for subsequent year	1,972,939	966,814	-	204,899	3,144,652
Unavailable revenue - delinquent property taxes	15,100	1,142	-	2,418	18,660
Total Deferred Inflows of Resources	<u>1,988,039</u>	<u>967,956</u>	<u>-</u>	<u>207,317</u>	<u>3,163,312</u>
Fund Balances					
Nonspendable	28,083	-	-	13,595	41,678
Restricted	913,668	336,158	3,016,813	385,387	4,652,026
Assigned	32,124	-	-	-	32,124
Unassigned	981,500	-	-	(18,417)	963,083
Total Fund Balances	<u>1,955,375</u>	<u>336,158</u>	<u>3,016,813</u>	<u>380,565</u>	<u>5,688,911</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,506,562</u>	<u>\$ 1,304,114</u>	<u>\$ 3,423,927</u>	<u>\$ 673,748</u>	<u>\$ 10,908,351</u>

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

Independent School District No. 129

Montevideo, Minnesota

Reconciliation of the Balance Sheet
to the Statement of Net Position

Governmental Funds

June 30, 2025

Amounts Reported for Governmental Activities in the Statement
of Net Position are Different Because

Total Fund Balances - Governmental Funds	\$ 5,688,911
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	12,237,698
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Bonds payable	(3,750,000)
Lease liability	(1,062,187)
Severance payable	(66,298)
Compensated absences payable	(76,152)
Unamortized bond premium	(149,034)
Net pension liability	(10,006,226)
Other post employment benefits liability	(1,665,799)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	18,660
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	3,092,276
Deferred inflows of pension resources	(4,124,862)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other post employment benefit resources	377,805
Deferred inflows of other post employment benefit resources	(261,155)
Governmental funds do not report a liability for accrued interest until due and payable.	(14,955)
Total Net Position - Governmental Activities	<u>\$ 238,682</u>

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

Independent School District No. 129
Montevideo, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Debt Service	Building Construction	Formerly Major		Other Governmental Funds	Total
				Food Service	Community Service		
Revenues							
Local property tax levies	\$ 2,028,437	\$ 502,285	\$ -	\$ -	\$ -	\$ 187,000	\$ 2,717,722
Other local revenue	1,346,898	-	-	-	-	1,153,508	2,500,406
Interest earned on investments	77,749	13,783	41,543	-	-	18,847	151,922
Revenue from state sources	19,262,008	703,200	-	-	-	691,574	20,656,782
Revenue from federal sources	424,506	-	-	-	-	983,042	1,407,548
Sales and other conversion of assets	920	-	-	-	-	20,088	21,008
Total Revenues	23,140,518	1,219,268	41,543	-	-	3,054,059	27,455,388
Expenditures							
Current							
Administration	1,339,012	-	-	-	-	-	1,339,012
District support services	645,829	-	-	-	-	-	645,829
Elementary and secondary regular instruction	9,895,426	-	-	-	-	-	9,895,426
Vocational education instruction	319,638	-	-	-	-	-	319,638
Special education instruction	4,178,804	-	-	-	-	-	4,178,804
Community education and services	-	-	-	-	-	1,744,323	1,744,323
Instructional support services	1,157,210	-	-	-	-	-	1,157,210
Pupil support services	1,491,800	-	-	-	-	1,353,737	2,845,537
Sites and buildings	2,376,312	-	-	-	-	-	2,376,312
Fiscal and other fixed cost programs	423,518	-	-	-	-	-	423,518
Capital outlay	1,656,778	-	826,474	-	-	99,460	2,582,712
Debt service							
Principal	134,361	1,075,000	-	-	-	-	1,209,361
Interest and other charges	33,639	35,250	-	-	-	-	68,889
Bond issuance costs	-	6,413	-	-	-	-	6,413
Total Expenditures	23,652,327	1,116,663	826,474	-	-	3,197,520	28,792,984
Excess (Deficiency) of Revenues Over (Under) Expenditures	(511,809)	102,605	(784,931)	-	-	(143,461)	(1,337,596)
Other Financing Sources (Uses)							
Insurance recoveries	8,434	-	-	-	-	-	8,434
Debt issued	-	-	3,650,000	-	-	-	3,650,000
Premium on bonds issued	-	-	151,744	-	-	-	151,744
Total Other Financing Sources (Uses)	8,434	-	3,801,744	-	-	-	3,810,178
Net Change in Fund Balances	(503,375)	102,605	3,016,813	-	-	(143,461)	2,472,582
Fund Balances, July 1, as previously reported	2,458,750	233,553	-	807,610	(283,584)	-	3,216,329
Change to the financial reporting entity (note 8) Change from major to nonmajor fund	-	-	-	(807,610)	283,584	524,026	-
Fund Balances, July 1, as adjusted	2,458,750	233,553	-	-	-	524,026	3,216,329
Fund Balances, June 30	\$ 1,955,375	\$ 336,158	\$ 3,016,813	\$ -	\$ -	\$ 380,565	\$ 5,688,911

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

Independent School District No. 129
Montevideo, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2025

Amounts Reported for Governmental Activities in the Statement
of Activities are Different Because

Total Net Change in Fund Balances - Governmental Funds	\$ 2,472,582
<p>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.</p>	
Capital outlay	2,017,892
Depreciation expense	(1,458,441)
<p>The net effect of various miscellaneous transactions involving capital assets</p>	
Book value of capital assets sold	(30,615)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.</p>	
Issuance of long-term debt	(3,650,000)
Principal repayments	1,209,361
Premiums on bonds issued, net of amortization cost	(151,744)
Amortization of bond premiums	5,280
<p>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.</p>	
	(428)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	243,874
Direct aid contributions	67,316
<p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.</p>	
	635
<p>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.</p>	
Severance costs	(28,716)
Compensated absences	18,939
Other post employment benefits costs	1,997,504
	1,997,504
Change in Net Position - Governmental Activities	\$ 2,713,439

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

Independent School District No. 129
Montevideo, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Local property tax levies	\$ 1,795,990	\$ 1,644,241	\$ 2,028,437	\$ 384,196
Other local revenue	1,223,414	1,036,020	1,346,898	310,878
Interest earned on investments	75,000	75,000	77,749	2,749
Revenue from state sources	19,528,255	19,555,050	19,262,008	(293,042)
Revenue from federal sources	486,101	488,213	424,506	(63,707)
Sales and other conversion of assets	8,500	8,500	920	(7,580)
Total Revenues	<u>23,117,260</u>	<u>22,807,024</u>	<u>23,140,518</u>	<u>333,494</u>
Expenditures				
Current				
Administration	1,301,624	1,296,422	1,339,012	(42,590)
District support services	554,240	624,132	645,829	(21,697)
Elementary and secondary regular instruction	10,278,691	9,748,096	9,895,426	(147,330)
Vocational education instruction	328,590	331,090	319,638	11,452
Special education instruction	4,741,893	4,455,248	4,178,804	276,444
Instructional support services	935,280	1,019,582	1,157,210	(137,628)
Pupil support services	1,499,107	1,513,816	1,491,800	22,016
Sites and buildings	2,293,519	2,481,664	2,376,312	105,352
Fiscal and other fixed cost programs	265,000	275,000	423,518	(148,518)
Capital outlay				
District support services	6,000	6,000	344	5,656
Elementary and secondary regular instruction	72,900	72,900	38,387	34,513
Special education instruction	-	-	1,949	(1,949)
Instructional support services	249,600	249,600	251,301	(1,701)
Pupil support services	60,000	-	-	-
Sites and buildings	666,500	1,189,000	1,364,797	(175,797)
Debt service				
Principal	-	-	134,361	(134,361)
Interest and other charges	-	-	33,639	(33,639)
Total Expenditures	<u>23,252,944</u>	<u>23,262,550</u>	<u>23,652,327</u>	<u>(389,777)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(135,684)	(455,526)	(511,809)	(56,283)
Other Financing Sources (Uses)				
Insurance recoveries	-	-	8,434	8,434
Net Change in Fund Balances	(135,684)	(455,526)	(503,375)	(47,849)
Fund Balances, July 1	<u>2,458,750</u>	<u>2,458,750</u>	<u>2,458,750</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 2,323,066</u>	<u>\$ 2,003,224</u>	<u>\$ 1,955,375</u>	<u>\$ (47,849)</u>

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

Independent School District No. 129
Montevideo, Minnesota
Custodial Fund
Statement of Net Position
June 30, 2025

Assets	
Equity in pooled cash and investments	<u>\$ 3,254,864</u>
Net position	
Fiduciary net position- heed for others	<u>\$ 3,254,864</u>

Independent School District No. 129
Montevideo, Minnesota
Custodial Fund
Statement of Changes in Net Position
For the Year Ended June 30, 2025

Additions	
Local and county sources	\$ 1,136,762
State sources	1,093,331
Federal sources	617,082
Total Additions	2,847,175
Deductions	
General government	2,554,771
Community Service	296,887
Total Deductions	2,851,658
Change in Net Position	(4,483)
Net Position, July 1	3,259,347
Net Position, June 30	\$ 3,254,864

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 129, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of six members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

Description of Funds

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

Major Governmental Funds

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

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

The *Building Construction fund* accounts for all resources used for the acquisition and/or construction of major capital facilities.

Nonmajor Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenue and expenditures.

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

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Fiduciary Funds

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. The District's custodial fund accounts for activities held for Minnesota River Valley Education District (MRVED). Independent School District No. 129 acts as the fiscal agent for MRVED. All resources of the fund, including any earnings on invested resources, may be used to support the activities.

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

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

Deposits and Investments

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

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

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
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 district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (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.

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements are listed in detail on page 50 and are valued using quoted market prices (Level 1 inputs).

Property Taxes

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

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2025 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Current property taxes receivable is the uncollected portion of the taxes levied in 2024 and collectible in 2025. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year.

