PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 10, 2025

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 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.

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. See "Tax Considerations" herein.

New and Refunding Issue | **Rating Application Made: Moody's Investors Service, Inc.**

INDEPENDENT SCHOOL DISTRICT NO. 477
(PRINCETON PUBLIC SCHOOLS), MINNESOTA
(Mille Lacs, Benton, Isanti and Sherburne Counties)

(Minnesota School District Credit Enhancement Program)

$4,420,000* GENERAL OBLIGATION FACILITIES MAINTENANCE AND SCHOOL BUILDING REFUNDING BONDS, SERIES 2025A

PROPOSAL OPENING: January 21, 2025, 9:30 A.M., C.T. **CONSIDERATION**: January 21, 2025, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $4,420,000* General Obligation Facilities Maintenance and School Building Refunding Bonds, Series 2025A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Sections 123B.595, as amended, and 475.67, subd. 3, as amended, by Independent School District No. 477 (Princeton Public Schools), Minnesota (the "District"), to provide funds for facility maintenance projects included in the District's revised ten-year facility plan approved by the Commissioner of Education and to finance the current partial net refunding of certain outstanding general obligations of the District as more fully described herein. 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 Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS: February 13, 2025

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2026	$440,000	2028	$1,015,000	2030	$460,000
2027	1,265,000	2029	760,000	2031	480,000

***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: August 1, 2025 and semiannually thereafter.

OPTIONAL REDEMPTION: The Bonds are being offered without option of prior optional redemption.

MINIMUM PROPOSAL: $4,420,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $88,400 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

ESCROW AGENT: Zions Bancorporation, National Association.

BOND COUNSEL: Dorsey & Whitney LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

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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PRINCETON PUBLIC SCHOOLS
SCHOOL BOARD

		Term Expires
Deb Ulm	Board Chair	January 2027
Dawn Bourdeaux	Vice Chair	January 2029
Melissa Lynch	Clerk	January 2027
Eric Strandberg	Acting Clerk	January 2029
Eric Minks	Treasurer	January 2027
Scott Bowman	Member	January 2029
Jennifer Super	Member	January 2029

ADMINISTRATION

Ben Barton, Superintendent of Schools

Michelle Czech, Director of Business Services

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers and Associates, Inc., Municipal Advisors, Roseville, Minnesota
(*Other office located in Waukesha, Wisconsin*)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 477 (Princeton Public Schools), Minnesota (the "District") and the issuance of its $4,420,000* General Obligation Facilities Maintenance and School Building Refunding Bonds, Series 2025A (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 January 21, 2025.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Roseville, 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 February 13, 2025. 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 August 1, 2025, 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"). 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, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent") and Zions Bancorporation, National Association to act as escrow agent (the "Escrow Agent"). BTSC and Ehlers are affiliate companies. The District will pay the charges for Paying Agent and Escrow Agent services. The District reserves the right to remove the Paying Agent and/or the Escrow Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

The Bonds are being offered without the option of prior optional redemption.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Sections 123B.595, as amended, and 475.67, subd. 3, as amended, by the District, for the purposes of financing: (i) health and safety/indoor air quality projects included in the District's revised ten-year facility plan of the District approved by the Commissioner of Education (the "Facilities Maintenance Portion"); and (ii) effecting a current partial net refunding of the District's $29,955,000 General Obligation School Building Bonds, Series 2014A (the "Series 2014A Bonds" or the "School Building Refunding Portion").

Issue Being Refunded	Date of Refunded Issue		Maturities Outstanding	Interest Rates	Principal to be Refunded	CUSIP Base 742259
Series 2014A Bonds	7/24/14	Paid at Maturity	2026	3.000%	$2,175,000	PT5
		Paid at Maturity	2027	3.000%	2,245,000	PU2
		Paid at Maturity	2028	3.000%	2,315,000	PV0
		Paid at Maturity	2029	3.000%	2,395,000	PW8
			Total Maturities Outstanding		$9,130,000	

	Call Date	Call Price	Maturity Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 742259
	3/20/25	Par	2035	3.500%	$2,980,000	QC1
Total Series 2014A Bonds Being Refunded					$2,980,000	

A portion of the proceeds of the Bonds will be used to call and prepay the maturity of the Series 2014A Bonds described above and to pay all or most of the costs of issuance of the School Building Refunding Portion of the Bonds. The District will continue to pay the principal of and interest due on the outstanding Series 2014A Bonds through their maturity.

ESTIMATED SOURCES AND USES*

Sources	Facilities Maintenance Portion	School Building Refunding Portion	Total Bond Issue
Par Amount of Bonds	$1,535,000	$2,885,000	$4,420,000
Reoffering Premium	58,632	179,639	238,271
Total Sources	**$1,593,632**	**$3,064,639**	**$4,658,271**
Uses			
Total Underwriter's Discount (1.000%)	$15,350	$28,850	$44,200
Costs of Issuance	26,307	49,443	75,750
Deposit to Construction Fund	1,551,975	-	1,551,975
Deposit to Current Refunding Fund	-	2,981,588	2,981,588
Rounding Amount	-	4,757	4,757
Total Uses	**$1,593,632**	**$3,064,639**	**$4,658,271**

Breakdown of Principal Payments*:

Payment Date	Facilities Maintenance Portion	School Building Refunding Portion	Total Bond Issue
2/01/2026	$440,000	-	$440,000
2/01/2027	545,000	$720,000	1,265,000
2/01/2028	245,000	770,000	1,015,000
2/01/2029	305,000	455,000	760,000
2/01/2030	-	460,000	460,000
2/01/2031	-	480,000	480,000
Total	**$1,535,000**	**$2,885,000**	**$4,420,000**

*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 Moody's Investors Service, Inc. ("Moody's"). Moody's has a policy which assigns a minimum rating of "Aa1" to issuers participating in the MNCEP. The "Aa1" rating is based on the State of Minnesota's current "Aaa" rating from Moody's. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District currently has a "Aa3" underlying rating from Moody's 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 July 16, 2024 and amended on December 17, 2024, and the Award Resolution (collectively, 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 July 29, 2024, for General Obligation State Bonds, Series 2024A, 2024B, 2024C, 2024D and 2024E, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts:

> "As of June 30, 2024, 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 $19,750,000,000. 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, 2024 is currently estimated at $1,500,000,000, with the maximum amount of principal and interest payable in any one month being $1,185,000,000. 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.

In the Award Resolution, 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.

In the previous five years, the District believes it has not failed to comply in all material respects with its prior undertakings under the Rule. The District has reviewed its continuing disclosure responsibilities along with any changes to the Rule, to ensure compliance. Ehlers is currently engaged as dissemination agent for the District.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the District.

TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The District has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the application of the alternative minimum tax imposed on noncorporate taxpayers and applicable corporations (as defined in Section 59(k) of the Code) or the additional tax on net investment income, nor does it address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect of the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

Tax-Exempt Interest

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Code, (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The District has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bond s in the event that interest on the Bond s is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Bonds may be issued with original issue discount ("OID"). A Bond will be treated as issued with OID (a "Discount Bond") if its "stated redemption price at maturity" (i.e., the sum of all amounts payable on the Bond other than payments of qualified stated interest) exceeds its issue price. OID that accrues to a holder of a Discount Bond is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder's federal and Minnesota tax bases. OID is taxable under the Minnesota franchise tax on corporations and financial institutions.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then the OID that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in that accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of the Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Bonds, even if the Bonds are sold, redeemed, or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that OID on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

Market Discount

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued OID, if any), the purchaser may be treated as having purchased the Bond with market discount (unless a statutory *de minimis* rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

Bond Premium

A holder that acquires a Bond for an amount in excess of its stated redemption price at maturity generally must, from time to time, reduce the holder's federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a Bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, and trusts.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under Section 265(b) of the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds. The Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Income or loss on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

Sale or Other Disposition

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued OID with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

Information Reporting and Backup Withholding

Payments of interest on the Bonds (including any allocable bond premium or accrued OID) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

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

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, 2024 have been audited by BerganKDV, Ltd., St. Cloud, 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 will be 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 bond 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 United States 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	2021/22	2022/23	2023/24
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 $1,900,000 - 0.50% [2] Over $1,900,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,890,000 - 0.50% [2] Over $1,890,000 - 1.00% [2]	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]
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 - .75% Over $174,000 - .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: First $100,000 - .75% Over $100,000 - .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: First $100,000 - .75% Over $100,000 - .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

2023/24 Economic Market Value $3,477,418,184[1]

2023/24 Assessor's Estimated Market Value

	Mille Lacs County	Benton County	Isanti County	Sherburne County	Total
Real Estate	$1,116,261,600	$14,805,600	$533,754,600	$1,635,994,100	$3,300,815,900
Personal Property	7,514,000	410,900	3,796,300	17,978,300	29,699,500
Total Valuation	$1,123,775,600	$15,216,500	$537,550,900	$1,653,972,400	$3,330,515,400

2023/24 Net Tax Capacity

	Mille Lacs County	Benton County	Isanti County	Sherburne County	Total
Real Estate	$10,627,562	$122,885	$4,726,039	$16,776,439	$32,252,925
Personal Property	144,263	8,218	74,876	356,497	583,854
Net Tax Capacity	$10,771,825	$131,103	$4,800,915	$17,132,936	$32,836,779
Less: Captured Tax Increment Tax Capacity[2]	(134,457)	0	0	(26,939)	(161,396)
Taxable Net Tax Capacity	$10,637,368	$131,103	$4,800,915	$17,105,997	$32,675,383

2023/24 NET TAX CAPACITY BY CLASSIFICATION

	2023/24 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$22,456,860	68.39%
Agricultural	4,050,411	12.34%
Commercial/industrial	2,867,882	8.73%
Public utility	36,502	0.11%
Non-homestead residential	2,222,132	6.77%
Commercial & residential seasonal/rec.	619,138	1.89%
Personal property	583,854	1.78%
Total	$32,836,779	100.00%

[1] According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 95.86% of the actual selling prices of property most recently 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 an Economic Market Value ("EMV") for the District of $3,477,418,184.

[2] The captured tax increment value shown above represents the captured net tax capacity of a tax increment financing district(s) located in the District.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent Increase/Decrease in Estimated Market Value
2019/20	$2,028,206,500	$1,881,404,850	$19,302,097	$19,208,580	7.84%
2020/21	2,205,555,000	2,062,794,531	21,158,793	21,002,799	8.74%
2021/22	2,417,283,190	2,278,562,863	23,403,233	23,273,624	9.60%
2022/23	3,089,118,100	2,961,847,673	30,418,301	30,330,330	27.79%
2023/24	3,330,515,400	3,203,249,902	32,836,779	32,675,383	7.81%

LARGEST TAXPAYERS[3]

Taxpayer	Type of Property	2023/24 Net Tax Capacity	Percent of District's Total Net Tax Capacity
United States Distilled Products Co.	Industrial	$336,454	1.02%
Northern Natural Gas Co.	Utility	177,324	0.54%
Walmart	Commercial	142,014	0.43%
Crystal Cabinet Works, Inc.	Industrial	122,930	0.37%
Xcel Energy	Utility	102,544	0.31%
Centerpoint Energy	Utility	79,680	0.24%
Coborns	Commercial	71,072	0.22%
Great River Energy	Utility	62,668	0.19%
Rum River Residential Suites	Apartments	61,972	0.19%
Minnesota Pipeline	Utility	49,698	0.15%
Total		$1,206,356	3.67%

District's Total 2023/24 Net Tax Capacity $32,836,779

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Mille Lacs, Benton, Isanti and Sherburne Counties.

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1 Net Tax Capacity includes tax increment values.

2 Taxable Net Tax Capacity does not include tax increment values.

3 In 2023, the estimated median commercial and industrial sales ratio used to equalize utility values in Mille Lacs County dropped below 90% to 68.41%, thereby resulting in lower valuations for this classification of property. Depreciation may also have affected the decrease in valuations.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by tax abatement revenues and state aids[2]	$3,165,000
Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	29,380,000
Total General Obligation Debt*	$32,545,000

*Preliminary, subject to change.

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations[3]	$245,000

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

The District may issue an estimated $9,415,000 in General Obligation Refunding Bonds within the next 12 months. In addition, the District has established a Community Task Force to explore solutions for funding and facilities needs. A possible solution may include bond referendum question(s) presented to the voters and, assuming a successful referendum, the issuance of General Obligation School Building Bonds.

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.

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

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

3 Non-general obligation debt has not been included in the debt ratios.

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). For taxes payable in 2023, and thereafter, 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 2024 is approximately 5.07% of total annual debt service levies, based on the District's 2023/24 qualifying agricultural land valuation.

The District's $1,180,000 Refunding Certificates of Participation, Series 2020A, do not qualify for the agricultural credit pursuant to Minnesota Statutes.

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:

2023/24 Economic Market Value	$3,477,418,184
Multiply by 15%	0.15
Statutory Debt Limit	$521,612,728
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(29,380,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	(245,000)
Unused Debt Limit*	$491,987,728

*Preliminary, subject to change.

Independent School District No. 477 (Princeton Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 02/13/2025)

	Tax Abatement Bonds Series 2022A								
Dated	11/10/2022								
Amount	$3,560,000								
Maturity	02/01								
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2026	255,000	140,750	255,000	140,750	395,750	2,910,000	8.06%	**2026**
2027	220,000	128,000	220,000	128,000	348,000	2,690,000	15.01%	**2027**
2028	225,000	117,000	225,000	117,000	342,000	2,465,000	22.12%	**2028**
2029	225,000	105,750	225,000	105,750	330,750	2,240,000	29.23%	**2029**
2030	240,000	94,500	240,000	94,500	334,500	2,000,000	36.81%	**2030**
2031	250,000	82,500	250,000	82,500	332,500	1,750,000	44.71%	**2031**
2032	260,000	70,000	260,000	70,000	330,000	1,490,000	52.92%	**2032**
2033	265,000	59,600	265,000	59,600	324,600	1,225,000	61.30%	**2033**
2034	285,000	49,000	285,000	49,000	334,000	940,000	70.30%	**2034**
2035	315,000	37,600	315,000	37,600	352,600	625,000	80.25%	**2035**
2036	305,000	25,000	305,000	25,000	330,000	320,000	89.89%	**2036**
2037	320,000	12,800	320,000	12,800	332,800	0	100.00%	**2037**
	3,165,000	922,500	3,165,000	922,500	4,087,500			

Independent School District No. 477 (Princeton Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 02/13/2025)

	School Building Bonds Series 2014A		Facilities Maintenance Bonds Series 2019A		Facilities Maintenance Bonds Series 2023A		School Building Refunding Bonds Series 2023B		Fac Maint and School Building Ref Bonds 1) Series 2025A							
Dated	07/24/2014		02/28/2019		05/11/2023		11/09/2023		02/13/2025							
Amount	$29,955,000		$3,975,000		$3,000,000		$12,510,000		$4,420,000*							
Maturity	02/01		02/01		02/01		02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2026	2,175,000	273,900	565,000	57,750	0	150,000	445,000	583,750	440,000	213,633	3,625,000	1,279,033	4,904,033	25,755,000	12.34%	**2026**
2027	2,245,000	208,650	590,000	29,500	0	150,000	0	561,500	1,265,000	199,000	4,100,000	1,148,650	5,248,650	21,655,000	26.29%	**2027**
2028	2,315,000	141,300			370,000	150,000	0	561,500	1,015,000	135,750	3,700,000	988,550	4,688,550	17,955,000	38.89%	**2028**
2029	2,395,000	71,850			385,000	131,500	0	561,500	760,000	85,000	3,540,000	849,850	4,389,850	14,415,000	50.94%	**2029**
2030					405,000	112,250	2,460,000	561,500	460,000	47,000	3,325,000	720,750	4,045,750	11,090,000	62.25%	**2030**
2031					425,000	92,000	2,585,000	438,500	480,000	24,000	3,490,000	554,500	4,044,500	7,600,000	74.13%	**2031**
2032					450,000	70,750	1,960,000	309,250			2,410,000	380,000	2,790,000	5,190,000	82.33%	**2032**
2033					470,000	48,250	2,065,000	211,250			2,535,000	259,500	2,794,500	2,655,000	90.96%	**2033**
2034					495,000	24,750	2,160,000	108,000			2,655,000	132,750	2,787,750	0	100.00%	**2034**
	9,130,000	695,700	1,155,000	87,250	3,000,000	929,500	11,675,000	3,896,750	4,420,000	704,383	29,380,000	6,313,583	35,693,583			

* Preliminary, subject to change.

1) A portion of this issue will refund the 2035 maturity of the District's $29,955,000 General Obligation School Building Bonds, Series 2014A dated July 24, 2014.

Independent School District No. 477 (Princeton Public Schools), Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 02/13/2025)

	Refunding Certificates of Participation Series 2020A								
Dated	11/12/2020								
Amount	$1,180,000								
Maturity	02/01								
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2026	245,000	4,900	245,000	4,900	249,900	0	100.00%	**2026**
	245,000	4,900	245,000	4,900	249,900			

OVERLAPPING DEBT[1]

Taxing District	2023/24 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Counties of:				
Benton	$53,978,544	0.2429%	$1,600,000	$3,886
Isanti	59,897,572	8.0152%	4,165,000	333,833
Mille Lacs	37,374,898	28.4613%	12,440,000	3,540,586
Sherburne	164,917,675	10.3724%	34,260,000	3,553,584
City of:				
Princeton	5,879,979	100.0000%	3,200,000	3,200,000
District's Share of Total Overlapping Debt				$10,631,889

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 $3,477,418,184	Debt/ Per Capita 22,149[1]
Direct G.O. Debt Secured By:			
Tax Abatement Revenues and State Aids	$3,165,000		
Taxes and State Aids*	29,380,000		
Total General Obligation Debt*	$32,545,000		
Less: Agricultural Credit[2]	(1,650,032)		
Tax Supported General Obligation Debt*	$30,894,968	0.89%	$1,394.87
District's Share of Total Overlapping Debt	$10,631,889	0.31%	$480.02
Total*	$41,526,857	1.19%	$1,874.89

*Preliminary, subject to change.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[3]	Total Collected Following Year	Collected to Date	% Collected
2019/20	$7,576,644	$7,484,136	$7,570,019	99.91%
2020/21	7,804,861	7,727,790	7,796,350	99.89%
2021/22	7,939,765	7,856,326	7,920,541	99.76%
2022/23	8,933,784	8,831,149	8,870,254	99.29%
2023/24	9,434,973	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[4] 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.

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1 Estimated 2023 population.

2 Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 5.07% 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 $1,650,032.

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

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

TAX CAPACITY RATES[1]

	2019/20	2020/21	2021/22	2022/23	2023/24
I.S.D. No. 477 (Princeton Public Schools)	28.688%	26.556%	24.659%	21.328%	21.065%
Benton County	58.455%	55.208%	54.697%	48.620%	43.996%
Isanti County	62.966%	62.094%	59.744%	50.472%	45.182%
Mille Lacs County	78.636%	73.577%	79.065%	65.608%	64.085%
Sherburne County	47.426%	45.835%	44.080%	38.630%	36.597%
City of Princeton	66.565%	61.617%	63.981%	54.783%	54.922%
Town of Milo[2]	15.924%	13.647%	17.245%	14.158%	12.416%
Rural Service District	24.656%	27.184%	20.357%	15.318%	16.143%
East Central Regional Development	0.199%	0.188%	0.173%	0.146%	0.133%
Green Lake Lake Improvement District	6.803%	4.307%	3.216%	1.997%	1.766%
Referendum Market Value Rates:					
I.S.D. No. 477 (Princeton Public Schools)	0.13165%	0.12851%	0.11665%	0.10229%	0.10040%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Mille Lacs, Benton, Isanti and Sherburne Counties.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 543, including 302 non-licensed employees and 241 licensed employees (229 of whom are teachers). The District provides education for 3,136 students in grades kindergarten through twelve.

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.

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
Administrative Team	June 30, 2025
Secretarial Association	June 30, 2025
Paraprofessional Association	June 30, 2025
Princeton Education Association	June 30, 2025
Custodian Association	June 30, 2025
Food Service Association	June 30, 2026

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 Actuarial Study shows a total OPEB liability of $3,814,274 as of July 1, 2023. 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
2020/21	233	1,357	1,507	3,097
2021/22	222	1,412	1,502	3,136
2022/23	216	1,476	1,482	3,174
2023/24	211	1,415	1,471	3,097
2024/25	203	1,416	1,517	3,136

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2025/26	189	1,395	1,522	3,106
2026/27	195	1,398	1,497	3,090
2027/28	197	1,363	1,504	3,064

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Princeton Primary School	2015	--
Princeton Intermediate School	1969	1993, 2002, 2011
Princeton Middle School	2000	--
Princeton High School	1966	1970, 1986, 1994, 2003
Family Center	1948	1950, 1962, 1963, 1989, 1994

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 November 30, 2024)

Fund	Total Cash and Investments
General	$13,362,852
Food Service	2,624,017
Community Service	1,980,151
Debt Service	4,659,117
Building/Construction	2,459,254
Total Funds on Hand	$25,085,392

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 District's 2024 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2024-25 Adopted Budget[1]
Revenues					
Local property taxes	$4,062,932	$4,322,925	$4,276,892	$4,876,807	$4,713,553
Other local and county revenues	622,522	881,763	1,417,359	1,965,273	1,451,025
Revenues from state sources	31,203,642	31,719,356	32,872,169	36,868,437	36,619,709
Revenues from federal sources	2,104,872	1,762,091	2,878,879	2,811,509	1,130,734
Sales and other conversions of assets	0	77,093	0	0	0
Total Revenues	$37,993,968	$38,763,228	$41,445,299	$46,522,026	$43,915,021
Expenditures					
Current:					
Administration	$1,781,791	$1,757,952	$1,802,419	$1,890,662	$2,004,974
District support services	1,115,347	1,112,817	1,177,522	1,179,459	1,408,203
Elementary & secondary regular instruction	16,638,286	17,328,367	18,078,938	19,259,881	19,809,015
Vocational education instruction	573,802	536,941	619,649	820,078	722,853
Special education instruction	7,017,338	7,298,216	8,682,501	9,721,063	9,858,334
Instructional support services	2,243,293	2,276,049	3,114,932	3,085,788	2,877,547
Pupil support services	3,708,945	4,096,849	4,404,614	4,371,774	4,508,109
Sites and buildings	3,366,790	3,432,794	3,510,875	3,653,377	4,275,047
Fiscal and other fixed cost programs	142,084	151,787	168,268	231,062	310,000
Capital outlay	301,358	1,111,262	846,512	878,482	467,097
Debt service	305,432	362,313	366,697	366,146	373,904
Total Expenditures	$37,194,466	$39,465,347	$42,772,927	$45,457,772	$46,615,083
Excess of revenues over (under) expenditures	$799,502	($702,119)	($1,327,628)	$1,064,254	($2,700,062)
Other Financing Sources (Uses)					
Proceeds from the sale of capital assets	$65,504	$0	$0	$0	$0
Bond issuance	1,180,000	0	0	0	0
Bond premium	48,534	0	0	0	0
Payment to refunded debt escrow agent	(1,165,000)	0	0	0	0
Insurance recoveries	0	1,730	0	0	0
Lease issuance	0	423,256	0	55,518	0
Transfers (out)	0	0	0	(108,333)	0
Total Other Financing Sources (Uses)	$129,038	$424,986	$0	($52,815)	$0
Net changes in Fund Balances	$928,540	($277,133)	($1,327,628)	$1,011,439	($2,700,062)
General Fund Balance July 1	$11,984,149	$12,912,689	$12,635,556	$11,307,928	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	$12,912,689	$12,635,556	$11,307,928	$12,319,367	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$44,384	$17,718	$17,718	$17,718	
Restricted	4,926,935	5,199,240	4,532,448	5,060,978	
Committed	978,039	824,875	843,475	896,592	
Assigned	1,516,890	1,522,422	1,489,002	1,241,476	
Unassigned	5,446,441	5,071,301	4,425,285	5,102,603	
Total	$12,912,689	$12,635,556	$11,307,928	$12,319,367	

[1] The 2024-25 budget was adopted on June 18, 2024. The District has a history of adopting conservative budgets and producing actual financial results that are more favorable than the budget. Of the $2.7 million deficit included in the adopted budget, $900,000 is related to restricted funds and $1.8 million is related to unassigned funds. District administration expects actual results to reflect a lower reduction in the unassigned fund balance, primarily due to conservative budgeting and higher than expected enrollment.

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 21,221 and a 2023 population estimate of 22,149, and comprising an area of 235 square miles, is located approximately 40 miles northwest of St. Paul, Minnesota.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 477 (Princeton Public Schools)	Elementary and secondary education	543
Crystal Cabinet Works, Inc.	Kitchen and bath cabinets manufacturer	537
Fairview Northland Medical Center	Hospital & clinics	534[2]
Walmart Supercenter	Department store	335
Phillips Distilling Co.	Alcoholic beverages production and bottling facility	300
Elim Care & Rehab Center	Nursing home and senior rehabilitation services	205
Coborn's	Grocery store	120
Plastic Products Company	Custom plastic, metal and ceramic injection molding	100
McDonalds	Restaurant	87
APG East Central	Office and printing plant	67

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

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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.

2 Includes the Medical Center, Princeton Clinic and Home Care & Hospice Center.

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	20,347
2020 U.S. Census population	21,221
Percent of Change 2010 - 2020	4.30%
2023 State Demographer Estimate	22,149

Income and Age Statistics

	The District	Mille Lacs County	State of Minnesota	United States
2023 per capita income	$39,376	$35,500	$46,957	$43,289
2023 median household income	$95,870	$71,455	$87,556	$78,538
2023 median family income	$110,145	$86,552	$111,492	$96,922
2023 median gross rent	$949	$909	$1,235	$1,348
2023 median value owner occupied units	$304,900	$237,500	$305,500	$303,400
2023 median age	40.2 yrs.	41.2 yrs.	38.6 yrs.	38.7 yrs.

	State of Minnesota	United States
District % of 2023 per capita income	83.86%	90.96%
District % of 2023 median family income	98.79%	113.64%

Source: 2010 and 2020 Census of Population and Housing, and 2023 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.

	Average Employment	Average Unemployment	
Year	**Mille Lacs County**	**Mille Lacs County**	**State of Minnesota**
2020	11,838	8.6%	6.3%
2021	11,811	5.6%	3.7%
2022	12,078	4.3%	2.7%
2023	12,169	5.1%	2.8%
2024, November	12,085	4.6%	2.9%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

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 changes 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.

Independent School District No. 477
Princeton, Minnesota

Basic Financial Statements

June 30, 2024

Independent School District No. 477
Table of Contents

Independent School District No. 477
Board of Education and Administration
June 30, 2024

Board of Education	Position	Term Expires
Deb Ulm	Chairperson	January 1, 2027
Dawn Bourdeaux	Vice Chairperson	January 1, 2025
Melissa Lynch	Treasuer	January 1, 2027
Eric Minks	Clerk	January 1, 2027
Eric Strandberg	Acting Clerk	January 1, 2025
Sue VanHooser	Director	January 1, 2025
Chad Young	Director	January 1, 2025

Administration	
Ben Barton	Superintendent
Michelle Czech	Director of Business Services

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Independent Auditor's Report

To the School Board
Independent School District No. 477
Princeton, Minnesota

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 477, Princeton, Minnesota, as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 477, as of June 30,2024, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 477, Princeton, Minnesota, 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
The management of Independent School District No. 477 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 13, 2024

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Independent School District No. 477
Management's Discussion and Analysis

This section of Independent School District No. 477 – Princeton Public Schools' (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year that ended on June 30, 2023. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of a reporting model that is required by the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. GASB Statement No. 34 establishes reporting requirements that include additional financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

Comparative information between the current year and the prior year are included in the MD&A as required.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2023-24 year include the following:

- During the Covid19 pandemic, in order to assist Districts in bringing students back to school safely, the Federal, State, and local governments provided grant opportunities. From these grant opportunities the District's largest allocations were:
  - ESSR II Funds $1,228,317
  - ESSR III Funds $2,206,900
  - ESSR III 20% $ 551,725

  The District spread the use of these funds over multiple years to support additional classroom teachers, educational training, summer programming improvements, mental health supports, health staffing, childcare staffing, health supplies and custodial supplies, etc. These funds were spent in full as of June 30th, 2024

- In 2023 we ended with 3,226.58 ADM's and in 2024 we ended with 3,146.98 ADM's, which is an decrease of 79.6 ADM's from the previous year. The District during 2023 spring planning anticipated that student enrollment would decline from the previous year. The District is seeing lower enrollment in PK-5 classes with enrollment larger in our 6-12 grade classes.

- The District, during 2023-2024 school year continued Long Term Facility Maintenance projects using proceeds from the bonds that were issued the previous year. The first bond was a $3,560,000 abatement bond to be used to update our parking lots throughout the District. Projects worked on during the summer of 2024 were the East parking lot of the High School. The second bond was a $3,000,000 Long Term Facility Maintenance Bond. The bond was to facilitate multiple LTFM projects over the next two summers. These are a few of the projects: portions of the HS roof, IS dish room, HS bathrooms, tuck pointing, and HVAC work.