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

Accounts Receivable

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

Inventories and Prepaid Items

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

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

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other expenditure at the time of consumption.

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

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Buildings	20 - 50
Equipment	5 - 15

Deferred Outflows of Resources

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

Compensated Absences

Employees' vacation benefits are recognized in the period of earned. Employees are granted vacation days at various rates and accumulations based on contracts. Sick leave is also earned at various rates with a maximum accumulation of 30 to 100 days. Leave time costs are recognized as expenditures when leave time is used. The liability for unused vacation time is recorded in the government-wide financial statements. Unused sick leave expected to be used prior to termination is also recorded in the government-wide financial statements.

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Post Employment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during 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, 2023. The General fund is typically used to liquidate governmental other postemployment benefits payable.

The District provides certain full-time employees with health insurance and life insurance.

Certified employees and certain other employees of the District are eligible to participate in a 403(b) salary reduction plan with matching contributions by the District. The District match is 3.00 percent of annual base salary for teachers, . All other employees are eligible to participate in the 403(b) retirement plan without a matching contribution from the District. District contributions to all 403(b) retirement plans for the year ended June 30, 2025 was \$242,751.

Long-term Obligations

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

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

Pensions

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

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

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

	GERP	TRA	Total All Plans
District's proportionate share	\$ 160,747	\$ (270,010)	\$ (109,263)
Proportionate share of State's contribution	193	85,648	85,841
Total pension expense	<u>\$ 160,940</u>	<u>\$ (184,362)</u>	<u>\$ (23,422)</u>

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items which arise only under a modified accrual basis of accounting. Accordingly, the items, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. Furthermore, the District has two additional items which qualify for reporting in this category. The items, deferred pension resources and deferred OPEB resources, are reported only in the statement of net position and results from actuarial calculations.

Fund Balance

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

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

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

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

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

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

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

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of 5 percent of annual expenditures for cash-flow timing needs.

Net Position

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

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets"

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

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for District governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds.

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the School Board.
2. Budgets for General, special revenue, Debt Service and Building Construction funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of budgetary control is the fund level.
6. The District does not use encumbrance accounting.

Budgeted amounts included mid-year budget amendments that decreased the original budgeted General fund revenues by \$310,236 and increased the budgeted expenditures by \$9,606. The Food Service, Community Service, and Debt Service fund budgets were also all amended based on updated knowledge for anticipated revenues and expenditures.

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Actual Expenditures Over Appropriations

For the year ended June 30, 2025, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General	\$ 23,262,550	\$ 23,652,327	\$ 389,777
Community Service	1,592,279	1,747,016	154,737

The excess expenditures were funded by actual revenues in excess of budget and available fund balance.

C. Deficit Fund Equity

The following fund had a fund equity deficit at June 30, 2025.

<u>Fund</u>	<u>Amount</u>
Community Service	\$ 487,028

The above deficit will be eliminate with future aids.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank’s public debt is rated “AA” or better by Moody’s Investors Service, Inc., or Standard & Poor’s Corporation; and
- Time deposits that are fully insured by any federal agency.

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

At year end, the District’s carrying amount of deposits was \$225,570 and the bank balance was \$613,855. Of the bank balance, \$429,472 was covered by Federal depository insurance, \$328 was covered by NCUA insurance, while the remaining balance was covered by collateral held by the pledging financial institution’s trust department in the District’s name.

Investments

As of June 30, 2025 the District had the following investments that are insured or registered, or securities held by the District’s agent in the District’s name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Minnesota Valley Investments						
Asset Fund (MSDLAF)	AAAm	less than 6 months	\$ 615,605	\$ -	\$ -	\$ -
PMA Financial Network						
MN Trust Investment Shares	N/A	less than 6 months	8,584,461	-	-	-
Total Investments			<u>\$ 9,200,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

Investment Policy

The District may also invest idle funds as authorized by Minnesota statutes, as follows: direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better, general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States’ banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States’ corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

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

- *Custodial credit risk* - The risk that in the event of a failure of the counterparty to an investment transaction (typically a broker) the government would not be able to recover the value of the investment or collateral securities.
- *Credit risk* - The risk that an issuer or other counterparty to an investment will not fulfill its obligations.
- *Concentration risk* - Investing 5 percent or more of the District's portfolio in the securities of a single issuer.

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

1. *Safety and Security.* Safety of principal is the first priority. The investments of the District shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.
2. *Liquidity.* The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.
3. *Return and Yield.* The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

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

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

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

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

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

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 District's investment in the MSDLAF is equal to the value of pool shares.

The Minnesota School District Liquid Asset Fund Plus (MSDLAF+) is an external investment pool (Pool). The Pool is regulated by Minnesota statutes and is not registered with the Securities and Exchange Commission (SEC) as an investment company. MSDLAF+ MAX Class is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Governmental Accounting Standards Board. The MAX Class may not be redeemed for at least 14 days and a 24-hour hold in place options prior to 14 days may be subject to penalty.

The MN Trust Fund investment shares portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The market value of the securities held by the Fund are evaluated on at least a weekly basis utilizing process supplied from an independent pricing service. These values are compared to the amortized cost of the securities. Repurchase agreements are valued at original cost, which combined with accrued interest, generally approximates market value.

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

Carrying Amount of Deposits	\$ 225,570
Investments	<u>9,200,066</u>
Total	<u><u>\$ 9,425,636</u></u>

Reconciliation of total cash and temporary investments to the statements of net position

Statement of Net Position - primary government	\$ 6,170,772
Statement of Net Position - custodial fund	<u>3,254,864</u>
	<u><u>\$ 9,425,636</u></u>

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2024 and payable in 2025. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2025 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

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

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Taxes receivable is comprised of the following components:

	General	Community Service	Debt Service	Total
Current Taxes	\$ 1,051,380	\$ 98,389	\$ 662,655	\$ 1,812,424
Delinquent Taxes	15,100	2,418	1,142	18,660
Total Taxes Receivable	<u>\$ 1,066,480</u>	<u>\$ 100,807</u>	<u>\$ 663,797</u>	<u>\$ 1,831,084</u>
Property Taxes Levied for Subsequent Year	<u>\$ 1,972,939</u>	<u>\$ 204,899</u>	<u>\$ 966,814</u>	<u>\$ 3,144,652</u>

C. Capital Assets

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

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Governmental activities				
Capital Assets not Being Depreciated/Amortized				
Land	\$ 150,539	\$ -	\$ -	\$ 150,539
Construction in progress	17,655	1,529,152	(802,438)	744,369
Total Capital Assets not Being Depreciated/Amortized	<u>168,194</u>	<u>1,529,152</u>	<u>(802,438)</u>	<u>894,908</u>
Capital Assets Being Depreciated/Amortized				
Land improvements	1,787,923	62,590	-	1,850,513
Buildings	33,119,627	859,378	-	33,979,005
Equipment	5,590,118	369,210	(105,190)	5,854,138
Right to use asset	1,453,489	-	-	1,453,489
Total Capital Assets Being Depreciated/Amortized	<u>41,951,157</u>	<u>1,291,178</u>	<u>(105,190)</u>	<u>43,137,145</u>
Less Accumulated Depreciation/Amortization				
Land improvements	(1,393,397)	(38,638)	-	(1,432,035)
Buildings	(24,621,123)	(933,335)	-	(25,554,458)
Equipment	(4,129,495)	(341,119)	74,575	(4,396,039)
Right to use asset	(266,474)	(145,349)	-	(411,823)
Total Accumulated Depreciation/Amortization	<u>(30,410,489)</u>	<u>(1,458,441)</u>	<u>74,575</u>	<u>(31,794,355)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>11,540,668</u>	<u>(167,263)</u>	<u>(30,615)</u>	<u>11,342,790</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 11,708,862</u>	<u>\$ 1,361,889</u>	<u>\$ (833,053)</u>	<u>\$ 12,237,698</u>

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

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

District Support Services	\$ 133,660
Elementary and Secondary Regular Instruction	45,951
Instructional Support Services	176,079
Pupil Support Services	16,792
Sites and Buildings	927,258
Fiscal and Other Fixed Cost Programs	<u>145,349</u>
 Total Depreciation/Amortization Expense	 <u><u>\$ 1,458,441</u></u>

D. Construction Commitments

The District has one active construction projects as of June 30, 2025. Remaining commitments for the project are as follows:

Project	Spent-to-Date	Remaining Commitment
HVAC and Site Improvements	<u><u>\$ 403,812</u></u>	<u><u>\$ 3,206,919</u></u>

E. Long-term Debt

General Obligation Bonds

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

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
G.O. Facilities Maintenance & Tax Abatement Bonds, Series 2025A	\$ 3,650,000	5.00 %	06/05/25	02/01/30	\$ 3,650,000	\$ 1,010,000
Capital Facilities Bonds Series 2014A	295,000	2.00 - 3.00	12/17/14	02/01/29	<u>100,000</u>	<u>25,000</u>
Total General Obligation Bonds					<u><u>\$ 3,750,000</u></u>	<u><u>\$ 1,035,000</u></u>

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

The annual requirements to amortize all bonds outstanding at June 30, 2025 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2026	\$ 1,035,000	\$ 122,639	\$ 1,157,639
2027	1,070,000	134,250	1,204,250
2028	650,000	81,250	731,250
2029	500,000	49,250	549,250
2030	495,000	24,750	519,750
Total	<u>\$ 3,750,000</u>	<u>\$ 412,139</u>	<u>\$ 4,162,139</u>

Right to Use Asset

The District entered into a lease agreement with Double D Development of Montevideo, LLC for building space, with payments starting July 1, 2022. Terms of the lease agreement between the District and Double D Development of Montevideo, LLC require monthly lease payments of \$14,000 through July 1, 2032. The lease term is 10 years. The tenant has the option to purchase the property after 1 year of the lease. The purchase option shall continue during the term of the lease. Amounts relating to the lease are reflected in the financial statements as right to use asset and lease liability. Future lease payments on leases classified as right to use assets are as follows: As of June 30, 2025, the District has the following long-term lease accounted for in accordance with the provisions of GASB 87.