- The District's unassigned fund balance increased by $677,318 which makes the unassigned fund balance at 12.5% of our unassigned budgeted expenditures for 2024-2025. The School Board's policy requires the unassigned fund balance to be a minimum of 10 percent of the total general fund budget which includes the assigned and restricted areas , the District continues to meet the policy guidelines in 2023-2024 with a 10.9% fund balance.

FINANCIAL HIGHLIGHTS (CONTINUED)

- The District's assigned fund balance decreased by $247,526. These are assigned funds for specific program needs. Program needs vary each year. The district also sets aside funds to address severance language in a committed fund.

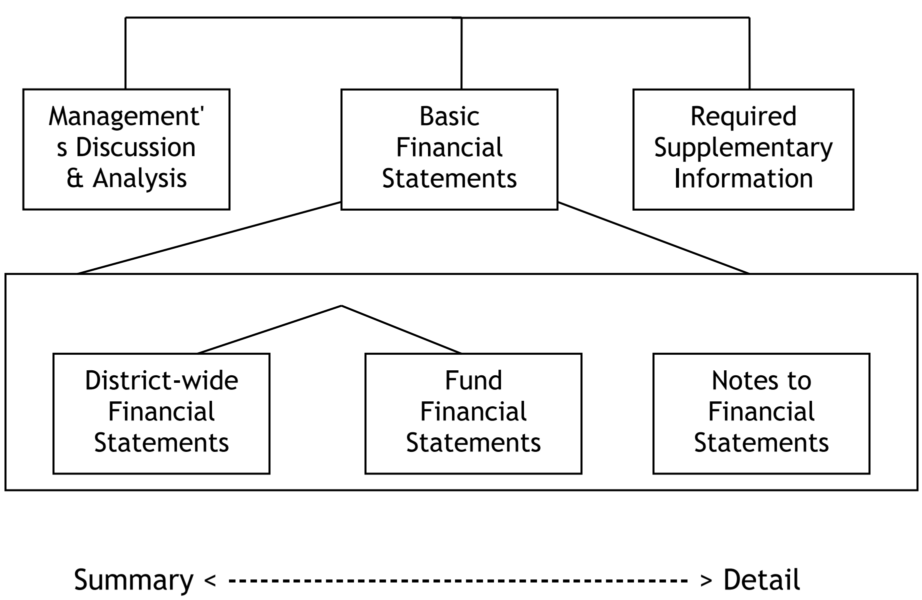
- The District's restricted/reserved fund balances in the General Fund increased by $528,530. These funds are required by the state to be set aside for a specific purpose. The largest increase in the restricted area was Compensatory funds due to increased revenue and a change by the legislature in which the funds could be use.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund-financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- The District currently does not have any fiduciary funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The diagram below shows how the various parts of this annual report are arranged and related to one another:



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

DISTRICT-WIDE STATEMENT

Fund Financial Statements		
	District-Wide Statements	**Governmental Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.
Required financial statements	❖ Statement of Net Position ❖ Statement of Activities	❖ Balance Sheet ❖ Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting Basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.
Type of assets/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.

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

DISTRICT-WIDE STATEMENTS (CONTINUED)

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

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

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

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

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

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

The District has one kind of fund:

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

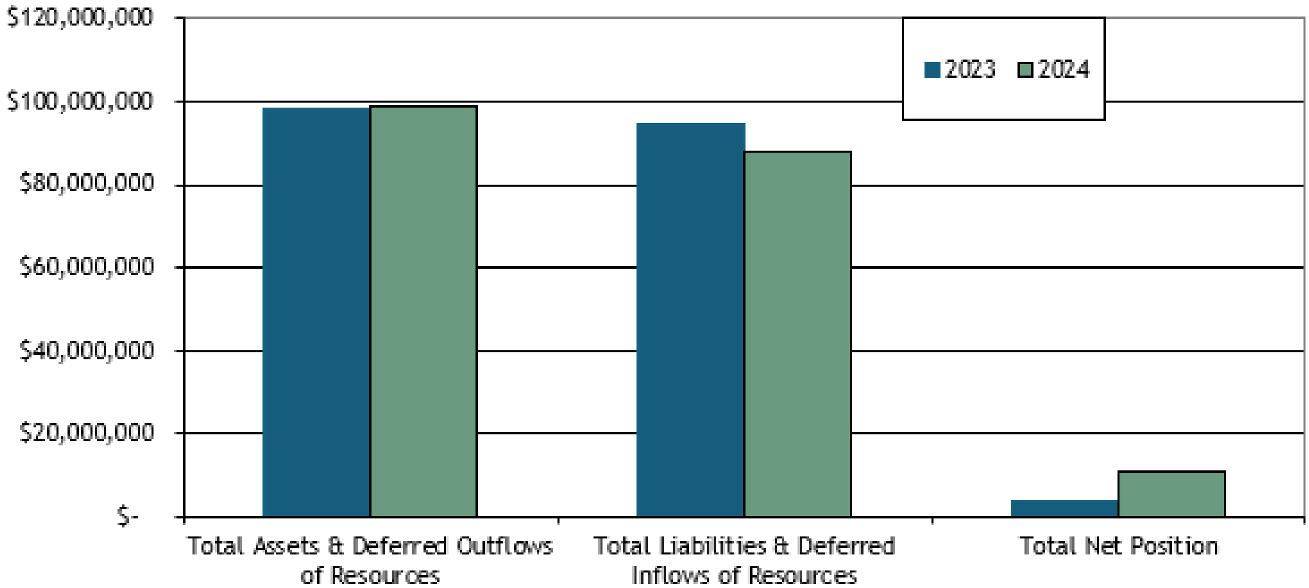
Net Position
The District’s combined net position improved by $6,680,034 (see details in Table A-1). Capital Assets of the District increased for the year while Long Term Liabilities decreased. Long Term Liabilities include bonds payable, certificates of participation, lease liabilities, compensated absences payable, OPEB obligations, and PERA and TRA pensions. It is important to note that the District withholds pension liabilities as required by law and forwards to the appropriate pension entity. The District does not pay out pensions as that is the responsibility of the pension entity, yet we are required by law to recognize this liability on the District's financial statements.

DISTRICT-WIDE STATEMENTS (CONTINUED)

Table A-1
Financial Analysis of the District as a Whole

	2023	2024
Assets		
Current assets	$ 35,964,732	$ 35,290,582
Capital assets	53,060,948	55,963,079
Total assets	89,025,680	91,253,661
Deferred Outflows of Resources	9,242,617	7,346,623
Total assets and deferred outflows of resources	$ 98,268,297	$ 98,600,284
Liabilities		
Current liabilities	$ 5,175,189	$ 5,776,010
Long-term liabilities	74,642,912	70,566,888
Total liabilities	79,818,101	76,342,898
Deferred Inflows of Resources	14,629,365	11,735,667
Net Position		
Net investment in capital assets	18,504,299	21,422,371
Restricted net position	8,233,816	9,752,361
Unrestricted net position	(22,896,430)	(20,653,013)
Total net position	3,841,685	10,521,719
Total liabilities, deferred inflows of resources, and net position	$ 98,289,151	$ 98,600,284

DISTRICT-WIDE STATEMENTS (CONTINUED)



DISTRICT-WIDE STATEMENTS (CONTINUED)

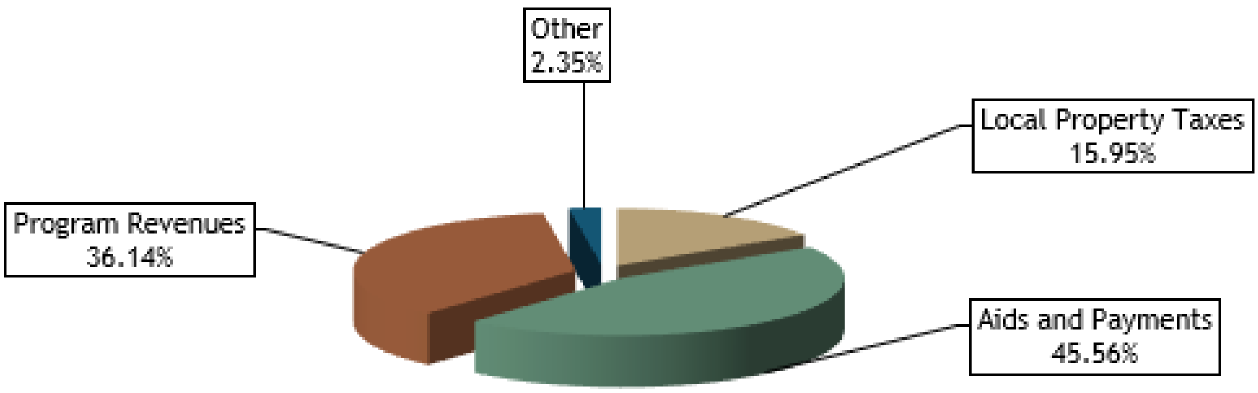
Table A-2
Summary of Revenues and Expenses

	Year	
	2023	2024
Revenues		
Program revenues		
Charges for services	$ 3,345,140	$ 3,259,326
Operating grants and contributions	12,399,521	16,952,139
Capital grants and contributions	585,672	510,985
General revenues		
Property taxes	8,053,970	9,149,137
Aids and payments from the state	25,644,384	26,124,814
Other sources	616,444	1,349,985
Total revenues	50,645,131	57,346,386
Expenses		
Administration	1,590,437	1,888,108
District support services	1,264,285	1,237,892
Elementary and secondary regular education	14,467,728	18,254,023
Vocational education	483,032	778,521
Special education	7,615,034	9,416,913
Instructional support services	2,798,154	2,447,485
Pupil support services	4,209,223	4,358,933
Site, buildings, and equipment	4,852,543	4,942,375
Fiscal and other fixed cost programs	168,268	231,062
Food Service	2,115,396	2,368,380
Community education and services	1,836,263	2,079,323
Unallocated depreciation	1,215,459	1,214,759
Interest and fiscal charges - long-term debt	1,092,685	1,448,578
Total expenses	43,708,507	50,666,352
Change in net position	6,936,624	6,680,034
Net Position		
Beginning	(3,094,939)	3,841,685
Ending	$ 3,841,685	$ 10,521,719

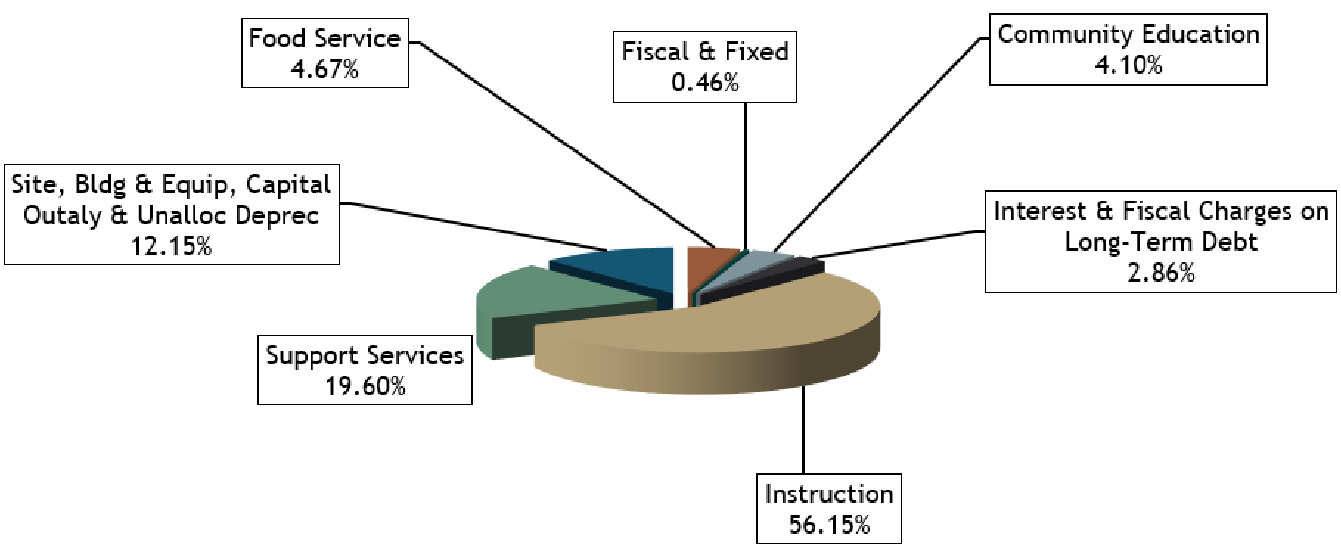
DISTRICT-WIDE STATEMENTS (CONTINUED)

The District's total revenue in 2024 consisted of program revenues of $20,722,450 property taxes of $9,149,137, aid payment from the State of Minnesota of $26,124,814 and $1,349,985 from miscellaneous other sources. 2024 expenses totaling $50,666,352 consisted mainly of regular, vocational and special education instruction costs of $28,449,457. Other areas of cost included: support services (District, administrative, instructional and pupil) $9,932,418, site, buildings and equipment $4,942,375, fiscal and other fixed-cost program $231,062, food service $2,368,380, community education and services $2,079,323 unallocated depreciation $1,214,759 and interest and fiscal charges on long-term debt $1,448,578.

2024 Revenues Table A-3



2024 Expenses Table A-4



DISTRICT-WIDE STATEMENTS (CONTINUED)

The net cost of governmental activities is their total costs less program revenues applicable to each category. Table A-5 presents these costs.

Table A-5

	2023		2024	
	Total Cost of Services	Net (Expense) Revenue	Total Cost of Services	Net (Expense) Revenue
Administration	$ 1,590,437	$ (1,562,311)	$ 1,888,108	$ (1,851,103)
District support services	1,264,285	(1,238,225)	1,237,892	(1,217,801)
Elementary and secondary				
Regular instruction	14,467,728	(9,547,147)	18,254,023	(12,151,808)
Vocational instruction	483,032	(425,694)	778,521	(728,019)
Special education instruction	7,615,034	(1,963,361)	9,416,913	(1,231,872)
Instructional support services	2,798,154	(2,208,718)	2,447,485	(1,685,220)
Pupil support services	4,209,223	(3,942,255)	4,358,933	(4,264,232)
Site, buildings, and equipment	4,852,543	(4,256,284)	4,942,375	(4,429,390)
Fiscal and other fixed-cost programs	168,268	(168,268)	231,062	(231,062)
Food service	2,115,396	145,647	2,368,380	335,687
Community education and services	1,836,263	96,586	2,079,323	174,255
Unallocated depreciation	1,215,459	(1,215,459)	1,214,759	(1,214,759)
Debt service:				
Interest and fiscal charges on long-term debt	1,092,685	(1,092,685)	1,448,578	(1,448,578)
Total	$ 43,708,507	$ (27,378,174)	$ 50,666,352	$ (29,943,902)

FUND BALANCE

The increase in the total general fund balance is in large part do to an increase in revenue from these funding areas Compensatory, Special Education , Interest, and other program funding that was approved during the 2023 legislative session The District also used the last of the Covid19 funds to maintaining staffing levels in order to improve learning loss that occurred during the pandemic. This allowed the District to put money in fund balance for the following year to offset a projected deficit.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the 2024 year, its governmental funds reported a combined fund balance of $20,755,599. The combined fund balance decreased $1,655,194. The decrease is in large part due to Capital Projects to be funded with two separate bonds over the next two summers.

REVENUE AND EXPENDITURES

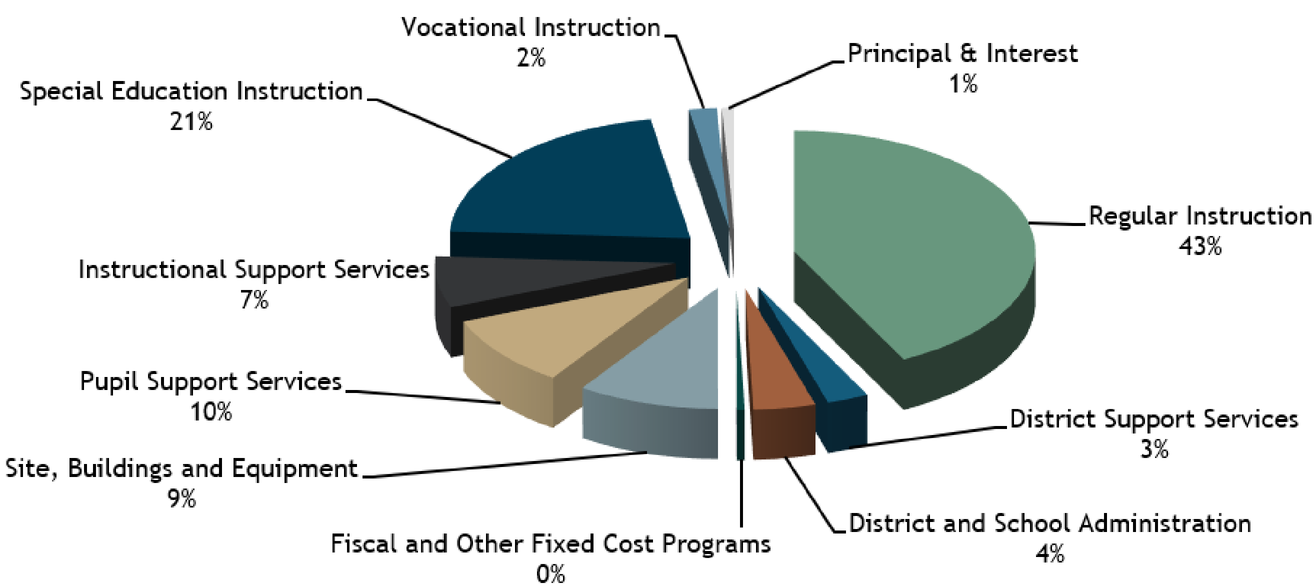
District's governmental funds revenue totaled $57,196,463 plus $13,589,329 in other financing sources, while total expenditures were $58,967,653 plus $13,473,333 in other financing uses. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in Table A-6 on the next page.

REVENUE AND EXPENDITURES (CONTINUED)

Table A-6
Revenues and Expenditures - Governmental Funds

	Revenue	Expenditures	Other Financing Sources/Uses	Fund Balance Increase
General	$ 46,522,026	$ 45,457,772	$ (52,815)	$ 1,011,439
Food Service	2,788,637	2,534,438	-	$ 254,199
Community Service	2,637,977	2,110,197	-	$ 527,780
Debt Service	5,002,790	4,853,286	168,811	$ 318,315
Capital Projects	245,033	4,011,960	-	$ (3,766,927)
Total	$ 57,196,463	$ 58,967,653	$ 115,996	$ (1,655,194)

2024 General Fund Expenditures



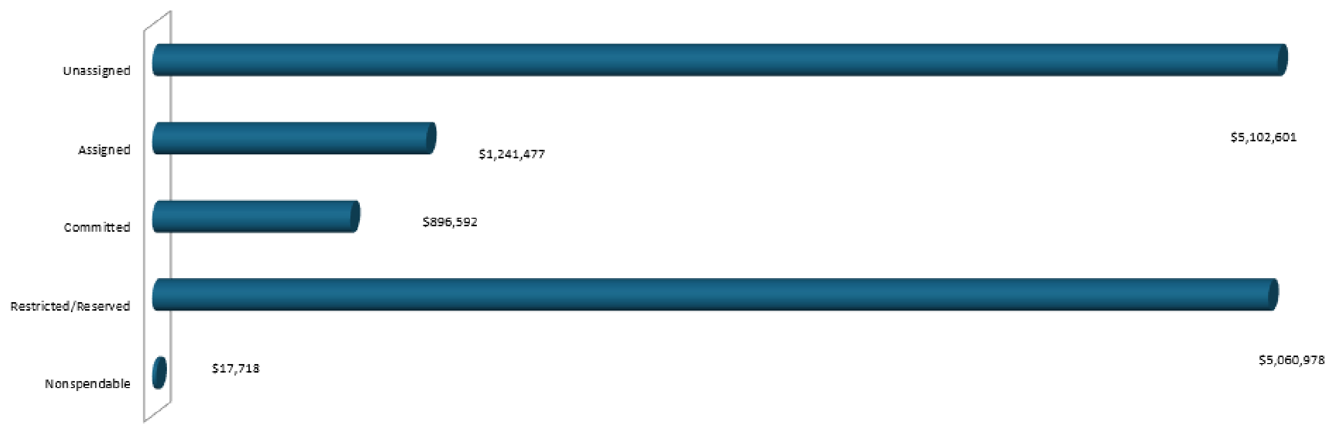
GENERAL FUND BUDGETARY HIGHLIGHTS

During the year ended June 30, 2024, the District formally revised its budget one time. The revision is always necessary because when the initial budget is prepared and adopted (a budget must be in place prior to the beginning of the year on July 1) details of student enrollments, staffing levels and other significant information items are estimates and are continually changing. The budget is a guide and is monitored continually for reasonableness.

The Covid19 health pandemic grants continued to affect the 23-24 budget. The District received multiple Covid19 grants with various restrictions and end dates. Covid19 funding was fully spent in the school year 2023-2024 when all grants must be spent. The district will need to make decisions regarding the end of the one-time revenue in the coming year(s).

The basic General Education Aid revenue from the state per pupil unit is $7,138 for the 2032-2024 school year. The District also levies the $724 in Local Optional Revenue set by state law. The General Fund balance is up from the previous year, increasing the General Fund balance to $12.3 million, with $17,718 in non-spendable, $5 million in restricted/reserved, $.89 million in committed, $1.24 million in assigned and $5.1 million in unassigned. (See chart below)

Table A-7
Fund Balance Comparison



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

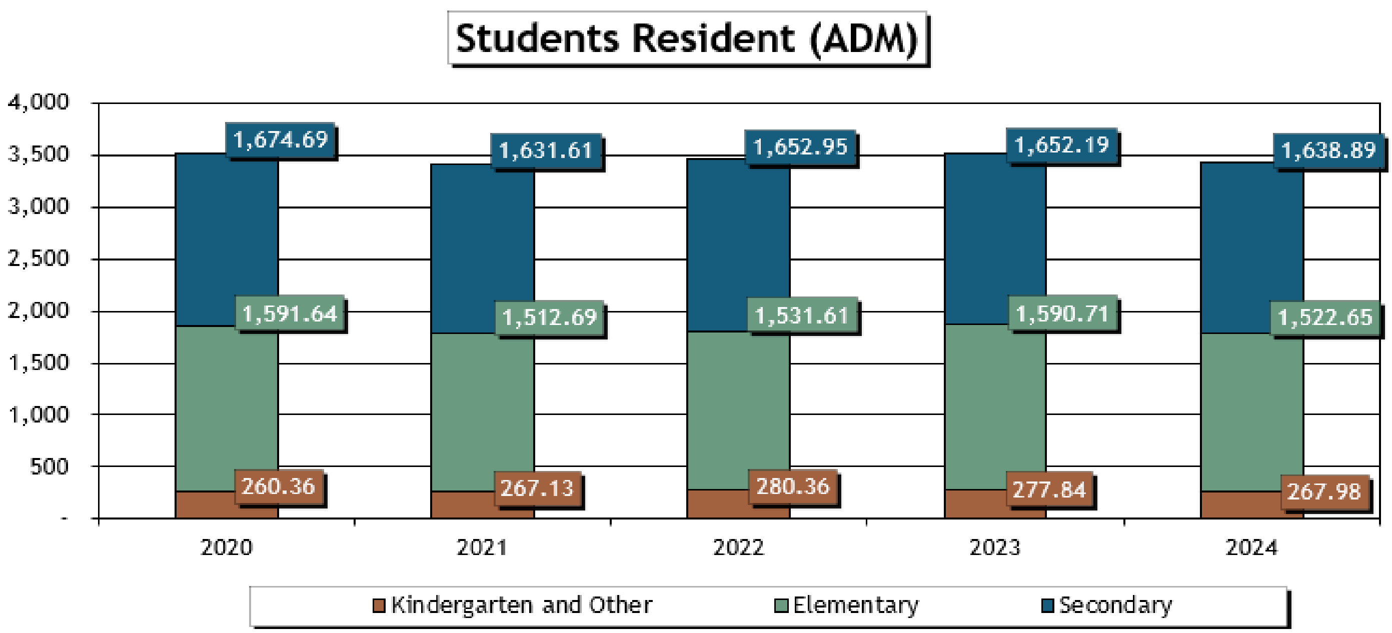
The overall capital assets of the District increased $5,303,541 before taking depreciation into consideration. This increase is due to site improvements, equipment purchases, and the completion of small construction projects. Net capital assets increased by $2,902,131, after taking into consideration depreciation. More detailed information regarding capital assets can be found in Note 3 of the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt

At year-end, the District had $37,832,752 of long-term liabilities. This consisted of bonded indebtedness and unamortized premium of $36,855,200 and certificates of participation, lease liability and compensated absences payable of $977,552. More detailed information regarding long-term liabilities can be found in Note 4 of the financial statements.

Table A-8 Students Resident (ADMs)



The District's resident average daily membership (ADM) increased in 2023 and is projected to decrease in fiscal year 2024. The above graph illustrates this current trend.

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The Covid19 health pandemic has impacted students learning and social emotional wellbeing. The District is collecting data on learning loss and plans to use the data to target areas that need support in the future. The District is also training all Elementary Teachers in a literacy program called LETRS to improve instruction. The Federal and State governments provided one-time funding to address the issues related to the Covid19 health pandemic that can be used through 2023-2024 school year. The District will face challenges maintaining current class sizes into the future

- The District has five buildings. A ten year facilities plan was completed in the spring of 2017 and is reviewed annually to be used to determine the direction the District should go in order to update, replace, and maintain our other facilities. Some of the Districts future projects include the Middle School parking lot, High School IAQ project, Intermediate School flooring and gym door, AC units, and tuckpointing. The District plans to update the initial 10 year plan in the spring of 2025.

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- The District asked for public input during the 2019-2020 school year to help determine educational and facility needs for the future. During the 2021 school year the District completed a survey to assess public support of the proposed projects. The results indicated the District had support and the Board voted to put two questions on the ballot for a November 2, 2021 election totaling $68,175,000. Both questions failed. The District still has building improvement needs and started a district task force in the spring of 2024. They will look at both building needs and future operational concerns.

- The District conducted a demographic study in 2018-2019 school year. The demographic study shows that resident students will continue to decline and that the District on average brings in 76% of the market share. We also have more students choosing to open enroll out than students choosing to open enroll in. The District in 2019 had 3,568 resident students in 2024 we have 3,429 a decrease of 139 resident students. The District will continue to monitor enrollment.

In order to improve the performance of the District:

- The District continues to use the 2019 continuous improvement plan that is updated yearly. The plan focuses on four "Big Rocks" Student Learning, Climate & Culture, Multi-tiered System of Supports, and Operations.
- The High School continues to invest in Tiger Academies and CTE programming to prepare students to enter the work force or to continue their education.
- The District has made additional investments in our on-line program, adding a K-8 program for the 2024-2025 school year. We hope to attract students outside our boundaries who are looking for an alternative program to a traditional school setting.
- The District is continuing to work on marketing our Kindergarten program with the intent of improving our market share of our resident students attending Princeton Public Schools in the future.
- We are continuing the marketing campaign that includes: flyers, Facebook, Twitter, Website and our brand.
- The District continues to plan for more robust educational programing in our classrooms and other new programming. Teaching & Learning initiatives will be used to add new materials to our educational system that will expand educational offerings and help retain enrollment along with other programming needs that will enhance the district attractiveness for both students and staff.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact Michelle Czech, Director of Business Services, at the District Center located at 706 First Street, Princeton, Minnesota 55371.

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BASIC FINANCIAL STATEMENTS

Independent School District No. 477
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Cash and investments (including cash equivalents)	$ 24,463,954
Current property taxes receivable	4,825,048
Delinquent property taxes receivable	116,709
Accounts receivable	4,666
Interest receivable	269,719
Due from Department of Education	3,790,675
Due from Federal Government through Department of Education	1,378,204
Due from other Minnesota school districts	342,684
Due from Other Governmental Units	13,035
Inventory	85,888
Capital assets not being depreciated/amortized	
Land	1,286,492
Construction in progress	656,276
Capital assets being depreciated/amortized	
Land improvements	9,856,780
Buildings	74,330,144
Machinery and equipment	5,871,209
Leased assets	476,810
Less accumulated depreciation/amortization	(36,514,632)
Total assets	91,253,661
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	338,436
Deferred outflows of resources related to pensions	7,008,187
Total deferred outflows of resources	7,346,623
Total assets and deferred outflows of resources	$ 98,600,284
Liabilities	
Accounts and contracts payable	$ 805,218
Salaries and benefits payable	3,513,999
Interest payable	753,421
Due to other Minnesota school districts	459,047
Unearned revenue	244,325
Bond principal payable (net unamortized premium)	
Payable within one year	3,705,000
Payable after one year	33,150,200
Certificates of participation	
Payable within one year	240,000
Payable after one year	245,000
Lease liability	
Payable within one year	108,660
Payable after one year	144,676
Compensated absences payable	
Payable after one year	239,216
Total OPEB obligation	
Payable within one year	295,719
Payable after one year	3,518,555
Net pension liability	28,919,862
Total liabilities	76,342,898
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	9,395,685
Deferred inflows of resources related to OPEB	224,927
Deferred inflows of resources related to pensions	2,115,055
Total deferred inflows of resources	11,735,667
Net Position	
Net investment in capital assets	21,422,371
Restricted for	
Debt service	591,763
Other purposes	9,160,598
Unrestricted	(20,653,013)
Total net position	10,521,719
Total liabilities, deferred inflows of resources, and net position	$ 98,600,284

See notes to basic financial statements.