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
Double D Development of Montevideo, LLC	\$ 1,443,088	3.00 %	07/01/22	10 years	\$ 14,000 Monthly	<u>\$ 1,062,187</u>

The annual lease principal and interest payments are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2026	\$ 138,448	\$ 29,552	\$ 168,000
2027	142,659	25,341	168,000
2028	146,998	21,002	168,000
2029	151,469	16,531	168,000
2030	156,076	11,924	168,000
2031 - 2032	326,537	9,462	335,999
Total	<u>\$ 1,062,187</u>	<u>\$ 113,812</u>	<u>\$ 1,175,999</u>

Independent School District No. 129
Montevideo, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation					
Bonds payable	\$ 1,175,000	\$ 3,650,000	\$ (1,075,000)	\$ 3,750,000	\$ 1,035,000
Unamortized premium	2,570	151,744	(5,280)	149,034	-
Other Liabilities					
Lease payable	1,196,548	-	(134,361)	1,062,187	138,448
Severance payable	115,199	-	(48,901)	66,298	-
Compensated absences *	95,091	-	(18,939)	76,152	-
Total Long-term Liabilities	<u>\$ 2,584,408</u>	<u>\$ 3,801,744</u>	<u>\$ (1,282,481)</u>	<u>\$ 5,103,671</u>	<u>\$ 1,173,448</u>

* Compensated absences are shown as a net change.

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

G. Components of Fund Balance

At June 30, 2025 portions of the District's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), District School Board action (committed), policy and/or intent (assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Building Construction	Nonmajor Government	Total Governmental Funds
Nonspendable					
Inventories	\$ -	\$ -	\$ -	\$ 13,595	\$ 13,595
Prepaid items	28,083	-	-	-	28,083
Total Nonspendable	<u>\$ 28,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,595</u>	<u>\$ 41,678</u>
Restricted for					
Student activities	\$ 116,039	\$ -	\$ -	\$ -	\$ 116,039
Scholarship	138,037	-	-	-	138,037
Literacy incentive	65,282	-	-	-	65,282
American Indian education aid	445	-	-	-	445
Operating capital	(284,803)	-	-	-	(284,803)
Basic skills	53,986	-	-	-	53,986
School library aid	40,000	-	-	-	40,000
Safe schools levy	30,044	-	-	-	30,044
Read act literacy aid	55,756	-	-	-	55,756
Read act teacher training	50,340	-	-	-	50,340
Long-term facilities maintenance	609,742	-	-	-	609,742
Student support personnel aid	38,800	-	-	-	38,800
Food service	-	-	-	853,998	853,998
Community education	-	-	-	(446,894)	(446,894)
Early childhood and family education	-	-	-	42,431	42,431
School readiness	-	-	-	(71,918)	(71,918)
Building construction	-	-	3,016,813	-	3,016,813
Community service	-	-	-	7,770	7,770
Debt service	-	336,158	-	-	336,158
Total Restricted	<u>\$ 913,668</u>	<u>\$ 336,158</u>	<u>\$ 3,016,813</u>	<u>\$ 385,387</u>	<u>\$ 4,652,026</u>
Assigned for					
Chromebooks	\$ 12,863	\$ -	\$ -	\$ -	\$ 12,863
Program Fund	19,261	-	-	-	19,261
Total Assigned	<u>\$ 32,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,124</u>
Unassigned	<u>\$ 981,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,417)</u>	<u>\$ 963,083</u>

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

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

Restricted for Scholarships – This amount represents available resources for scholarships.

Restricted for Literacy Incentive – The amount represents available resources to support implementation of evidence based reading instruction.

Restricted for American Indian Education Aid – This amount represents available resources for American Indian education.

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

Restricted for Basic Skills – This amount represents available resources to meet the educational needs of pupils who enroll under prepared to learn and whose progress toward meeting state or local content or performance standards.

Restricted for School Library Aid – This amount represents available resources for direct funding the costs within the school library or library media center.

Restricted for Safe Schools Levy This amount represents available resources for safe schools prevention and security.

Restricted for Read Act Literacy Aid – This amount represents available resources for evidence based literacy supports for children in prekindergarten through grade 12 based on structured literacy..

Restricted for Read Act Teacher Training – This amount represents available resources for teacher compensation for read act training.

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

Restricted for Student Support Personnel Aid - This amount represents available resources to address shortages in student support services.

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

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

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

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

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

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Building Construction - This amount represents available resources dedicated for capital expenditure building projects. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities.

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

Assigned amounts represent resources earmarked by finance staff and the Board for certain activities (see descriptions in the table above).

Unassigned amounts represent resources available to meet current and future years' expenditures.

Independent School District No. 129
Montevideo, Minnesota
Notes to the Financial Statements
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Note 4: Defined Benefit Pension Plans - Statewide

A. Teacher Retirement Association (TRA)

1. Plan Description

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

Educators employed in Minnesota’s public elementary and secondary 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 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 percent per year
	All years after	2.7 percent per year
Coordinated	First ten years if service years are prior to July 1, 2006	1.2 percent per year
	First ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

With these provisions:

1. Retirement age is 65 with less than 30 years of allowable service and age 62 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

Independent School District No. 129
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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. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) reduction rate applied.

Tier II:

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 66. After July 1, 2024, the age will change to not to exceed 65. An early retirement reduction is applied to members retiring before age 66, but will be age 65 after July 1, 2024. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) early retirement reduction rate applied.

Six different types of annuities are available to members upon retirement. The No Refund 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 the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025, 2024, and 2023 were \$914,545, \$744,803, and \$807,586. The District's contributions were equal to the required contributions for each year as set by state statute.

4. Actuarial Assumptions

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

Independent School District No. 129
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Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy Retirees	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled Retirees	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

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

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

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	<u>100.0 %</u>	

Independent School District No. 129
Montevideo, Minnesota
Notes to the Financial Statements
June 30, 2025

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

Changes in the actuarial assumptions since the 2022 valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

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 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

6. Net Pension Liability

On June 30, 2025, The District reported a liability of \$8,158,948 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.1284% at the end of the measurement period and 0.1486% for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	\$ 8,158,948
State's Proportionate Share of Net Pension Liability Associated with the District	<u>500,138</u>
 Total	 <u><u>\$ 8,659,086</u></u>

For the year ended June 30, 2025, the District recognized negative pension expense of \$798,386. It also recognized \$34,731 as an decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$226,198 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

Independent School District No. 129
Montevideo, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 403,233	\$ 93,565
Changes in Actuarial Assumptions	1,730	1,392,747
Net Difference Between Projected and Actual Investment Earnings	1,203,195	-
Changes in Proportion	-	1,389,797
Contributions Paid to PERA Subsequent to the Measurement Date	914,545	-
Total	\$ 2,522,703	\$ 2,876,109

The \$914,545 reported as deferred outflows of resources related to pensions resulting from District Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2026	\$ 194,327
2027	146,519
2028	146,519
2029	(724,216)
2030	(622,204)
Thereafter	(408,896)

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 (preparer instructions: multiply the allocation % by TRA's sensitivity footnote info).

	District's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
Teachers Retirement Association	\$ 14,368,385	\$ 8,158,948	\$ 6,293,626

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.

Independent School District No. 129
Montevideo, Minnesota
Notes to the Financial Statements
June 30, 2025

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

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan (General Plan)

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

2. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. 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.

Independent School District No. 129
Montevideo, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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 percent of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the years ending June 30, 2025, 2024 and 2023, were \$314,871, \$317,230 and \$287,662, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$1,847,278 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$47,767.

District's Proportionate Share of Net Pension Liability	\$ 1,847,278
State's Proportionate Share of Net Pension Liability Associated with the District	47,767
	\$ 1,895,045
Total	\$ 1,895,045

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.05 percent at the end of the measurement period and 0.0482 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$120,771 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$1,281 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2025, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$84,992 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

Independent School District No. 129
Montevideo, Minnesota
Notes to the Financial Statements
June 30, 2025

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 171,768	\$ -
Changes in Actuarial Assumptions	8,790	1,058,835
Net Difference Between Projected and Actual Investment Earnings	-	189,918
Changes in Proportion	74,144	-
Contributions Paid to PERA Subsequent to the Measurement Date	314,871	-
Total	\$ 569,573	\$ 1,248,753

The \$314,871 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ (609,980)
2027	(105,971)
2028	(230,951)
2029	(47,149)

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 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 %	

Independent School District No. 129
Montevideo, Minnesota
Notes to the Financial Statements
June 30, 2025

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

6. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2023. The assumption changes were adopted by the board and became effective with the July 1, 2024 actuarial valuation.

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

7. Discount Rate

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

Independent School District No. 129
Montevideo, Minnesota
Notes to the Financial Statements
June 30, 2025

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

8. Pension Liability Sensitivity

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

	District's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
General Employees Fund	\$ 4,034,752	\$ 1,847,278	\$ 47,881

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.

Independent School District No. 129
Montevideo, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the District’s group health insurance plan until Medicare age, which covers both active and retired members. There are 257 active participants, 19 retired participants, and 1 spouse participant. Benefit provisions are established through negotiations between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At June 30, 2025, the following employees were covered by the benefit terms:

Active Plan Members	257
Retirees Receiving Payments	19
Spouses Receiving Payments	1
 Total Plan Members	 277

B. Funding Policy

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

For the year ended June 30, 2025, the District’s average contribution rate was 12.25 percent of covered-employee payroll. For the fiscal year 2025, the District did not directly contribute to the plan, while implicit contributions totaled \$167,470. The General fund is typically used to liquidate the governmental portion of the net OPEB obligation.