Independent School District No. 477
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 1,888,108	$ 37,005	$ -	$ -	$ (1,851,103)
District support services	1,237,892	-	20,091	-	$ (1,217,801)
Elementary and secondary regular instruction	18,254,023	777,858	5,324,357	-	(12,151,808)
Vocational education instruction	778,521	-	50,502	-	(728,019)
Special education instruction	9,416,913	380,322	7,804,719	-	(1,231,872)
Instructional support services	2,447,485	36,969	725,296	-	(1,685,220)
Pupil support services	4,358,933	16,313	78,388	-	(4,264,232)
Sites and buildings	4,942,375	-	2,000	510,985	(4,429,390)
Fiscal and other fixed cost programs	231,062	-	-	-	(231,062)
Food service	2,368,380	145,338	2,558,729	-	335,687
Community education and services	2,079,323	1,865,521	388,057	-	174,255
Unallocated depreciation	1,214,759	-	-	-	(1,214,759)
Interest and fiscal charges on long-term debt	1,448,578	-	-	-	(1,448,578)
Total governmental activities	$ 50,666,352	$ 3,259,326	$ 16,952,139	$ 510,985	(29,943,902)
General revenues					
Taxes					
Property taxes, levied for general purposes					4,895,685
Property taxes, levied for community service					322,016
Property taxes, levied for debt service					3,931,436
State aid-formula grants					26,124,814
Other general revenues					23,402
Investment income					1,326,583
Total general revenues					36,623,936
Change in net position					6,680,034
Net position - beginning					3,841,685
Net position - ending					$ 10,521,719

See notes to basic financial statements.

Independent School District No. 477
Balance Sheet - Governmental Funds
June 30, 2024

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	$ 13,130,853	$ 3,576,883	$ 3,322,998	$ 4,433,220	$ 24,463,954
Current property taxes receivable	2,263,763	2,446,842	-	114,443	4,825,048
Delinquent property taxes receivable	59,351	52,962	-	4,396	116,709
Accounts receivable	4,325	-	-	341	4,666
Interest receivable	243,669	-	26,050	-	269,719
Due from Department of Education	3,657,569	82,056	-	51,050	3,790,675
Due from Federal Government through Department of Education	1,362,447	-	-	15,757	1,378,204
Due from other Minnesota school districts	342,684	-	-	-	342,684
Due from other governmental units	13,035	-	-	-	13,035
Inventory	17,718	-	-	68,170	85,888
Total assets	$ 21,095,414	$ 6,158,743	$ 3,349,048	$ 4,687,377	$ 35,290,582
Liabilities					
Accounts and contracts payable	$ 470,895	$ -	$ 296,220	$ 38,103	$ 805,218
Salaries and benefits payable	3,446,410	-	-	67,589	3,513,999
Due to other Minnesota school districts	459,047	-	-	-	459,047
Unearned revenue	-	-	-	244,325	244,325
Total liabilities	4,376,352	-	296,220	350,017	5,022,589
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	59,351	52,962	-	4,396	116,709
Property taxes levied for subsequent years expenditures	4,340,344	4,817,601	-	237,740	9,395,685
Total deferred inflows of resources	4,399,695	4,870,563	-	242,136	9,512,394
Fund Balances					
Nonspendable	17,718	-	-	68,170	85,888
Restricted	5,060,978	1,288,180	3,052,828	4,027,054	13,429,040
Committed	896,592	-	-	-	896,592
Assigned	1,241,476	-	-	-	1,241,476
Unassigned	5,102,603	-	-	-	5,102,603
Total fund balances	12,319,367	1,288,180	3,052,828	4,095,224	20,755,599
Total liabilities, deferred inflows of resources, and fund balances	$ 21,095,414	$ 6,158,743	$ 3,349,048	$ 4,687,377	$ 35,290,582

Independent School District No. 477
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2024

Total fund balances - governmental funds	$ 20,755,599
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	92,477,711
Less accumulated depreciation/amortization	(36,514,632)
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:	
Bond principal payable	(34,810,000)
Premium on bonds payable	(2,045,200)
Certificates of participation	(485,000)
Lease liability	(253,336)
Compensated absences payable	(239,216)
OPEB obligation	(3,814,274)
Net pension liability	(28,919,862)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.	
Deferred outflows of resources related to OPEB	338,436
Deferred outflows of resources related to pensions	7,008,187
Deferred inflows of resources related to OPEB	(224,927)
Deferred inflows of resources related to pensions	(2,115,055)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	116,709
Governmental funds do not report a liability for accrued interest on bonds, capital leases, and certificates of participation until due and payable.	(753,421)
Total net position - governmental activities	$ 10,521,719

Independent School District No. 477
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 4,876,807	$ 3,914,673	$ -	$ 320,895	$ 9,112,375
Other local and county revenues	1,965,273	267,546	245,033	2,015,518	4,493,370
Revenue from state sources	36,868,437	820,571	-	1,677,409	39,366,417
Revenue from federal sources	2,811,509	-	-	1,267,454	4,078,963
Sales and other conversion of assets	-	-	-	145,338	145,338
Total revenues	46,522,026	5,002,790	245,033	5,426,614	57,196,463
Expenditures					
Current					
Administration	1,890,662	-	-	-	1,890,662
District support services	1,179,459	-	-	-	1,179,459
Elementary and secondary regular instruction	19,259,881	-	-	-	19,259,881
Vocational education instruction	820,078	-	-	-	820,078
Special education instruction	9,721,063	-	-	-	9,721,063
Instructional support services	3,085,788	-	-	-	3,085,788
Pupil support services	4,371,774	-	-	-	4,371,774
Sites and buildings	3,653,377	-	130,243	-	3,783,620
Fiscal and other fixed cost programs	231,062	-	-	-	231,062
Food service	-	-	-	2,313,387	2,313,387
Community education and services	-	-	-	2,110,197	2,110,197
Capital outlay					
District support services	92,759	-	-	-	92,759
Elementary and secondary regular instruction	68,364	-	-	-	68,364
Vocational education instruction	25,860	-	-	-	25,860
Instructional support services	30,654	-	-	-	30,654
Sites and buildings	660,845	-	3,881,717	-	4,542,562
Food service	-	-	-	221,051	221,051
Debt service					
Principal	335,044	3,135,000	-	-	3,470,044
Interest and fiscal charges	31,102	1,718,286	-	-	1,749,388
Total expenditures	45,457,772	4,853,286	4,011,960	4,644,635	58,967,653
Excess of revenues over (under) expenditures	1,064,254	149,504	(3,766,927)	781,979	(1,771,190)
Other Financing Sources (Uses)					
Bond issuance	-	12,510,000	-	-	12,510,000
Bond premium	-	915,478	-	-	915,478
Payment to refunded debt escrow agent	-	(13,365,000)	-	-	(13,365,000)
Lease issuance	55,518	-	-	-	55,518
Transfers in	-	108,333	-	-	108,333
Transfers out	(108,333)	-	-	-	(108,333)
Total other financing sources (uses)	(52,815)	168,811	-	-	115,996
Net change in fund balances	1,011,439	318,315	(3,766,927)	781,979	(1,655,194)
Fund Balances					
Beginning of year	11,307,928	969,865	6,819,755	3,313,245	22,410,793
End of year	$ 12,319,367	$ 1,288,180	$ 3,052,828	$ 4,095,224	$ 20,755,599

Independent School District No. 477
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2024

Net change in fund balances - total governmental funds	$ (1,655,194)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation/amortization expense.	
Capital outlays	5,419,183
Depreciation/amortization expense	(2,514,355)
Disposal of capital assets	(2,697)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(9,024)
Post employment benefit obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(78,326)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	1,827,022
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net position in the Statement of Activities.	3,471,849
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(126,205)
Payment of bond refundings are recognized as other financing uses in the Governmental funds, decreasing fund balance but having no effect on net Assets in the statement of activities.	13,365,000
Governmental funds report the effect of bond premiums and refundings when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(488,463)
The issuance of long-term debt provides current financial resources to governmental funds and has no effect on the net position. These amounts are reported in the governmental funds as a source of financing. These amounts are not shown as revenues in the Statement of Activities but rather constitute long-term liabilities in the Statement of Net Position.	(12,565,518)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	36,762
Change in net position - governmental activities	$ 6,680,034

Independent School District No. 477
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 4,730,257	$ 4,730,257	$ 4,876,807	$ 146,550
Other local and county revenues	1,101,580	1,438,660	1,965,273	526,613
Revenue from state sources	36,024,456	36,416,710	36,868,437	451,727
Revenue from federal sources	2,174,217	2,642,094	2,811,509	169,415
Total revenues	44,030,510	45,227,721	46,522,026	1,294,305
Expenditures				
Current				
Administration	1,849,989	1,920,145	1,890,662	(29,483)
District support services	2,367,155	1,289,999	1,179,459	(110,540)
Elementary and secondary regular instruction	18,834,567	19,194,386	19,259,881	65,495
Vocational education instruction	622,411	667,156	820,078	152,922
Special education instruction	8,441,345	9,051,819	9,721,063	669,244
Instructional support services	3,434,129	3,482,528	3,085,788	(396,740)
Pupil support services	4,230,188	4,349,071	4,371,774	22,703
Sites and buildings	3,925,636	4,081,694	3,653,377	(428,317)
Fiscal and other fixed cost programs	220,000	200,000	231,062	31,062
Capital outlay				
District support services	1,050	1,050	92,759	91,709
Elementary and secondary regular instruction	98,950	98,950	68,364	(30,586)
Vocational education instruction	1,300	31,813	25,860	(5,953)
Instructional support services	5,500	5,500	30,654	25,154
Pupil support services	7,100	7,100	-	(7,100)
Sites and buildings	620,000	671,563	660,845	(10,718)
Debt service				
Principal	353,862	353,862	335,044	(18,818)
Interest and fiscal charges	14,400	14,400	31,102	16,702
Total expenditures	45,027,582	45,421,036	45,457,772	36,736
Excess of revenues over (under) expenditures	(997,072)	(193,315)	1,064,254	1,257,569
Other Financing Sources (Uses)				
Lease issuance	-	-	55,518	55,518
Transfers out	-	-	(108,333)	(108,333)
Total other financing sources (uses)	-	-	(52,815)	(52,815)
Net change in net position	$ (997,072)	$ (193,315)	1,011,439	$ 1,204,754
Fund Balances				
Beginning of year			11,307,928	
End of year			$ 12,319,367	

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting
The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide basic 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. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

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

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

The District will follow the approved District plan for each fund balance area. If there is no plan the District will strive to spend resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, committed, assigned, and unassigned.

Description of Funds:

Major Funds:

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

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

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

Nonmajor Funds:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Nonmajor Funds: (Continued)

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

D. Deposits and Investments

Cash and investments include nonpooled investments balances related to bond proceeds and balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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

Cash and investments at June 30, 2024, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF), shares in the Minnesota Trust (MNTrust) Investment Shares Portfolio, MNTrust Treasury Securities, and shares in MNTrust Term Series.

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

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

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid Class or MNTrust Investment Shares Portfolio. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following fiscal year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2023, less various components, and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2024. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

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

H. Property Taxes

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

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

I. Capital Assets

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

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 with an estimated useful life in excess of one year. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 20 years for furniture and equipment.

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

J. Right-to-Use Lease Assets/Lease Liabilities

The District recorded right-to-use lease assets as a result of implementing GASB Statement No. 87, Leases. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the lease liability plus any payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District determines its estimated borrowing rate based on the applicable State and Local Government Securities rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a re-measurement of the leases and will remeasure the right-to-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of the lease liability.

K. Deferred Outflows/Inflows of Resources

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

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

L. Long-Term Obligations

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

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

M. Compensated Absences

The District does not compensate employees upon termination of employment for unused vacation. However, substantially all full-time employees are allowed to carry over maximum balances to be used shortly after year-end. All employees are entitled to sick leave. Noncertified employees are not compensated for unused sick leave upon a qualified termination of employment. Certified employees are compensated for unused sick leave upon termination of employment, in conjunction with severance pay as described in Note 1.N. Sick leave pay is shown as an expenditure in the year paid.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Post Employment Severance and Health Benefits

Full-time custodians, paraprofessional and food service employees are eligible for severance pay upon retirement. Custodians hired prior to January 1, 2005, retiring after the age of 62 are entitled to receive unused accumulated sick leave up to 60% of 140 days maximum if they serve five years with the District. Paraprofessionals hired prior to June 30, 2007, are paid up to 50% of the 100 days maximum sick leave accrual. Paraprofessionals hired after July 1, 1991, must have 15 years of service to receive this benefit. Food service employees earn one day of sick leave for each month up to 160 days. It is paid out at 50% of unused days up to a 50 day maximum pay out for employees over age 60 and over five years of service to the District.

As of June 30, 2024, the District had a balance for compensated absences payable, related to severance, of $239,216.

O. Pensions

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

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

P. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2024.

Q. Fund Equity

1. Classifications

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor the constraints on the specific purpose for which amounts in these funds can be spent. If resources from more than one fund balance classification could be spent, the school will follow the approved district plan for each of the areas. If there is no plan, the District will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity (Continued)

1. Classifications (Continued)

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact and include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, nonfinancial assets held for resale, or the permanent principal of endowment funds.

- Restricted Fund Balances – These are amounts that are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed Fund Balances – These are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) by the School Board.

- Assigned Fund Balances – These are amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by majority vote of the school board. The board also delegates the power to assign fund balances to either the Superintendent or the Director of Business Services. Assignments so made shall be reported to the finance committee and/or the school board on a quarterly basis.

- Unassigned Fund Balances – These are amounts that are the residual amounts in the General Fund not reported in any other classification. Unassigned amounts in the General Fund are technically available for expenditure for any purpose. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

2. Minimum Fund Balance

The District shall strive to maintain a minimum unassigned fund balance of 10% of the annual budget in the General Fund.