C. Actuarial Methods and Assumptions

The District’s total OPEB liability of \$1,665,799 was measured as of July 1, 2024, and the OPEB liability was determined by an actuarial valuation as of July 1, 2024. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

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

Discount Rate	4.10%
20-Year Municipal Bond Yield	4.10%
Inflation Rate	2.50%
Salary Increases	See sample rates in actuarial valuation report
Medical Trend Rate	6.5% in 2024 grading to 5.00% over 6 years and then to 4.00% over the next 48 years
Discount Trend Rate	N/A

Independent School District No. 129
Montevideo, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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%.

D. Changes in the Total OPEB Liability

	Net OPEB Liability
Balances at June 30, 2024	\$ 1,727,546
Changes for the Year	
Service Costs	114,486
Interest Costs	69,014
Assumption Changes	(75,386)
Plan Changes	(64,115)
Differences between expected and actual experience	40,515
Benefit Payment	(146,261)
Net Changes	(61,747)
 Balances at June 30, 2025	 \$ 1,665,799

Since the prior measurement date, the following assumptions changed:

- The health care trend rates and mortality tables were updated.
- The inflation rate was changed from 2.00% to 2.50%.
- The discount rate was changed from 2.10% to 3.90%.

Since the prior measurement date, the following benefit terms changed:

- The discount rate was changed from 3.90% to 4.10%

Since the prior measurement date, the following plan provisions changed:

- None

E. Sensitivity of the Net OPEB Liability

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

1 Percent Decrease 3.1%	Discount Rate Current 4.1%	1 Percent Increase 5.1%
\$ 1,547,538	\$ 1,665,799	\$ 1,803,866

Independent School District No. 129
Montevideo, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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

1 Percent Decrease 5.25% Decreasing to 4.00% then <u>3.00%</u>	Healthcare Cost Trend Rates 6.25% Decreasing to 5.00% then <u>4.00%</u>	1 Percent Increase 7.25% Decreasing to 6.00% then <u>5.00%</u>
\$ 1,547,538	\$ 1,665,799	\$ 15,803,866

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

For the year ended June 30, 2025, the District Recognized negative OPEB expense of \$90,473. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 148,695	\$ 66,052
Changes in Actuarial Assumptions	18,574	151,906
Contributions Paid to OPEB Subsequent to the Measurement Date	<u>167,470</u>	<u>-</u>
Total	<u><u>\$ 334,739</u></u>	<u><u>\$ 217,958</u></u>

Deferred outflows of resources totaling \$167,470 related to pensions resulting from the District's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability as of June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

2026	\$ (15,605)
2027	(15,605)
2028	(15,605)
2029	7,242
2030	(6,136)
Thereafter	(4,981)

Independent School District No. 129

Montevideo, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 6: Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

B. Federal and State Programs

Amounts received or receivable from federal and state agencies 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 District expects such amounts, if any, to be immaterial.

Note 7: Joint Venture

Independent School District No. 129, Montevideo, Minnesota, along with other schools in West Central Minnesota created the Minnesota River Valley Education District #61-6018 in a joint venture agreement. The presence of either an ongoing financial interest or responsibility indicates a joint venture relationship exists. This joint venture provides for comprehensive educational programs within the geographical boundaries of member districts by continuing to facilitate cooperation and coordination among school districts and other agencies involved in providing learner outcomes. Services rendered by the Education District are billed to each member district based on the services provided; therefore, an ongoing financial responsibility exists. As of June 30, 2025, the audited financial statements of the Education District reflected a fund balance of \$3,254,347, which would be shared among participating school districts upon dissolution. This demonstrates that an ongoing financial interest exists. Financial statement information is available from the Minnesota River Valley Education District #61-6018.

Note 8: Adjustments to Beginning Balances

During the fiscal year, changes within the financial reporting entity resulted in adjustments to the beginning fund balances as follows:

	General	Food Service	Community Service	Debt Service	Nonmajor Governmental	Total
June 30, 2024 as previously reported	\$ 2,458,750	\$ 807,610	\$ (283,584)	\$ 233,553	\$ -	\$ 3,216,329
Change in reporting entity						
Change from major to nonmajor fund	-	(807,610)	283,584	-	524,026	-
June 30, 2024 as adjusted	<u>\$ 2,458,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,553</u>	<u>\$ 524,026</u>	<u>\$ 3,216,329</u>

During the fiscal year, the Food Service and Community Service funds were determined to be nonmajor funds. The effects of the changes within the financial reporting entity are shown in the table above.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 129
MONTEVIDEO, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 129
Montevideo, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2025

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.1284 %	\$ 8,158,948	\$ 500,138	\$ 8,659,086	\$ 8,512,034	95.9 %	82.1 %
6/30/2023	0.1486	12,268,749	859,158	13,127,907	9,445,450	129.9	76.4
6/30/2022	0.1487	11,907,109	882,866	12,789,975	9,194,400	129.5	76.2
6/30/2021	0.1554	6,800,769	573,547	7,374,316	9,301,205	73.1	86.6
6/30/2020	0.1555	11,488,548	962,594	12,451,142	9,036,793	127.1	75.5
6/30/2019	0.1559	9,937,099	879,420	10,816,519	8,848,755	112.3	78.2
6/30/2018	0.1542	9,684,896	910,019	10,594,915	8,519,120	113.7	78.1
6/30/2017	0.1462	29,184,172	2,820,565	32,004,737	7,869,704	370.8	51.6
6/30/2016	0.1452	34,663,664	3,476,876	38,140,540	7,554,450	458.9	44.9
6/30/2015	0.1440	8,932,568	1,095,583	10,028,151	7,328,413	121.9	76.8

Schedule of Employer's TRA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 914,545	\$ 914,545	\$ -	\$ 10,451,943	8.75 %
6/30/2024	744,803	744,803	-	8,512,034	8.75
6/30/2023	807,586	807,586	-	9,445,450	8.55
6/30/2022	766,813	766,813	-	9,194,400	8.34
6/30/2021	756,188	756,188	-	9,301,205	8.13
6/30/2020	715,734	715,734	-	9,037,045	7.92
6/30/2019	682,395	682,395	-	8,850,778	7.71
6/30/2018	638,934	638,934	-	8,519,120	7.50
6/30/2017	590,228	590,228	-	7,869,707	7.50
6/30/2016	566,448	566,448	-	7,552,640	7.50

Independent School District No. 129
Montevideo, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

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.

2015
The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

Independent School District No. 129
Montevideo, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

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
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.

2015
On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA. This also resulted in a state-provided contribution stream of \$14.377 million until the System becomes fully funded.

Independent School District No. 129
Montevideo, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the 0.1542 (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0500 %	\$ 1,847,278	\$ 47,767	\$ 1,895,045	\$ 4,229,733	43.7 %	86.7 %
6/30/2023	0.0482	2,695,290	74,407	2,769,697	3,835,487	70.3	83.1
6/30/2022	0.0487	3,857,056	113,240	3,970,296	3,650,857	105.6	76.7
6/30/2021	0.0519	2,216,363	67,702	2,284,065	3,738,666	59.3	87.0
6/30/2020	0.0496	2,973,747	91,647	3,065,394	3,703,388	80.3	79.0
6/30/2019	0.0470	2,598,525	80,830	2,679,355	3,413,755	76.1	80.2
6/30/2018	0.0472	2,618,462	85,981	2,704,443	3,175,125	82.5	79.5
6/30/2017	0.0463	2,955,761	-	2,955,761	2,984,985	99.0	75.9
6/30/2016	0.0413	3,353,355	-	3,353,355	2,560,454	131.0	68.9
6/30/2015	0.0398	2,062,643	-	2,062,643	2,358,646	87.5	78.2

Schedule of Employer's PERA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 314,871	\$ 314,871	\$ -	\$ 4,198,280	7.50 %
6/30/2024	317,230	317,230	-	4,229,733	7.50
6/30/2023	287,662	287,662	-	3,835,487	7.50
6/30/2022	273,814	273,814	-	3,650,857	7.50
6/30/2021	280,400	280,400	-	3,738,666	7.50
6/30/2020	277,754	277,754	-	3,703,388	7.50
6/30/2019	256,032	256,032	-	3,413,755	7.50
6/30/2018	238,134	238,134	-	3,175,125	7.50
6/30/2017	223,874	223,874	-	2,984,985	7.50
6/30/2016	192,034	192,034	-	2,560,454	7.50

Independent School District No. 129
Montevideo, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

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.

2015

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

Independent School District No. 129
Montevideo, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

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.

2015

On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Independent School District No. 129
Montevideo, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2025

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Costs	\$ 114,486	\$ 91,612	\$ 90,309	\$ 113,981	\$ 111,950	\$ 84,985	\$ 77,322	\$ 63,757
Interest Costs	69,014	66,684	37,863	43,889	39,908	40,180	38,396	32,197
Assumption Changes	(75,386)	(8,082)	(138,302)	37,139	(6,624)	27,773	3,020	(32,739)
Plan Changes	(64,115)	-	-	(268,178)	621,047	-	-	-
Differences between expected and actual experience	40,515	-	78,797	137,890	(176,147)	-	(54,248)	-
Benefit Payment	(146,261)	(170,185)	(67,307)	(66,190)	(35,533)	(45,480)	(61,286)	(54,265)
Net Change in Total OPEB Liability	(61,747)	(19,971)	1,360	(1,469)	554,601	107,458	3,204	8,950
Total OPEB Liability - Beginning	1,727,546	1,747,517	1,746,157	1,747,626	1,193,025	1,085,567	1,082,363	1,073,413
Total OPEB Liability - Ending	<u>\$ 1,665,799</u>	<u>\$ 1,727,546</u>	<u>\$ 1,747,517</u>	<u>\$ 1,746,157</u>	<u>\$ 1,747,626</u>	<u>\$ 1,193,025</u>	<u>\$ 1,085,567</u>	<u>\$ 1,082,363</u>
Covered - Employee Payroll	\$ 13,595,339	\$ 12,573,013	\$ 12,206,809	\$ 12,444,262	\$ 12,081,808	\$ 11,456,013	\$ 11,122,343	\$ 10,188,050
City's total OPEB liability as a percentage of covered employee payroll	12.25 %	13.74 %	14.32 %	14.03 %	14.46 %	10.41 %	9.76 %	10.62 %

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

Independent School District No. 129
Montevideo, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

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

Changes in assumptions:

2025

The health care trend rates were updated.