R. Net Position

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

T. Budgetary Information
The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects, and Debt Service Funds.
4. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy that requires the District's deposits to be collateralized as required by *Minnesota Statutes* § 118.03 for an amount exceeding Federal Deposit Insurance Corporation (FDIC), SAIF, BIF, or FCUA coverage. *Minnesota Statutes* requires all deposits be protected by federal depository insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by FDIC insurance or corporate surety bonds. As of June 30, 2024, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name. The District's deposits had a book balance as shown below.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

As of June 30, 2024 the District had the following deposits:

Pooled	
Checking	$ 856,890
MN Trust certificates of deposit	6,414,300
Total pooled deposits	7,271,190
Non pooled	
Bond proceeds deposits	
MN Trust certificates of deposit	472,200
Total deposits	$ 7,743,390

B. Investments

As of June 30, 2024, the District had the following investments:

	Investment Maturity (In Years)			
Investment Type	Fair Value	Less Than One Year	1 to 3 Years	Rating
Pooled				
MSDLAF Liquid Class	$ 1,372,784	$ 1,372,784	$ -	AAAm
MSDLAF MAX Class	5,353,700	5,353,700	-	AAAm
MNTrust Investment Shares Portfolio	331,079	331,079	-	AAAm
MN Trust Term Series	5,287,766	5,287,766	-	AAAm
MN Trust Treasury Securities	1,525,022	1,031,767	493,255	N/A
Total pooled investments	13,870,351	13,377,096	493,255	
Non pooled				
Bond proceeds investments				
MNTrust Investment Shares Portfolio	2,850,213	2,850,213	-	AAAm
Total investments	$ 16,720,564	$ 16,227,309	$ 493,255	

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

Interest Rate Risk: This is the risk the market value of securities in the portfolio will fall due to changes in market interest rates. The District policy indicates the District will minimize this risk by structuring the investment portfolio, so securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio in accordance with the policy.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)
Credit Risk: The District's investment policy refers to *Minnesota Statutes* §§ 118A.04 and 118A.05. Statutes limit investments in the top two ratings issued by nationally recognized statistical rating organizations. The District will minimize credit risk by limiting investments to the types of securities listed in Section IX of their investment policy, prequalifying the financial institutions, brokers/dealers, intermediaries, and advisers which will do business in accordance with Section V and diversifying the investment portfolio so the impact of potential losses from any one type of security or from any one individual issuer will be minimized. Investments are rated as indicted in the tables on previous page.

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

The District has the following recurring fair value measurements as of June 30, 2024:

- $ 1,525,022 are valued using a matrix pricing model (Level 2 inputs)

The following is a summary of total deposits and investments:

Deposits - pooled (Note 2. A.)	$ 7,271,190
Deposits - non pooled (Note 2. A.)	472,200
Investments - pooled (Note 2. B.)	13,870,351
Investments - non pooled (Note 2. B.)	2,850,213
Total deposits and investments	$ 24,463,954

Deposits and investments at June 30, 2024, are presented as follows:

Statement of Net Position	
Cash and Investments	$ 24,463,954

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,286,492	$ -	$ -	$ 1,286,492
Construction in progress	460,323	3,303,897	3,107,944	656,276
Total capital assets not being depreciated	1,746,815	3,303,897	3,107,944	1,942,768
Other Capital assets				
Land improvements	6,935,685	2,921,095	-	9,856,780
Buildings	73,213,711	1,116,433	-	74,330,144
Furniture and equipment	4,856,667	1,130,184	115,642	5,871,209
Leased building	321,795	-	-	321,795
Leased equipment	99,497	55,518	-	155,015
Total other capital assets	85,427,355	5,223,230	115,642	90,534,943
Less accumulated depreciation for				
Land improvements	2,904,479	373,301	-	3,277,780
Buildings	27,630,024	1,709,552	-	29,339,576
Furniture and equipment	3,440,945	323,858	112,945	3,651,858
Less accumulated amortization for				
Leased building	80,449	80,448	-	160,897
Leased equipment	57,325	27,196	-	84,521
Total accumulated depreciation and amortization	34,113,222	2,514,355	112,945	36,514,632
Total other capital assets, net	51,314,133	2,708,875	2,697	54,020,311
Governmental activities, capital assets, net	$ 53,060,948	$ 6,012,772	$ 3,110,641	$ 55,963,079

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation/amortization expense of $2,514,355 for the year ended June 30, 2024, was charged to the following governmental functions:

District Support Services	$ 52,361
Elementary and Secondary Regular Instruction	44,741
Vocational Instruction	6,560
Special Education Instruction	885
Instructional Support Services	69,213
Pupil Support	37,128
Sites and Buildings	1,052,252
Food Service	36,169
Community Service	287
Unallocated	1,214,759
Total depreciation/amortization expense	$ 2,514,355

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. Bonds including						
Refunding Bonds						
2014A School Building Bonds	07/24/14	3.00%-3.50%	$ 29,955,000	02/01/35	$ 14,255,000	$ 2,145,000
2019A Facilities Maintenance Bonds	02/28/19	5.00%	3,975,000	02/01/27	1,690,000	535,000
2022A Tax Abatement Bonds	11/10/22	4.00%-5.00%	3,560,000	02/01/37	3,355,000	190,000
2023A Facilities Maintenance Bonds	05/11/23	5.00%	3,000,000	02/01/34	3,000,000	-
2023B School Building Refunding Bonds	11/09/23	5.00%	12,510,000	02/01/34	12,510,000	835,000
Total G.O. bonds					34,810,000	3,705,000
Unamortized bond premium					2,045,200	-
Certificates of participation	11/12/20	2.00%	1,180,000	02/01/26	485,000	240,000
Lease liability					253,336	108,660
Compensated absences payable					239,216	-
Total all long-term liabilities					$ 37,832,752	$ 4,053,660

Long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. Other long-term liabilities, including certificates of participation, lease liabilities and compensated absences, are typically paid from the General Fund.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

On November 8, 2023, the District issued $12,510,000 General Obligation School Building Refunding Bonds, Series 2023B, which included the refunding portion of the 2030 through 2034 maturities of the Series 2014A Bonds. Proceeds of the 2023B Bonds were placed in escrow to redeem portions of the 2014A Bonds with maturities of 2030 through 2034 considered defeated. The net present value savings was ($14,614) and the refunding lowered debt service payments by $512,684.

B. Minimum Debt Payments for Bonds

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

Year Ending	G.O. Bonds		
June 30,	Principal	Interest	Total
2025	$ 3,705,000	$ 1,595,275	$ 5,300,275
2026	3,440,000	1,310,450	4,750,450
2027	3,055,000	1,181,950	4,236,950
2028	2,910,000	1,074,100	3,984,100
2029	3,005,000	980,300	3,985,300
2030-2034	14,775,000	2,853,600	17,628,600
2035-2039	3,920,000	179,700	4,099,700
Total	$ 34,810,000	$ 9,175,375	$ 43,985,375

Year Ending	Certificate of Participation		
June 30,	Principal	Interest	Total
2025	$ 240,000	$ 9,700	$ 249,700
2026	245,000	4,900	249,900
Total	$ 485,000	$ 14,600	$ 499,600

C. Lease Liability

The District entered into lease agreements for copier machines with various start dates and payment amounts. These agreements are 60 month agreements using an annual rate of 5.84%. The copier leases have been capitalized and are being amortized.

The District also entered into a lease agreement for a postage machine. Monthly payments are $299, are due for 60 months, using an annual interest rate of 5.84%. The postage machine has been capitalized and is being amortized.

In June 2022, the District entered into a lease agreement with Princeton Youth Hockey Association. Semi-annual payment, are due for 4 years, using an annual interest rate of 4.50%. The related leased assets has been capitalized and is being amortized.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Lease Liability (Continued)

Minimum annual principal and interest payments required to retire the lease liability are as follows:

Year Ending June 30,	Lease Liability Principal	Interest	Total
2025	$ 108,660	$ 12,386	$ 121,046
2026	121,086	7,154	128,240
2027	11,745	1,378	13,123
2028	11,845	691	12,536
Total	$ 253,336	$ 21,609	$ 274,945

D. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 38,800,000	$ 12,510,000	$ 16,500,000	$ 34,810,000
Unamortized bond premium	1,556,737	915,478	427,015	2,045,200
Certificates of participation	720,000	-	235,000	485,000
Lease liability	299,667	55,518	101,849	253,336
Compensated absences payable	230,192	37,767	28,743	239,216
Total long-term liabilities	$ 41,606,596	$ 13,518,763	$ 17,292,607	$ 37,832,752

NOTE 5 – FUND BALANCES/NET POSITION

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

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances

Fund balances are classified below to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Capital Projects	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	$ 17,718	$ -	$ -	$ 68,170	$ 85,888
Restricted for					
Student Activities	7,169	-	-	-	7,169
Staff Development	563,825	-	-	-	563,825
American Indian Ed Aid	15,833	-	-	-	15,833
Operating Capital	2,210,142	-	-	-	2,210,142
Area Learning Center	28,629	-	-	-	28,629
Basic Skills	809,780	-	-	-	809,780
Safe Schools Levy	71,228	-	-	-	71,228
Long-Term Facilities Maintenance	1,125,813	-	1,638,259	-	2,764,072
Student Support Personnel	41,886	-	-	-	41,886
Medical Assistance	186,673	-	-	-	186,673
Community Education	-	-	-	1,190,373	1,190,373
Early Childhood and Family Education	-	-	-	113,224	113,224
School Readiness	-	-	-	223,498	223,498
Food Service	-	-	-	2,480,386	2,480,386
Community Service	-	-	-	19,573	19,573
Debt Service	-	1,288,180	-	-	1,288,180
Capital Projects	-	-	1,414,569	-	1,414,569
Total restricted	5,060,978	1,288,180	3,052,828	4,027,054	13,429,040
Committed for					
Separation benefits	896,592	-	-	-	896,592
Assigned for					
Q-comp	140,707	-	-	-	140,707
Technology	81,832	-	-	-	81,832
Program Initiatives	800,512	-	-	-	800,512
Student Activities	218,425	-	-	-	218,425
	1,241,476	-	-	-	1,241,476
Unassigned for					
General purposes	5,102,603	-	-	-	5,102,603
Total fund balance	$ 12,319,367	$ 1,288,180	$ 3,052,828	$ 4,095,224	$ 20,755,599

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

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

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

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* § 122A.61, subdivision 1).

Restricted/Reserved for American Indian Education Aid – This balance represents resources remaining in the American Indian Education Funds.

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

Restricted/Reserved for Area Learning Center – This balance represents amounts restricted for students attending area learning centers. Each district that sends students to an area learning center must restrict an amount equal to the sum of 1) at least 90 and no more than 100% of the district average General Education Revenue per adjusted pupil unit minus an amount equal to the product of the formula allowance according to *Minnesota Statutes* § 126C.10, subd. 2, times .0466, calculated without basic skills revenue, local optional revenue, and transportation sparsity revenue, times the number of pupil units attending a state-approved area learning center, plus (2) the amount of basic skills revenue generated by pupils attending the area learning center. The amount restricted may only be spent on program costs associated with the area learning center.

Restricted/Reserved for Basic Skills Programs – This balance represents resources available for the basic skills uses listed in *Minnesota Statutes* § 126C.15, subd. 1.

Restricted/Reserved for Safe Schools Levy – The unspent resources available from the safe schools levy must be restricted in this account for future use.

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

Restricted/Reserved for Student Support Personnel Aid – This balance represents available resources to be used for student support personnel that are in addition to current staff levels.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* § 125A.21, subd. 3).

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)
Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

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

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

Restricted for Fund Purpose – This balance represents the accumulation of the activity to provide the food service program, the remaining aggregate resources for community service programs and debt service after other restrictions are removed.

Committed for Separation Benefits – This balance represents the resources set aside for the payment of retirement benefits.

Assigned for Q-Comp – This balance represents resources set aside for payments required through the teachers' Q-Comp Program.

Assigned for Technology – This balance represents the resources set aside for future technology purchases.

Assigned for Program Initiatives – This balance represents resources set aside for the program initiatives as determined by the Board.

Assigned for Student Activities – This balance represents the accumulation of the student activity accounts that are under School Board control.

B. Net Position
Net position restricted for other purposes on the Statement of Net Position is comprised of the total positive net position of the General Fund, Food Service, and Community Service Funds.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2024, was $684,498. The components of pension expense are noted in the following plan summaries.

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association

A. Plan Description

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers employed by St. Paul Schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Plan (DCP) administered by Minnesota State.

B. Benefits Provided

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

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 1 Benefits

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

With these provisions:

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits (Continued)

Or

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under *Minnesota Statute*. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

Tier II Benefits
Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

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

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

C. Contribution Rate
Per *Minnesota Statutes* Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2022, June 30, 2023, and June 30, 2024, were:

	June 30, 2022		June 30, 2023		June 30, 2024	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0 %	12.34 %	11.0 %	12.55 %	11.3 %	12.75 %
Coordinated	7.5	8.34	7.5	8.55	7.8	8.75

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

The following is a reconciliation of employer contributions in TRA's fiscal year 2023 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in *Schedule of Employer and Non-Employer Pension Allocations*. Amounts are reported in thousands.

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	$ 508,764
Employer contributions not related to future contribution efforts	(87)
TRA's contributions not included in allocation	(643)
Total employer contributions	508,034
Total non-employer contributions	35,587
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 543,621

Amounts reported in the allocation schedules may not precisely agree with basic financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2023
Measurement date	June 30, 2023
Experience study	June 28, 2019 (demographic and economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% after June 30, 2028.
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% after June 30, 2028.
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	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.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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 table on following page.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Private markets	25.0	5.90
Fixed income	25.0	0.75
Total	100.0 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is five years as required by GASB 68.

Changes in actuarial assumptions since the 2022 valuation:

The 2023 Tax Finance and Policy Bill, effective July 1, 2025:

- 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 8.0% on July 1, 2025.
- 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.

The 2024 Omnibus Pensions and Retirement Bill:

- 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.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2023 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. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability

On June 30, 2024, the District reported a liability of $24,116,430 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.2921% at the end of the measurement period and 0.2840% 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	$ 24,116,430
State's proportionate share of the net pension liability associated with the District	1,689,532

For the year ended June 30, 2024, the District recognized pension expense of ($43,345). Included in this amount, the District recognized $237,899 as pension expense for the support provided by direct aid.

On June 30, 2024, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 234,760	$ 347,574
Net collective difference between projected and actual earnings on pension plan investments	-	98,883
Changes of assumptions	2,725,857	-
Changes in proportion	661,249	166,233
Contributions paid to TRA subsequent to the measurement date	1,729,513	-
Total	$ 5,351,379	$ 612,690

The $1,729,513 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

Year Ended June 30,	Pension Expense
2025	$ 431,158
2026	(17,789)
2027	2,715,316
2028	(183,475)
2029	63,966
Total	$ 3,009,176

G. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 38,463,932	$ 24,116,430	$ 12,371,253

The District's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis, and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

The General Employees Retirement Plan covers certain full-time and part time employees of the District. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan 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 PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1 the annuity accrual rate for a Coordinated Plan member is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

C. Contributions

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were $543,513. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2024, the District reported a liability of $4,803,432 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 $132,312.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0859% at the end of the measurement period and 0.0834% for the beginning of the period.