The percentage of future retirees who are assumed to elect post-employment medical coverage was reduced to from 90% to 75% for Teachers, Principals, the Superintendent, the Chief Technology Officer, and the Director of Professional Development and was increased from 5% to 20% for all All Other Employees. The discount rate was changed from 3.90% to 4.10%.

2024

The discount rate was changed from 3.80% to 3.90%.

Changes in Plan Provisions:

None

Changes in benefits:

2025

The Teachers' matching contributions to the 403(b) Plan increased from 2.50% to 3.00% of annual base salary. Please note that these matching contributions are not valued under GASB 75, but they are used to offset GASB 75 subsidized benefits.

2024

None

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS,
SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 129
MONTEVIDEO, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 129
Montevideo, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2025

	Special Revenue		Total
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 818,270	\$ (318,733)	\$ 499,537
Receivables			
Taxes			
Current	-	98,389	98,389
Delinquent	-	2,418	2,418
Accounts	379	250	629
Intergovernmental	49,551	9,629	59,180
Inventories	13,595	-	13,595
Total Assets	<u>\$ 881,795</u>	<u>\$ (208,047)</u>	<u>\$ 673,748</u>
Liabilities			
Salaries and wages payable	\$ 6,752	\$ 66,737	73,489
Accounts payable	7,450	4,927	12,377
Total Liabilities	<u>14,202</u>	<u>71,664</u>	<u>85,866</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes levied for subsequent year	-	204,899	204,899
Unavailable revenue - delinquent property taxes	-	2,418	2,418
Total Deferred Inflows of Resources	<u>-</u>	<u>207,317</u>	<u>207,317</u>
Fund Balances			
Nonspendable	13,595	-	13,595
Restricted for			
Food service	853,998	-	853,998
Community education	-	(446,894)	(446,894)
Early childhood family education	-	42,431	42,431
School readiness	-	(71,918)	(71,918)
Community service	-	7,770	7,770
Unassigned	-	(18,417)	(18,417)
Total Fund Balances	<u>867,593</u>	<u>(487,028)</u>	<u>380,565</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 881,795</u>	<u>\$ (208,047)</u>	<u>\$ 673,748</u>

Independent School District No. 129
Montevideo, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	Special Revenue		Total
	Food Service	Community Service	
Revenues			
Local property tax levies	\$ -	\$ 187,000	\$ 187,000
Other local revenue	-	1,153,508	1,153,508
Interest earned on investments	18,847	-	18,847
Revenue from state sources	488,510	203,064	691,574
Revenue from federal sources	983,042	-	983,042
Sales and other conversion of assets	20,088	-	20,088
Total Revenues	<u>1,510,487</u>	<u>1,543,572</u>	<u>3,054,059</u>
Expenditures			
Current expenditures			
Community education and services	-	1,744,323	1,744,323
Pupil support services	1,353,737	-	1,353,737
Capital outlay	96,767	2,693	99,460
Total Expenditures	<u>1,450,504</u>	<u>1,747,016</u>	<u>3,197,520</u>
Net Change in Fund Balances	<u>59,983</u>	<u>(203,444)</u>	<u>(143,461)</u>
Change to the financial reporting entity (Note 8)			
Fund Balances, July 1, as previously presented	-	-	-
Change from major to nonmajor fund	<u>807,610</u>	<u>(283,584)</u>	<u>524,026</u>
Fund Balances, July 1, as adjusted	<u>807,610</u>	<u>(283,584)</u>	<u>524,026</u>
Fund Balances, June 30	<u>\$ 867,593</u>	<u>\$ (487,028)</u>	<u>\$ 380,565</u>

Independent School District No. 129
Montevideo, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Page)
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Local property tax levies	\$ 1,795,990	\$ 1,644,241	\$ 2,028,437	\$ 384,196
Other local revenue	1,223,414	1,036,020	1,346,898	310,878
Interest earned on investments	75,000	75,000	77,749	2,749
Revenue from state sources	19,528,255	19,555,050	19,262,008	(293,042)
Revenue from federal sources	486,101	488,213	424,506	(63,707)
Sales and other conversion of assets	8,500	8,500	920	(7,580)
Total Revenues	<u>23,117,260</u>	<u>22,807,024</u>	<u>23,140,518</u>	<u>333,494</u>
Expenditures				
Current				
Administration				
Salaries	854,424	853,885	936,674	(82,789)
Employee benefits	373,400	369,737	328,534	41,203
Purchased services	39,500	37,500	40,973	(3,473)
Supplies and materials	10,100	11,100	12,440	(1,340)
Other expenditures	24,200	24,200	20,391	3,809
Total administration	<u>1,301,624</u>	<u>1,296,422</u>	<u>1,339,012</u>	<u>(42,590)</u>
District support services				
Salaries	254,010	258,902	284,732	(25,830)
Employee benefits	77,230	127,230	145,575	(18,345)
Purchased services	162,000	177,000	148,206	28,794
Supplies and materials	35,000	35,000	37,679	(2,679)
Other expenditures	26,000	26,000	29,637	(3,637)
Total district support services	<u>554,240</u>	<u>624,132</u>	<u>645,829</u>	<u>(21,697)</u>
Elementary and secondary regular instruction				
Salaries	6,304,358	6,292,853	6,339,469	(46,616)
Employee benefits	2,081,968	2,077,695	1,932,105	145,590
Purchased services	1,325,515	800,048	1,022,687	(222,639)
Supplies and materials	530,350	531,000	380,137	150,863
Other expenditures	36,500	46,500	221,028	(174,528)
Total elementary and secondary regular instruction	<u>10,278,691</u>	<u>9,748,096</u>	<u>9,895,426</u>	<u>(147,330)</u>
Vocational education instruction				
Salaries	229,557	229,557	225,853	3,704
Employee benefits	75,733	75,733	55,357	20,376
Purchased services	3,500	4,000	5,143	(1,143)
Supplies and materials	19,800	21,800	26,704	(4,904)
Other expenditures	-	-	6,581	(6,581)
Total vocational education instruction	<u>328,590</u>	<u>331,090</u>	<u>319,638</u>	<u>11,452</u>
Special education instruction				
Salaries	3,302,664	3,196,922	2,932,872	264,050
Employee benefits	1,247,099	1,015,346	866,932	148,414
Purchased services	132,780	181,680	230,548	(48,868)
Supplies and materials	16,350	16,300	38,164	(21,864)
Other expenditures	43,000	45,000	110,288	(65,288)
Total special education instruction	<u>4,741,893</u>	<u>4,455,248</u>	<u>4,178,804</u>	<u>276,444</u>

Independent School District No. 129
Montevideo, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (continued)				
Instructional support services				
Salaries	\$ 448,418	\$ 556,345	\$ 616,277	\$ (59,932)
Employee benefits	184,262	231,137	210,762	20,375
Purchased services	110,500	40,000	109,610	(69,610)
Supplies and materials	107,100	107,100	158,151	(51,051)
Other expenditures	85,000	85,000	62,410	22,590
Total instructional support services	<u>935,280</u>	<u>1,019,582</u>	<u>1,157,210</u>	<u>(137,628)</u>
Pupil support services				
Salaries	291,114	311,515	312,969	(1,454)
Employee benefits	121,028	127,496	74,449	53,047
Purchased services	953,765	951,605	1,008,983	(57,378)
Supplies and materials	118,200	118,200	88,976	29,224
Other expenditures	15,000	5,000	6,423	(1,423)
Total pupil support services	<u>1,499,107</u>	<u>1,513,816</u>	<u>1,491,800</u>	<u>22,016</u>
Sites and buildings				
Salaries	782,263	771,855	813,707	(41,852)
Employee benefits	322,306	319,861	272,510	47,351
Purchased services	848,950	1,029,948	963,424	66,524
Supplies and materials	340,000	360,000	315,528	44,472
Other expenditures	-	-	11,143	(11,143)
Total Sites and buildings	<u>2,293,519</u>	<u>2,481,664</u>	<u>2,376,312</u>	<u>105,352</u>
Fiscal and other fixed cost programs				
Employee benefits	60,000	55,000	-	55,000
Purchased services	205,000	220,000	261,572	(41,572)
Scholarships	-	-	161,946	(161,946)
Total fiscal and other fixed cost programs	<u>265,000</u>	<u>275,000</u>	<u>423,518</u>	<u>(148,518)</u>
Total current	<u>22,197,944</u>	<u>21,745,050</u>	<u>21,827,549</u>	<u>(82,499)</u>
Capital outlay				
District support services	6,000	6,000	344	5,656
Elementary and secondary regular instruction	72,900	72,900	38,387	34,513
Special education instruction	-	-	1,949	(1,949)
Instructional support services	249,600	249,600	251,301	(1,701)
Pupil support services	60,000	-	-	-
Sites and buildings	666,500	1,189,000	1,364,797	(175,797)
Total capital outlay	<u>1,055,000</u>	<u>1,517,500</u>	<u>1,656,778</u>	<u>(139,278)</u>
Debt service				
Principal	-	-	134,361	(134,361)
Interest and other charges	-	-	33,639	(33,639)
Total Debt Service	<u>-</u>	<u>-</u>	<u>168,000</u>	<u>(168,000)</u>
Total Expenditures	<u>23,252,944</u>	<u>23,262,550</u>	<u>23,652,327</u>	<u>(389,777)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(135,684)	(455,526)	(511,809)	(56,283)
Other Financing Sources (Uses) Insurance recoveries	<u>-</u>	<u>-</u>	<u>8,434</u>	<u>8,434</u>
Net Change in Fund Balances	(135,684)	(455,526)	(503,375)	(47,849)
Fund Balances, July 1	<u>2,458,750</u>	<u>2,458,750</u>	<u>2,458,750</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 2,323,066</u>	<u>\$ 2,003,224</u>	<u>\$ 1,955,375</u>	<u>\$ (47,849)</u>