District's proportionate share of net pension liability	$ 4,803,432
State of Minnesota's proportionate share of the net pension liability associated with the School	132,312
Total	$ 4,935,744

For the year ended June 30, 2024, the District recognized pension expense of $727,843 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $595 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At June 30, 2024, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 156,643	$ 30,508
Changes in actuarial assumptions	718,472	1,316,580
Net collective difference between projected and actual investments earnings	-	102,817
Change in proportion	238,180	52,460
Contributions paid to PERA subsequent to the measurement date	543,513	-
Total	$ 1,656,808	$ 1,502,365

The $543,513 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2025	$ 148,291
2026	(576,901)
2027	143,742
2028	(104,202)
Total	$ (389,070)

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

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

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International stocks	16.5	5.30
Private markets	25.0	5.90
Fixed income	25.0	0.75
Total	100.0 %	

Actuarial Methods and Assumptions
The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.5% was deemed to be within that range of reasonableness for financial reporting purposes.

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.

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

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)
The following changes in actuarial assumptions and plan provisions occurred in 2023:

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

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

G. Discount Rates
The discount rate used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	$ 8,497,657	$ 4,803,432	$ 1,764,791

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

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are acclimated in a trust.

B. Benefits Paid

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 55 years of age. The General Fund, Food Service Fund, and Community Service Fund typically liquidate the liability related to OPEB.

C. Members

As of July 1, 2022, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Active employees	406
Total	423

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2024, the District contributed $229,149 to the plan.

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Salary increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.25% initially, decreasing to 5.0% over five years and then to 4.0% over the next 48 years.
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount - Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2021 through July 1, 2022.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The discount rate used to measure the total OPEB liability was 3.9% based on 20-Year Municipal Bond Yield.

The following changes in actuarial assumptions occurred in 2024:

Changes in Actuarial Assumptions

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

F. Total OPEB Liability

The District's total OPEB liability of $3,814,274 was measured as of July 1, 2023, and was determined by an actuarial valuation as of July 1, 2022.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at July 1, 2022	$ 3,689,790
Changes for the year	
Service cost	181,163
Interest	143,616
Assumption changes	(15,422)
Benefit payments	(184,873)
Net changes	124,484
Balances at July 1, 2023	$ 3,814,274

OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 3.9% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (2.9%)	Current Discount Rate (3.9%)	1% Increase in Discount Rate (4.9%)
Total OPEB liability (asset)	$ 3,996,467	$ 3,814,274	$ 3,632,304

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% Decrease (5.25% Decreasing to 4.0%)	Current (6.25% Decreasing to 5.0%)	1% Increase (7.25% Decreasing to 6.0%)
Total OPEB liability	$ 3,511,307	$ 3,814,274	$ 4,157,863

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

For the year ended June 30, 2024, the District recognized OPEB expense of $286,264. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains/losses	$ 74,844	$ 32,790
Changes in actuarial assumptions	34,443	192,137
Contributions made subsequent to the measurement date	229,149	-
Total	$ 338,436	$ 224,927

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The $229,149 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Total
2025	$ (27,011)
2026	(39,316)
2027	(19,687)
2028	(27,059)
2029	(2,567)
Total	$ (115,640)

NOTE 8 - INTERFUND ACTIVITY

A. Interfund Transfers

The General Fund transferred $108,333 to the Debt Service Fund as long-term facilities maintenance revenue was used to make interest payments on the 2023A General Obligation Facilities Maintenance Bonds on February 1, 2024, in accordance with the debt issuance.

NOTE 9 – COMMITMENTS

The District had commitments totaling $209,378 as of June 30, 2024, relating to ongoing construction projects at year end.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 477
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021
Total OPEB Liability				
Service cost	$ 181,163	$ 178,529	$ 215,182	$ 200,125
Interest	143,616	80,893	90,529	117,872
Changes of assumptions	(15,422)	(259,214)	44,271	(19,442)
Plan changes	-	-	-	27,990
Differences between expected and actual experience	-	112,266	-	(98,370)
Benefit payments	(184,873)	(191,374)	(274,645)	(271,990)
Net change in total OPEB liability	124,484	(78,900)	75,337	(43,815)
Beginning of year	3,689,790	3,768,690	3,693,353	3,737,168
End of year	$ 3,814,274	$ 3,689,790	$ 3,768,690	$ 3,693,353
Covered payroll	$ 25,563,939	$ 22,877,611	$ 21,888,789	$ 21,251,251
Total OPEB liability as a percentage of covered-employee payroll	14.92%	16.13%	17.22%	17.38%

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

June 30, 2020	June 30, 2019	June 30, 2018
$ 188,058	$ 171,479	$ 193,816
127,605	126,210	124,472
73,879	(169)	-
-	(93,322)	-
-	(68,925)	-
(218,470)	(217,723)	(271,450)
171,072	(82,450)	46,838
3,566,096	3,648,546	3,601,708
$ 3,737,168	$ 3,566,096	$ 3,648,546
$ 20,791,822	$ 20,186,235	$ 19,264,520
17.97%	17.67%	18.94%

Independent School District No. 477
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0840%	$ 3,945,899	$ -	$ 3,945,899	$ 4,411,903	89.4%	78.75%
2015	0.0818%	4,239,301	-	4,239,301	4,729,107	89.6%	78.19%
2016	0.0809%	6,568,679	85,835	6,654,514	5,019,720	130.9%	68.91%
2017	0.0835%	5,330,585	67,042	5,397,627	5,380,413	99.1%	75.90%
2018	0.0835%	4,632,238	152,053	4,784,291	5,613,787	82.5%	79.53%
2019	0.0847%	4,682,873	145,494	4,828,367	5,995,480	78.1%	80.23%
2020	0.0827%	4,958,243	152,805	5,111,048	5,894,373	84.1%	79.06%
2021	0.0792%	3,382,195	103,262	3,485,457	5,702,293	59.3%	87.00%
2022	0.0834%	6,605,308	193,546	6,798,854	6,247,080	105.7%	76.67%
2023	0.0859%	4,803,432	132,312	4,935,744	6,829,293	70.3%	83.10%

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

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate d Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.2908%	$ 13,399,855	$ 942,791	$ 14,342,646	$ 13,276,486	100.9%	81.50%
2015	0.2738%	16,937,238	2,077,621	19,014,859	13,896,547	121.9%	76.77%
2016	0.2740%	65,355,538	6,559,937	71,915,475	14,252,667	458.5%	44.88%
2017	0.2779%	55,473,881	5,363,121	60,837,002	14,959,667	370.8%	51.57%
2018	0.2802%	17,599,183	1,653,359	19,252,542	15,478,707	113.7%	78.07%
2019	0.2858%	18,216,952	1,612,184	19,829,136	16,222,802	112.3%	78.21%
2020	0.2879%	21,270,438	1,782,371	23,052,809	16,730,694	127.1%	75.48%
2021	0.2834%	12,402,431	1,046,001	13,448,432	16,958,782	73.1%	86.63%
2022	0.2840%	22,741,218	1,686,722	24,427,940	17,557,578	129.5%	76.17%
2023	0.2921%	24,116,430	1,689,532	25,805,962	18,570,515	129.9%	76.42%

Independent School District No. 477
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 354,683	$ 354,683	$ -	$ 4,729,107	7.50%
2016	376,479	376,479	-	5,019,720	7.50%
2017	403,531	403,531	-	5,380,413	7.50%
2018	421,034	421,034	-	5,613,787	7.50%
2019	449,661	449,661	-	5,995,480	7.50%
2020	442,078	442,078	-	5,894,373	7.50%
2021	427,672	427,672	-	5,702,293	7.50%
2022	468,531	468,531	-	6,247,080	7.50%
2023	512,197	512,197	-	6,829,293	7.50%
2024	543,513	543,513	-	7,246,840	7.50%

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 1,042,241	$ 1,042,241	$ -	$ 13,896,547	7.50%
2016	1,068,950	1,068,950	-	14,252,667	7.50%
2017	1,121,975	1,121,975	-	14,959,667	7.50%
2018	1,160,903	1,160,903	-	15,478,707	7.50%
2019	1,250,778	1,250,778	-	16,222,802	7.71%
2020	1,325,071	1,325,071	-	16,730,694	7.92%
2021	1,378,749	1,378,749	-	16,958,782	8.13%
2022	1,464,302	1,464,302	-	17,557,578	8.34%
2023	1,587,779	1,587,779	-	18,570,515	8.55%
2024	1,729,513	1,729,513	-	19,765,863	8.75%

Independent School District No. 477
Notes to the Required Supplementary Information

TRA Retirement Fund

2023 Changes
Changes of Benefit Terms
The 2023 Tax Finance and Policy Bill, effective July 1, 2025:

- 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 8.0% on July 1, 2025.
- 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.

The 2024 Omnibus Pensions and Retirement Bill:

- 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.

2022 Changes
Changes in Actuarial Assumptions

- None

2021 Changes
Changes in Actuarial Assumptions

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

2020 Changes
Changes in Actuarial Assumptions

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

2019 Changes
Changes in Actuarial Assumptions

- None

2018 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost-of-living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

TRA Retirement Fund (Continued)

2018 Changes (Continued)
Changes in Actuarial Assumptions (Continued)

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes
Changes in Actuarial Assumptions

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

2016 Changes
Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.

TRA Retirement Fund (Continued)

2016 Changes (Continued)
Changes in Actuarial Assumptions (Continued)

- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes
Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Independent School District No. 477
Notes to the Required Supplementary Information

General Employees Fund

2023 Changes
Changes in Actuarial Assumptions
- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

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

2022 Changes
Changes in Actuarial Assumptions
- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

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

2021 Changes
Changes in Actuarial Assumptions
- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- 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 changes 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.

General Employees Fund (Continued)

2020 Changes (Continued)
Changes in Actuarial Assumptions (Continued)
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

2019 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

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

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. This does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

General Employees Fund (Continued)

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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

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

Changes in Plan Provisions
- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions
- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

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

Post Employment Health Care Plan

2023 Changes
Changes in Assumptions:
- The discount rate was changed from 3.80% to 3.90%.

2022 Changes
Changes in Assumptions:
- The health care trend rates were changed to better anticipate short term and long term medical
- increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The discount rate was changed from 2.10% to 3.80%.

2021 Changes
Changes in Assumptions:
- The discount rate was changed from 2.40% to 2.10%.

2020 Changes
Changes in Actuarial Assumptions
- The health care trends were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.0% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.1% to 2.4%.

Changes in Plan Provisions
- Principals hired after January 1, 2020, are no longer eligible to receive a post-employment medical subsidized benefit and the Directors of Human Resources, Community Education and Teaching and Learning are now eligible to receive board contributions toward medical for two years or age 65 if earlier after retirement at age 55 with 10 years of service.

2019 Changes
Changes in Actuarial Assumptions
- The discount rate was changed from 3.5% to 3.1%.

Changes in Plan Provisions
- The Principals added a sunset date of January 1, 2020, in order to be eligible for GASB 75 subsidized benefits. This change has no impact on the liabilities as of the measurement date.

Post Employment Health Care Plan (Continued)

2018 Changes

Changes in Plan Provisions

- The Secretarial post employment subsidized benefit is no longer held to pay medical premiums. The unused sick leave payout is now paid to a healthcare savings plan.

Changes in Actuarial Assumptions

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

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SUPPLEMENTARY INFORMATION

Independent School District No. 477
Combining Balance Sheet -
Nonmajor Governmental Funds
Year Ended June 30, 2024

	Special Revenue Funds		Total
	Food Service	Community Service	Nonmajor Funds
Assets			
Cash and investments	$ 2,539,681	$ 1,893,539	$ 4,433,220
Current property taxes receivable	-	114,443	114,443
Delinquent property taxes receivable	-	4,396	4,396
Accounts receivable	-	341	341
Due from Department of Education	-	51,050	51,050
Due from Federal Government through Department of Education	15,757	-	15,757
Inventory	68,170	-	68,170
Total assets	$ 2,623,608	$ 2,063,769	$ 4,687,377
Liabilities			
Accounts payable	$ 8,454	$ 29,649	$ 38,103
Salaries and benefits payable	138	67,451	67,589
Unearned revenue	66,460	177,865	244,325
Total liabilities	75,052	274,965	350,017
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	4,396	4,396
Property taxes levied for subsequent year's expenditures	-	237,740	237,740
Total deferred inflows of resources	-	242,136	242,136
Fund Balances			
Nonspendable	68,170	-	68,170
Restricted	2,480,386	1,546,668	4,027,054
Total fund balances	2,548,556	1,546,668	4,095,224
Total liabilities, deferred inflows of resources, and fund balances	$ 2,623,608	$ 2,063,769	$ 4,687,377

Independent School District No. 477
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2024

	Special Revenue Funds		Total
	Food Service	Community Service	Nonmajor Funds
Revenues			
Local property taxes	$ -	$ 320,895	$ 320,895
Other local and county revenues	84,570	1,930,948	2,015,518
Revenue from state sources	1,291,275	386,134	1,677,409
Revenue from federal sources	1,267,454	-	1,267,454
Sales and other conversion of assets	145,338	-	145,338
Total revenues	2,788,637	2,637,977	5,426,614
Expenditures			
Current			
Food service	2,313,387	-	2,313,387
Community education and services	-	2,110,197	2,110,197
Capital outlay			
Food service	221,051	-	221,051
Total expenditures	2,534,438	2,110,197	4,644,635
Net Change In Fund Balances	254,199	527,780	781,979
Fund Balances			
Beginning of year	2,294,357	1,018,888	3,313,245
End of year	$ 2,548,556	$ 1,546,668	$ 4,095,224

Independent School District No. 477
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2024

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total revenue		$46,522,026	$46,522,024	$ 2
Total expenditures		45,457,772	45,457,772	-
Nonspendable:				
4.60	Nonspendable	17,718	17,718	-
Restricted/reserved:				
4.01	Student Activities	7,169	7,169	-
4.02	Scholarships	-	-	-
4.03	Staff Development	563,825	563,825	-
4.07	Capital Projects Levy	-	-	-
4.08	Cooperative Programs	-	-	-
4.09	Alternative Facility Program	-	-	-
4.12	Literacy Incentive Aid	-	-	-
4.13	Project Funded By Cop	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.20	American Indian Education Aid	15,833	15,833	-
4.24	Operating Capital	2,210,142	2,210,142	-
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	28,629	28,629	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Program	-	-	-
4.38	Gifted and Talented	-	-	-
4.39	English Learner	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	809,780	809,780	-
4.43	School Library Aid	-	-	-
4.45	Career Technical Programs	-	-	-
4.46	First Grade Preparedness	-	-	-
4.48	Achievement and Integration Revenue	-	-	-
4.49	Safe Schools Revenue	71,228	71,228	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.59	Basic Skills Extended Time	-	-	-
4.67	Long-term Facilities Maintenance	1,125,813	1,125,813	-
4.71	Student Support Personnel Aid	41,886	41,886	-
4.72	Medical Assistance	186,673	186,673	-
Restricted:				
4.64	Restricted fund balance	-	-	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Committed:				
4.18	Committed for separation	896,592	896,592	-
4.61	Committed fund balance	-	-	-
Assigned:				
4.62	Assigned fund balance	1,241,476	1,241,477	(1)
Unassigned:				
4.22	Unassigned fund balance	5,102,603	5,102,601	2
02 FOOD SERVICE FUND				
Total revenue		$ 2,788,637	$ 2,788,635	$ 2
Total expenditures		2,534,438	2,534,437	1
Nonspendable:				
4.60	Nonspendable	68,170	68,170	-
Restricted/reserved:				
4.52	OPEB liabilities not held in trust	-	-	-
Restricted:				
4.64	Restricted	2,480,386	2,480,386	-
Unassigned:				
4.63	Unassigned	-	-	-
04 COMMUNITY SERVICE FUND				
Total revenue		$ 2,637,977	$ 2,637,976	$ 1
Total expenditures		2,110,197	2,110,198	(1)
Nonspendable:				
4.60	Nonspendable	-	-	-
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	1,190,373	1,190,373	-
4.32	ECFE	113,224	113,224	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	223,498	223,498	-
4.47	Adult Basic Education	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted	19,573	19,572	1
Unassigned:				
4.63	Unassigned	-	-	-

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND			
Total revenue	$ 245,033	$ 245,032	$ 1
Total expenditures	4,011,960	4,011,959	1
Restricted/reserved:			
4.07 Capital Projects Levy	-	-	-
4.09 Alternative Facility Program	-	-	-
4.13 Building Projects Funded by COP/LP	-	-	-
4.67 Long-term Facilities Maintenance	1,638,259	1,638,259	-
Restricted:			
4.64 Restricted	1,414,569	1,414,569	-
Unassigned:			
4.63 Unassigned	-	-	-
07 DEBT SERVICE FUND			
Total revenue	$ 5,002,790	$ 5,002,790	$ -
Total expenditures	4,853,286	4,853,286	-
Restricted/reserved:			
4.25 Bond refunding	-	-	-
4.33 Maximum effort loan aid	-	-	-
4.51 QZAB payments	-	-	-
4.67 LTFM	-	-	-
Restricted:			
4.64 Restricted	1,288,180	1,288,181	(1)
Unassigned:			
4.63 Unassigned	-	-	-
08 TRUST FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Restricted/reserved:			
4.01 Student Activites	-	-	-
4.02 Scholarships	-	-	-
4.22 Net Position	-	-	-
18 CUSTODIAL			
Total revenue			
Total expenditures			
Restricted/reserved:			
4.01 Student Activites			
4.02 Scholarships			
4.48 Achievement and Integration Revenue	$ -	$ -	$ -
4.64 Restricted			
20 INTERNAL SERVICE FUND			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Reserved:			
4.19 Encumbrances	-	-	-
Unreserved:			
4.22 Net position	-	-	-
25 OPEB REVOCABLE TRUST			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Reserved:			
4.19 Encumbrances	-	-	-
Unreserved:			
4.22 Net position	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Reserved:			
4.19 Encumbrances	-	-	-
Unreserved:			
4.22 Net position	-	-	-
47 OPEB DEBT SERVICE			
Total revenue	$ -	$ -	$ -
Total expenditures	-	-	-
Reserved:			
4.25 Bond refundings	-	-	-
Unreserved:			
4.22 Unreserved/undesignated	-	-	-

Independent School District No. 477
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Funding Source	Federal Assistance Listing Number	Pass Through Entity	Grant Name	Expenditures
Department of Agriculture	10.559	Minnesota Department of Education	Summer Food Service	$ 57,152
Department of Agriculture	10.553	Minnesota Department of Education	School Breakfast	191,570
Department of Agriculture	10.555	Minnesota Department of Education	Type A Lunch	722,365
Department of Agriculture	10.555C	Minnesota Department of Education	COVID-19 - Supply Chain Assistance	86,379
Department of Agriculture	10.555	Minnesota Department of Education	Commodities (Non Cash)	209,018
Department of Agriculture	10.556	Minnesota Department of Education	Special Milk Program	970
Total Child Nutrition Cluster				1,267,454
Department of Education	84.048A	Independent School District No. 11 - Anoka-Hennepin	Career and Technical	40,219
Department of Education	84.181	Rum River Special Education Cooperative	Infants and Toddlers Program	43,502
Department of Education	84.027	Rum River Special Education Cooperative	Special Education	565,536
Department of Education	84.173	Rum River Special Education Cooperative	Preschool Incentive	22,372
Total Special Education Cluster				587,908
Department of the Education	84.010	Minnesota Department of Education	Title I, Part A	378,028
Department of the Education	84.365	Minnesota Department of Education	Title III, Part A - English Language Acquisition, Language Enhancement and Academic Achievement	4,771
Department of the Education	84.367	Minnesota Department of Education	Title II, Part A - Teacher and Principal Training and Recruiting	73,614
Department of the Education	84.424	Minnesota Department of Education	Title IV, Part A - Student Support and Academic Enrichment	23,705
Department of the Education	84.425U	Minnesota Department of Education	COVID-19 - Elementary and Secondary School Education Relief Fund (ESSER III)	1,636,125
Department of the Education	84.425W	Minnesota Department of Education	COVID-19 - Elementary and Secondary	4,157
Department of the Education	84.425D	Minnesota Department of Education	COVID-19 - ESSER Expanded Summer Learning	19,477
Total ESSER				1,659,759
Total Federal Expenditures				$ 4,078,960

See notes to the schedule of expenditures of federal awards.

Independent School District No. 477
Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes of net assets, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – PASS-THROUGH GRANT NUMBERS

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

NOTE 4 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 5 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the School Board
Independent School District No. 477
Princeton, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 477, Princeton, Minnesota, as of and for the year ending June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 13, 2024.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 13, 2024

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Independent Auditor's Report

To the School Board
Independent School District No. 477
Princeton, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 477's compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

In our opinion, the District complied in all material respects, with the 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, 2024.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the District 's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District 's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *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 GAAS, *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 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.

Report on Internal Control over Compliance (Continued)
Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
November 13, 2024

Independent School District No. 477
Schedule of Findings and Questioned Costs in Accordance with Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
◆ Material weakness(es) identified?	No
◆ Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
◆ Material weakness(es) identified?	No
◆ Significant deficiency(ies) identified	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

Assistance Listing No.:	84.425
Name of Federal Program or Cluster:	Education Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

Independent School District No. 477
Schedule of Findings and Questioned Costs in Accordance with Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDING

There were no findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

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Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 477
Princeton, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 477, Princeton, Minnesota, as of and for the year ended June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 13, 2024.

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 13, 2024

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

Form of Legal Opinion

Independent School District No. 477
Princeton, Minnesota

[Purchaser]
[City, State]

Re: **$**[PAR] General Obligation Facilities Maintenance and School Building Refunding Bonds, Series 2025A
Independent School District No. 477 (Princeton Public Schools)
Mille Lacs, Benton, Isanti, and Sherburne Counties, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 477 (Princeton Public Schools), Mille Lacs, Benton, Isanti, and Sherburne Counties, Minnesota, of the obligations described above, dated, as originally issued, as of February [__], 2025 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the District, enforceable in accordance with their terms.

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

3. The resolution authorizing the issuance of the Bonds obligates the District to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of such law against the State of Minnesota in the absence of legally appropriated and available funds to pay the obligations of the State thereunder.

4. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the Code) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code.

5. Interest on the Bonds (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

The opinions expressed in paragraphs 1, 2, and 3 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 4 and 5 above are subject to the compliance by the District with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that interest on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

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

In providing this opinion, we have relied upon representations of the District and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities and equipment financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to 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 occur after the date hereof and which may be retroactive.

Dated this [__]th day of February, 2025.

Very truly yours,

APPENDIX C

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.

APPENDIX D

FORM OF CONTINUING DISCLOSURE COVENANTS
(EXCERPTS FROM AWARD RESOLUTION)

(See following pages)

FORM OF CONTINUING DISCLOSURE

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the District hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The District is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the District fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The District will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the District, the following information at the following times:

(1) on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2025, the following financial information and operating data in respect of the District (the Disclosure Information):

(A) the audited financial statements of the District for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the District, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the District; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: "VALUATIONS – Current Property Valuations;" "DEBT – Direct Debt;" "TAX LEVIES, COLLECTION AND RATES – Tax Levies and Collections;" "THE ISSUER – Student Body;" and "GENERAL INFORMATION – Employment/Unemployment Data;" which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the District shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the District shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (the MSRB) through its Electronic Municipal Market Access System (EMMA) or the SEC. The District shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the District have materially changed or been discontinued, such Disclosure Information need no longer be provided if the District includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other District operations in respect of which data is not included in the Disclosure Information and the District determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the District shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a "Material Fact," as hereinafter defined):

(A) principal and interest payment delinquencies;
(B) non-payment related defaults, if material;
(C) unscheduled draws on debt service reserves reflecting financial difficulties;
(D) unscheduled draws on credit enhancements reflecting financial difficulties;
(E) substitution of credit or liquidity providers, or their failure to perform;
(F) 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 Bonds or other material events affecting the tax status of the Bonds;

(G) modifications to rights of Bond holders, if material;

(H) Bond calls, if material and tender offers;

(I) defeasances;

(J) release, substitution, or sale of property securing repayment of the Bonds if material;

(K) rating changes;

(L) bankruptcy, insolvency, receivership, or similar event of the obligated person;

(M) 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;

(N) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(O) 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; "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 debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule; and

(P) 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.

As used herein, for those events that must be reported if material, a "Material Fact" is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material Fact is also a fact that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

For purposes of the events identified in paragraphs (O) and (P) above, the term "financial obligation" means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). 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.

(3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:

(A) the failure of the District to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
(B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the District under subsection (d)(2);
(C) the termination of the obligations of the District under this section pursuant to subsection (d);
(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
(E) any change in the fiscal year of the District.

(c) Manner of Disclosure.

(1) The District agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).

(2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

(1) The covenants of the District in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the District under this section shall terminate and be without further effect as of any date on which the District delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the District to comply with the requirements of this section will not cause participating underwriters in the primary

offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the District from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Board filed in the office of the recording officer of the District accompanied by an opinion of Bond Counsel, who may rely on certificates of the District and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the District or the type of operations conducted by the District, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the District agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

APPENDIX E

TERMS OF PROPOSAL

$4,420,000* GENERAL OBLIGATION FACILITIES MAINTENANCE AND SCHOOL BUILDING REFUNDING BONDS, SERIES 2025A INDEPENDENT SCHOOL DISTRICT NO. 477 (PRINCETON PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of $4,420,000* General Obligation Facilities Maintenance and School Building Refunding Bonds, Series 2025A (the "Bonds") of Independent School District No. 477 (Princeton Public Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 9:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 9:30 A.M., Central Time, on January 21, 2025, 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, including Sections 123B.595, as amended, and 475.67, subd. 3, as amended, by the District, to provide funds for facility maintenance projects included in the District's revised ten-year facility plan approved by the Commissioner of Education and to effect a current partial net refunding of certain outstanding general obligations of 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 February 13, 2025, 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:

Year	Amount*	Year	Amount*	Year	Amount*
2026	$440,000	2028	$1,015,000	2030	$460,000
2027	1,265,000	2029	760,000	2031	480,000

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 August 1, 2025, 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. 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/ESCROW AGENT

The District has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent") and Zions Bancorporation, National Association to act as escrow agent (the "Escrow Agent"). BTSC and Ehlers are affiliate companies. The District will pay the charges for Paying Agent and Escrow Agent services. The District reserves the right to remove the Paying Agent and/or the Escrow Agent and to appoint a successor.

OPTIONAL REDEMPTION

The Bonds are being offered without the option of prior optional redemption.

DELIVERY

On or about February 13, 2025, 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 in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the District.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $4,420,000 plus accrued interest on the principal sum of $4,420,000 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 9:30 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 submission.

A good faith deposit ("Deposit") in the amount of $88,400 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 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 designated as "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 "Rule"), in the Award Resolution, 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. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

In order to establish the issue price of the Bonds for federal income tax purposes, the District requires bidders to agree to the following, and by submitting a proposal, each bidder agrees to the following.

If a proposal is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the proposal and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, retail distribution agreement or other agreement relating to the initial sale of the Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Bonds with a separate CUSIP number constitute a separate "maturity", and the public does not include underwriters (including members of a selling group or retail distribution group) or persons related to underwriters.

If, however, a proposal is submitted for the bidder's own account in a capacity other than as an underwriter of the Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Bonds, the bidder shall notify the District to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the District shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the "hold-the-offering price" rule applies.

<u>If the District advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies</u>, the Purchaser will be required to deliver to the District at or prior to closing a certification, in a form reasonably acceptable to bond counsel, as to the reasonably expected initial offering price as of the award date.

If the District advises the Purchaser that the requirements for a competitive sale have not been satisfied and that the hold-the-offering-price rule applies, the Purchaser shall (1) upon the request of the District confirm that the underwriters did not offer or sell any maturity of the Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the District a certification as to such matters, in a form reasonably acceptable to bond counsel, together with a copy of the pricing wire.

Any action taken or documentation to be received by the District pursuant hereto may be taken or received on behalf of the District by Ehlers & Associates, Inc.

Bidders should prepare their proposals on the assumption that the Bonds will be subject to the "hold-the-offering-price" rule. Any proposal submitted pursuant to the Terms of Proposal shall be considered a firm offer for the purchase of the Bonds, and Bonds submitted will not be subject to cancellation or withdrawal.

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 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the School Board

Independent School District No. 477
(Princeton Public Schools), Minnesota

PROPOSAL FORM

The School Board **January 21, 2025**
Independent School District No. 477 (Princeton Public Schools), Minnesota (the "District")

RE: $4,420,000* General Obligation Facilities Maintenance and School Building Refunding Bonds, Series 2025A (the "Bonds")
DATED: February 13, 2025

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 $4,420,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

________	% due	2026	________	% due	2028	________	% due	2030
________	% due	2027	________	% due	2029	________	% due	2031

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.

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 $88,400 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 February 13, 2025.

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 February 13, 2025 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. 477 (Princeton Public Schools), Minnesota, on January 21, 2025.

By: ______________________ By: ______________________

Title: ______________________ Title: ______________________