Independent School District No. 129
Montevideo, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest earned on investments	\$ -	\$ -	\$ 18,847	\$ 18,847
Revenue from state sources	403,100	468,100	488,510	20,410
Revenue from federal sources	930,000	990,000	983,042	(6,958)
Sales and other conversion of assets	34,900	41,700	20,088	(21,612)
Total Revenues	<u>1,368,000</u>	<u>1,499,800</u>	<u>1,510,487</u>	<u>10,687</u>
Expenditures				
Current				
Pupil support services				
Salaries	408,431	405,862	404,495	1,367
Employee benefits	208,210	168,259	89,839	78,420
Purchased services	27,500	27,500	14,101	13,399
Supplies and materials	788,000	798,000	743,124	54,876
Other expenditures	-	-	102,178	(102,178)
Total current	<u>1,432,141</u>	<u>1,399,621</u>	<u>1,353,737</u>	<u>45,884</u>
Capital outlay				
Pupil support services	110,000	110,000	96,767	13,233
Total Expenditures	<u>1,542,141</u>	<u>1,509,621</u>	<u>1,450,504</u>	<u>59,117</u>
Net Change in Fund Balances	(174,141)	(9,821)	59,983	69,804
Fund Balances, July 1	<u>807,610</u>	<u>807,610</u>	<u>807,610</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 633,469</u>	<u>\$ 797,789</u>	<u>\$ 867,593</u>	<u>\$ 69,804</u>

Independent School District No. 129
Montevideo, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Local property tax levies	\$ 203,196	\$ 188,107	\$ 187,000	\$ (1,107)
Other local revenue	1,292,550	1,270,550	1,153,508	(117,042)
Interest earned on investments	-	-	-	-
Revenue from state sources	158,919	196,450	203,064	6,614
Total Revenues	<u>1,654,665</u>	<u>1,655,107</u>	<u>1,543,572</u>	<u>(111,535)</u>
Expenditures				
Current				
Community education and services				
Salaries	1,152,073	1,114,021	1,285,957	(171,936)
Employee benefits	336,402	335,388	336,499	(1,111)
Purchased services	65,965	46,045	51,999	(5,954)
Supplies and materials	75,525	73,325	43,817	29,508
Other expenditures	19,500	21,000	26,051	(5,051)
Total current	<u>1,649,465</u>	<u>1,589,779</u>	<u>1,744,323</u>	<u>(154,544)</u>
Capital outlay				
Community education and services	2,500	2,500	2,693	(193)
Total Expenditures	<u>1,651,965</u>	<u>1,592,279</u>	<u>1,747,016</u>	<u>(154,737)</u>
Net Change in Fund Balances	2,700	62,828	(203,444)	(266,272)
Fund Balances, July 1	<u>(283,584)</u>	<u>(283,584)</u>	<u>(283,584)</u>	<u>-</u>
Fund Balances, June 30	<u>\$ (280,884)</u>	<u>\$ (220,756)</u>	<u>\$ (487,028)</u>	<u>\$ (266,272)</u>

Independent School District No. 129
 Montevideo, Minnesota
 Debt Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual
 For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Local property tax levies	\$ 833,452	\$ 500,015	\$ 502,285	\$ 2,270
Interest earned on investments	-	-	13,783	13,783
Revenue from state sources	389,297	703,200	703,200	-
Total Revenues	<u>1,222,749</u>	<u>1,203,215</u>	<u>1,219,268</u>	<u>16,053</u>
Expenditures				
Debt service				
Principal	1,075,000	1,075,000	1,075,000	-
Interest and other costs	35,250	35,250	35,250	-
Bond issuance costs	8,000	8,000	6,413	1,587
Total Expenditures	<u>1,118,250</u>	<u>1,118,250</u>	<u>1,116,663</u>	<u>1,587</u>
Net Change in Fund Balances	104,499	84,965	102,605	17,640
Fund Balances, July 1	<u>233,553</u>	<u>233,553</u>	<u>233,553</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 338,052</u></u>	<u><u>\$ 318,518</u></u>	<u><u>\$ 336,158</u></u>	<u><u>\$ 17,640</u></u>

Independent School District No. 129
Montevideo, Minnesota
Schedules of Tax Capacity, Tax Levy and Tax Rates
For the Year Ended June 30, 2025

	2025
Tax Capacity	
Agricultural	\$ 7,173,635
Nonagricultural	5,857,956
Total	\$ 13,031,591
Tax Levy	
General	\$ 2,151,764
Community Service	204,205
Debt Service	966,683
Total	\$ 3,322,652
Tax Capacity Rates	
General	8.108
Community Service	1.567
Debt Service	7.418
Total	17.093

**Fiscal Compliance Report - 6/30/2025
District: MONTEVIDEO (129-1)**

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$23,140,518	<u>\$23,140,505</u>	\$13	Total Revenue	\$41,543	<u>\$41,543</u>	\$0
Total Expenditures	\$23,652,327	<u>\$23,652,314</u>	\$13	Total Expenditures	\$826,474	<u>\$826,474</u>	\$0
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$28,083	<u>\$28,083</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$116,039	<u>\$116,039</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.02 Scholarships	\$138,037	<u>\$138,037</u>	\$0	4.13 Funded by COP/FP	\$0	<u>\$0</u>	\$0
4.03 Staff Development	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$3,016,813	<u>\$3,016,813</u>	\$0
4.12 Literacy Incentive Aid	\$65,282	<u>\$65,282</u>	\$0	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0	07 DEBT SERVICE			
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	Total Revenue	\$1,219,268	<u>\$1,219,269</u>	(\$1)
4.20 American Indian Education Aid	\$445	<u>\$445</u>	\$0	Total Expenditures	\$1,116,663	<u>\$1,116,663</u>	\$0
4.24 Operating Capital	(\$284,803)	<u>(\$284,803)</u>	\$0	<i>Non Spendable:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	<i>Restricted / Reserved:</i>			
4.28 Learning & Development	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	\$0
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.37 Q Comp	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.38 Gifted & Talented	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$336,158	<u>\$336,159</u>	(\$1)
4.39 English Learner	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.41 Basic Skills Programs	\$53,986	<u>\$53,986</u>	\$0	08 TRUST			
4.43 School Library Aid	\$40,000	<u>\$40,000</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.49 Safe Schools Levy	\$30,044	<u>\$30,044</u>	\$0	<i>Restricted / Reserved:</i>			
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	\$0
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.56 READ Act - Literacy Aid	\$55,756	<u>\$55,756</u>	\$0	18 CUSTODIAL			
4.57 READ Act - Tchr Training Compensation	\$50,340	<u>\$50,340</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.67 LTFM	\$609,742	<u>\$609,742</u>	\$0	<i>Restricted / Reserved:</i>			
4.71 Student Support Personnel Aid	\$38,800	<u>\$38,800</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.72 Medical Assistance	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	\$0
<i>Restricted:</i>				4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0	20 INTERNAL SERVICE			
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
<i>Committed:</i>				Total Expenditures	\$0	<u>\$0</u>	\$0
4.18 Committed for Separation	\$0	<u>\$0</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0	25 OPEB REVOCABLE TRUST			
<i>Assigned:</i>				Total Revenue	\$0	<u>\$0</u>	\$0
4.62 Assigned Fund Balance	\$32,124	<u>\$32,124</u>	\$0	94 Total Expenditures	\$0	<u>\$0</u>	\$0
<i>Unassigned:</i>							
4.22 Unassigned Fund Balance	\$981,500	<u>\$981,501</u>	(\$1)				

02 FOOD SERVICES

Total Revenue	\$1,510,487	<u>\$1,510,486</u>	<u>\$1</u>
Total Expenditures	\$1,450,504	<u>\$1,450,504</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$13,595	<u>\$13,595</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$853,998	<u>\$853,998</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

04 COMMUNITY SERVICE

Total Revenue	\$1,543,572	<u>\$1,543,570</u>	<u>\$2</u>
Total Expenditures	\$1,747,016	<u>\$1,747,016</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	(\$446,894)	<u>(\$446,895)</u>	<u>\$1</u>
4.32 E.C.F.E	\$42,431	<u>\$42,431</u>	<u>\$0</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	(\$71,918)	<u>(\$71,918)</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$7,770	<u>\$7,770</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	(\$18,417)	<u>(\$18,417)</u>	<u>\$0</u>

4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
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45 OPEB IRREVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 129
MONTEVIDEO, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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

Members of the School Board
Independent School District No. 129
Montevideo, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 129, Montevideo, Minnesota, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal Compliance Audit Guide for Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the schedule of findings, responses, and questioned costs as item 2025-003 and item 2025-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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



Abdo
Mankato, Minnesota
December 11, 2025

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

Members of the School Board
Independent School District No. 129
Montevideo, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Independent School District No. 129, Montevideo, Minnesota, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 11, 2025.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We consider the deficiencies described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2025-001 and 2025-002 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as item 2025-003 and item 2025-004.

Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Abdo
Mankato, Minnesota
December 11, 2025



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FEDERAL FINANCIAL AWARD PROGRAMS
INDEPENDENT SCHOOL DISTRICT NO. 129
MONTEVIDEO, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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

Members of the School Board
Independent School District No. 129
Montevideo, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 129, Montevideo, Minnesota (the District) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole. In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

Abdo

Abdo
Minneapolis, Minnesota
December 11, 2025



Independent School District No. 129
Montevideo, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Federal Program Clusters	Total Federal Expenditures
U.S. Department of Agriculture	Minnesota Department of Education	Summer Food Service Program for Children	10.559	\$ 41,196	
U.S. Department of Agriculture	Minnesota Department of Education	National School Lunch Program Commodities	10.555	645,231	
U.S. Department of Agriculture	Minnesota Department of Education	School Breakfast Program	10.553	<u>239,396</u>	
		Total Child Nutrition cluster			\$ 925,823
U.S. Department of Education	SW/WC Service Cooperatives Flow through payments	Special Education Grants to States	84.027	84,739	
U.S. Department of Education	Minnesota Department of Education	Special Education Preschool Grants	84.173	<u>3,505</u>	
		Total Special Education cluster			88,244
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010		276,391
U.S. Department of Education	Minnesota Department of Education	Career and Technical Education-Basic Grants to States (Perkins V)	84.048		1,548
U.S. Department of Education	Minnesota Department of Education	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		40,001
U.S. Department of Education	Minnesota Department of Education	Student Support and Academic Enrichment Program	84.424		18,321
U.S. Department of Agriculture	Minnesota Department of Education	Child and Adult Care Food Program	10.558		49,681
U.S. Department of Education	Minnesota Department of Education	State Administrative Expenses for Child Nutrition	10.560		<u>6,585</u>
		Total expended			<u>\$ 1,406,594</u>

Independent School District No. 129
Montevideo, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Independent School District No. 129, Montevideo, Minnesota (the District). The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). All federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2025, the District did not elect to use the 10% de minimis indirect cost rate.

Independent School District No. 129
Montevideo, Minnesota
Schedule of Findings, Responses and Questioned Costs
For the Year Ended June 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of Major Programs/Projects

	Assistance Listing No.
Child Nutrition Cluster	
School Breakfast Program - Child Nutrition Cluster	10.553
National School Lunch Program - Child Nutrition Cluster	10.555
Summer Food Service Program for Children - Child Nutrition Cluster	10.559
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

Deficiencies relating to the audit of the financial statements are reported in the 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*. Findings 2024-001 and 2024-002 are reported as significant deficiencies.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses or questioned costs that are required to be reported in accordance with the Uniform Guidance.

Section IV - Schedule of Prior Year Audit Findings

There were prior year audit findings that are attached.

Other Issues

Corrective Action Plans are attached as required under the Federal Single Audit Act.

Independent School District No. 129
Montevideo, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-001	Segregation of Duties
<i>Condition:</i>	During our audit, we found that the District has a limited segregation of duties related to many aspects of its accounting systems.
<i>Criteria:</i>	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.
<i>Cause:</i>	Specific situations include: cash receipts, cash disbursements, payroll, and journal entries. The Finance Director has responsibility over all areas of authorization, custody of assets, recording and reconciling activity. While there is some review of transactions by the Board and Superintendent, there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential could go undetected.
<i>Effect:</i>	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 District.
<i>Recommendation:</i>	Under these circumstances the most effective controls lie in 1) managements knowledge of the District's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the District evaluate its controls and make any changes considered necessary. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management Response:</i>	
	The District will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

Independent School District No. 129
Montevideo, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-002	Financial Report Preparation
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. 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 organizations of your size. However, based on 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.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	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.
<i>Effect:</i>	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.
<i>Recommendation:</i>	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. As in prior years, 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 District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.

Management Response:

The District is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of school districts. Each year, the District 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 by management and School Board to monitor the deficiency.

Independent School District No. 129
Montevideo, Minnesota
Schedule of Findings, Responses and Questioned Costs (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-003	Student Activity Accounts with Deficit Balances
<i>Condition:</i>	We noted ten student activity accounts that had a deficit year-end balance, which is not appropriate as defined in the Manual for Activity Fund Accounting (MAFA).
<i>Criteria:</i>	The Manual for Activity Fund Accounting (MAFA) states that no individual student activity will operate with a negative cash balance at the end of the fiscal year.
<i>Cause:</i>	During our audit, we found that there was 10 student activity accounts with a deficit fund balance.
<i>Effect:</i>	The District is not in compliance with MAFA.
<i>Recommendation:</i>	It is our recommendation that the District assure all student activity accounts do not spend in excess of available funds, and eliminate the existing student activity account balance deficit.
<i>Management Response:</i>	
	There is no disagreement with this finding. The District will take action to avoid similar occurrences in the future.
2025-004	Student Activity Purpose Summary
<i>Condition:</i>	During our audit procures, it came to our attention that the District did not have an Activity Purpose Summary for the any of the Student Activity accounts.
<i>Criteria:</i>	UFARS Chapter 14 requires the District to have Activity Purpose Summaries in place for all student activity groups.
<i>Cause:</i>	The District did not have Activity Purpose Summaries for any of the Student Activity accounts.
<i>Effect:</i>	The District is out of compliance with UFARS requirements.
<i>Recommendation:</i>	We recommend that the District develops an Activity Purpose Summary for all groups to fill out at the beginning of each school year.
<i>Management Response:</i>	
	The District is aware of the situation and plans to implement procedures to ensure Activity Purpose Summaries are put in place.



Montevideo School District #129

2001 William Avenue
MONTEVIDEO, MN 56265
Phone (320) 269-8833 Fax (320) 269-8834

2025-001 Segregation of Duties

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas with the limited staff available.

3. Official Responsible for Ensuring CAP:

Adam Spray, Chief Business Official, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

June 30, 2026.

5. Plan to Monitor Completion of CAP:

The District will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

Jamie Skjeveland
Superintendent



Montevideo School District #129

2001 William Avenue
MONTEVIDEO, MN 56265
Phone (320) 269-8833 Fax (320) 269-8834

2025-002 Financial Statement Preparation

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

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

3. Official Responsible for Ensuring CAP:

Adam Spray, Chief Business Official, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

Continuous.

5. Plan to Monitor Completion of CAP:

The District will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

Jamie Skjeveland
Superintendent



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Phone (320) 269-8833 Fax (320) 269-8834

2025-003 Student Activity Accounts with Deficit Balances

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The District has developed a plan that has been approved by the School Board. The plan includes the purchase of food service equipment, increased quantity and quality of food purchases, and other allowable alternative uses of these excess funds. The District has made a significant investment in purchasing new food service equipment in recent years. The district will continue to work to spend down the Food Service Fund within the allowable uses.

3. Official Responsible for Ensuring CAP:

Adam Spray, Chief Business Official, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

June 30, 2026.

5. Plan to Monitor Completion of CAP:

The District will assure all student activity accounts do not spend in excess of available funds, and eliminate the existing student activity accounts balance deficit

Jamie Skjeveland
Superintendent



Montevideo School District #129

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2025-004 Student Activity Purpose Summaries

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The Chief Business Official and the Superintendent will ensure that proper documentation is retained in future years.

3. Official Responsible for Ensuring CAP:

Adam Spray, Chief Business Official, is the official responsible for ensuring corrective action.

4. Planned Completion Date for CAP:

June 30, 2026.

5. Plan to Monitor Completion of CAP:

The Montevideo District Board of Education will be monitoring this corrective action plan.

Jamie Skjeveland
Superintendent

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Independent School District No. 129

Montevideo, Minnesota

Schedule of Prior Year Findings

For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2024-001	Financial Report Preparation
<i>Condition:</i>	District management relies on the audit staff to prepare financial statements and disclosures required by generally accepted accounting principles. In addition, the auditors proposed adjustments that result in significant changes to the District's financial statements.
<i>Criteria:</i>	District management should possess the ability to prepare financial statements prepared in accordance with generally accepted accounting principles. This would include the ability to properly record and classify transaction in a general ledger, measure and record accrual basis adjustments to the accounts, and prepare the financial statements and related disclosures without the assistance from the auditors.
<i>Cause:</i>	The District's Chief School Business Official reviews all financial statements to ensure that they are appropriately stated, but does not have the background in financial reporting to ensure that all relevant disclosures are made.
<i>Effect:</i>	The design of the controls over financial reporting process would affect the ability of the District to report their financial data consistently with the assertions of management in the financial statements.
<i>Recommendation:</i>	We recommend that District management be aware of the responsibilities regarding financial reporting. If management chooses to undertake these financial reporting responsibilities, a number of policies, procedures, and reviews will need to be developed and implemented.
<i>Updated Progress Since Prior Year:</i>	No changes since prior year.

FORM OF LEGAL OPINION

(See following pages)



150 South Fifth Street, Suite 700
Minneapolis, MN 55402
(612) 337-9300 telephone
(612) 337-9310 fax
www.kennedy-graven.com
Affirmative Action, Equal Opportunity Employer

\$20,000,000
INDEPENDENT SCHOOL DISTRICT NO. 129
(MONTEVIDEO PUBLIC SCHOOLS)
CHIPPEWA, LAC QUI PARLE AND YELLOW MEDICINE COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2026A

We have acted as bond counsel to Independent School District No. 129 (Montevideo Public Schools), Chippewa, Lac qui Parle and Yellow Medicine Counties, Minnesota (the “Issuer”), in connection with the issuance by the Issuer of its General Obligation School Building Bonds, Series 2026A (the “Bonds”), originally dated _____, 2026 and issued in the original aggregate principal amount of \$20,000,000. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

1. The Bonds have been duly authorized and executed and are valid and binding general obligations of the Issuer, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable from ad valorem taxes levied by the Issuer on all taxable property of the Issuer, but if necessary for the payment thereof, additional ad valorem taxes are required by law to be levied on all taxable property of the Issuer, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds is excludable from gross income of the recipient for federal income tax purposes and, to the same extent, is excludable from taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of the computation of the federal alternative minimum tax, or the computation of the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, such interest is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations, and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. The opinion set forth in this paragraph is subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes and from taxable net income for Minnesota income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes and taxable net income for Minnesota income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

4. The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

5. The resolution adopted by the School Board of the Issuer on April 13, 2026, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropriated and available funds to pay the obligations of the State thereunder.

We have not been asked and have not undertaken to review the accuracy, completeness, or sufficiency of the Official Statement or other offering material relating to the Bonds, and accordingly we express no opinion with respect thereto.

This opinion is given as of the date hereof and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Dated _____, 2026, at Minneapolis, Minnesota.

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

§ _____
INDEPENDENT SCHOOL DISTRICT NO. 129
(MONTEVIDEO PUBLIC SCHOOLS)
CHIPPEWA, LAC QUI PARLE AND YELLOW MEDICINE COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2026A

CONTINUING DISCLOSURE CERTIFICATE

_____, 2026

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Independent School District No. 129 (Montevideo Public Schools), Chippewa, Lac qui Parle and Yellow Medicine Counties, Minnesota (the “District”), in connection with the issuance of its General Obligation School Building Bonds, Series 2026A (the “Bonds”), in the original aggregate principal amount of \$ _____. The Bonds are being issued pursuant to a resolution adopted by the School Board of the District (the “Resolution”). The Bonds are being delivered to _____ [, as syndicate manager] (the “Purchaser”), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders (as defined herein) of the Bonds in order to provide for the public availability of such information and assist the Participating Underwriter(s) (as defined herein) in complying with the Rule (as defined herein). This Disclosure Certificate, together with the Resolution, constitutes the written agreement or contract for the benefit of the Holders of the Bonds that is required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means any annual report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Audited Financial Statements” means annual financial statements of the District, prepared in accordance with GAAP as prescribed by GASB.

“Bonds” means the General Obligation School Building Bonds, Series 2026A, issued by the District in the original aggregate principal amount of \$ _____.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“District” means Independent School District No. 129 (Montevideo Public Schools), Chippewa, Lac qui Parle and Yellow Medicine Counties, Minnesota, which is the obligated person with respect to the Bonds.

“EMMA” means the Electronic Municipal Market Access system operated by the MSRB and designated as a nationally-recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule.

“Final Official Statement” means the Final Official Statement, dated _____, 2026, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a Financial Obligation as described in clause (a) or (b). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the fiscal year of the District.

“GAAP” means generally accepted accounting principles for governmental units as prescribed by GASB.

“GASB” means the Governmental Accounting Standards Board.

“Holder” means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

“Material Event” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board located at 1300 I Street NW, Suite 1000, Washington, DC 20005.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Purchaser” means _____ [, as syndicate manager].

“Repository” means EMMA, or any successor thereto designated by the SEC.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means Securities and Exchange Commission, and any successor thereto.

Section 3. Provision of Annual Financial Information and Audited Financial Statements.

(a) The District shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2026, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate, provided that the Audited Financial Statements of the District may be submitted separately from the balance of the Annual Report.

(b) If the District is unable or fails to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice of that fact to the Repository and the MSRB.

(c) The District shall determine each year prior to the date for providing the Annual Report the name and address of each Repository.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following sections of the Final Official Statement:

1. Current Property Valuations
2. Direct Debt
3. Tax Levies and Collections
4. Student Body
5. Employment/Unemployment Data

In addition to the items listed above, the Annual Report shall include the most recent Audited Financial Statements submitted in accordance with Section 3 of this Disclosure Certificate.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notice of the occurrence of any of the following events ("Material Events") with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The District shall file a notice of such occurrence with the Repository or with the MSRB within ten (10) business days of the occurrence of the Material Event.

(c) Unless otherwise required by law and subject to technical and economic feasibility, the District shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the District's information.

Section 6. EMMA. The SEC has designated EMMA as a nationally-recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the District shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 7. Termination of Reporting Obligation. The District's obligations under the Resolution and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 8. Agent. The District may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally-recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the District delivers to the Repository an opinion of nationally-recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolution and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the District to the

Repository of the proposed amendment and an opinion of nationally-recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect compliance with the Rule.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, we have executed this Disclosure Certificate in our official capacities effective as of the date and year first written above.

**INDEPENDENT SCHOOL DISTRICT NO. 129
(MONTEVIDEO PUBLIC SCHOOLS), CHIPPEWA,
LAC QUI PARLE AND YELLOW MEDICINE
COUNTIES, MINNESOTA**

Board Chair

Clerk

TERMS OF PROPOSAL

**\$20,000,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2026A
INDEPENDENT SCHOOL DISTRICT NO. 129 (MONTEVIDEO PUBLIC SCHOOLS), MINNESOTA**

Proposals for the purchase of \$20,000,000* General Obligation School Building Bonds, Series 2026A (the "Bonds") of Independent School District No. 129 (Montevideo Public Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, municipal advisors to the District, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M., Central Time, on May 11, 2026, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held February 10, 2026 by the District, for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated June 4, 2026, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2028	\$1,480,000	2035	\$865,000	2042	\$1,190,000
2029	220,000	2036	910,000	2043	1,245,000
2030	230,000	2037	950,000	2044	1,300,000
2031	720,000	2038	995,000	2045	1,355,000
2032	755,000	2039	1,045,000	2046	1,420,000
2033	790,000	2040	1,085,000	2047	1,485,000
2034	825,000	2041	1,135,000		

ADJUSTMENT OPTION

The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The District has selected Bond Trust Services Corporation, Minneapolis, Minnesota ("BTSC") to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the District. If only part of the Bonds having a common maturity date are called for redemption, then the District or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not less than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about June 4, 2026, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the District ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$20,000,000 plus accrued interest on the principal sum of \$20,000,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

- 1) Electronically to bondsale@ehlers-inc.com; or
- 2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M., Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at <https://ihsmarkit.com/products/municipal-issuance.html> or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the District nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of \$400,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. The Deposit will be deducted from the purchase price at the closing for the Bonds.

The District and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the District scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The District's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The District reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the District requested and received a rating on the Bonds from a rating agency, the District will pay that rating fee. Any rating agency fees not requested by the District are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The District will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds shall not be "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the District will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

NEW ISSUE PRICING

The winning bidder will be required to provide, in a timely manner, certain information necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended, and to provide a certificate which will be provided by Bond Counsel upon request.

(a) The winning bidder shall assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at closing an "issue price" or similar certificate satisfactory to Bond Counsel setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, together with the supporting pricing wires or equivalent communications. All actions to be taken by the District under this Terms of Proposal to establish the issue price of the Bonds may be taken on behalf of the District by the District's municipal advisor identified herein and any notice or report to be provided to the District may be provided to the District's municipal advisor.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) The District shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the District may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

Any proposal submitted pursuant to this Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, as specified in this proposal.

(c) If all of the requirements of a "competitive sale" are not satisfied, the District shall advise the winning bidder of such fact prior to the time of award of the sale of the Bonds to the winning bidder. In such event, any proposal submitted will not be subject to cancellation or withdrawal and the District agrees to use the rule selected by the winning bidder on its proposal form to determine the issue price for the Bonds. On its proposal form, each bidder must select one of the following two rules for determining the issue price of the Bonds: (1) the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity or (2) the initial offering price to the public as of the sale date as the issue price of each maturity of the Bonds (the "hold-the-offering-price rule").

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the District promptly after the close of the fifth (5th) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The District acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the District, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

- (i) "public" means any person other than an underwriter or a related party,
- (ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, Telephone (651) 697-8500.

By Order of the School Board

Independent School District No. 129
(Montevideo Public Schools), Minnesota

PROPOSAL FORM

The School Board
Independent School District No. 129 (Montevideo Public Schools), Minnesota (the "District")

May 11, 2026

RE: \$20,000,000* General Obligation School Building Bonds, Series 2026A (the "Bonds")
DATED: June 4, 2026

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$ _____ (not less than \$20,000,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due	2028	_____ % due	2035	_____ % due	2042
_____ % due	2029	_____ % due	2036	_____ % due	2043
_____ % due	2030	_____ % due	2037	_____ % due	2044
_____ % due	2031	_____ % due	2038	_____ % due	2045
_____ % due	2032	_____ % due	2039	_____ % due	2046
_____ % due	2033	_____ % due	2040	_____ % due	2047
_____ % due	2034	_____ % due	2041		

The District reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2028 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of \$400,000 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about June 4, 2026.

This proposal is subject to the District's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for the Bonds.

We have received and reviewed the Official Statement, and any addenda thereto, and have submitted our requests for additional information or corrections to the Final Official Statement. As Underwriter (Syndicate Manager), we agree to provide the District with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Bonds identified in the Terms of Proposal, on the terms set forth in this proposal form and the Terms of Proposal, and is not subject to any conditions, except as permitted by the Terms of Proposal.

By submitting this proposal, we confirm that we are an underwriter and have an established industry reputation for underwriting new issuances of municipal bonds. YES: NO: .

If the competitive sale requirements are not met, we elect to use either the: 10% test, or the hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: _____ By: _____
Account Members: _____

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from June 4, 2026 of the above proposal is \$ _____ and the true interest cost (TIC) is _____ %.

The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 129 (Montevideo Public Schools), Minnesota, on May 11, 2026.

By: _____ By: _____
Title: _____ Title: _____