PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 16, 2025

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

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

New Issue — **Rating Application Made: Moody's Investors Service, Inc.**

INDEPENDENT SCHOOL DISTRICT NO. 728
(ELK RIVER AREA SCHOOLS), MINNESOTA
(Sherburne, Anoka, Hennepin, Isanti and Wright Counties)

(Minnesota School District Credit Enhancement Program)

$32,545,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS,SERIES 2025A

PROPOSAL OPENING: January 27, 2025, 10:30 A.M., C.T. **CONSIDERATION**: January 27, 2025, 5:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $32,545,000* General Obligation Facilities Maintenance Bonds, Series 2025A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and Section 123B.595, as amended, by Independent School District No. 728 (Elk River Area Schools), Minnesota (the "District"), to provide funds for facility maintenance projects included in the District's ten-year facilities plan approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: February 20, 2025

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2026	$60,000	2032	$1,055,000	2038	$1,065,000
2027	1,040,000	2033	1,155,000	2039	2,465,000
2028	1,020,000	2034	1,065,000	2040	2,580,000
2029	1,075,000	2035	1,055,000	2041	7,300,000
2030	1,040,000	2036	1,075,000	2042	7,355,000
2031	1,025,000	2037	1,115,000		

***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: Bonds maturing on February 1, 2034 and thereafter are subject to call for prior optional redemption on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: $32,545,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $650,900 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Kennedy & Graven, Chartered.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

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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ELK RIVER AREA SCHOOLS
SCHOOL BOARD

		Term Expires
John Anderson	Board Chair	January 2027
Mindy Freiberg	Vice Chair	January 2027
Sara Weis	Clerk	January 2027
Sarah Hamlin	Treasurer	January 2027
Monica Madsen	Member	January 2029
Mike Nordos	Member	January 2029
Shane Steinbrecher	Member	January 2029

ADMINISTRATION

Andy Almos, Superintendent of Schools

Kim Eisenschenk, Interim Executive Director of Business Services

Joe Primus, Director of Finance

PROFESSIONAL SERVICES

Kennedy & Graven, Chartered, 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. 728 (Elk River Area Schools), Minnesota (the "District") and the issuance of its $32,545,000* General Obligation Facilities Maintenance 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 27, 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 20, 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"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2034 shall be subject to optional redemption prior to maturity on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, including Section 123B.595, as amended, by the District, to provide funds for facility maintenance projects included in the District's ten-year facility plan of the District approved by the Commissioner of Education.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$32,545,000	
Reoffering Premium	666,314	
Total Sources		**$33,211,314**
Uses		
Total Underwriter's Discount (1.000%)	$325,450	
Costs of Issuance	153,025	
Deposit to Construction Fund	32,732,839	
Total Uses		**$33,211,314**

*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 "Aa1" 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 June 24, 2024 (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. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

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

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

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

TAX EXEMPTION

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law and in reliance on the representations and covenants that it deems relevant to such opinions.

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

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

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

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

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

Legislative proposals

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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 Malloy, Montague, Karnowski, Radosevich & Co., P.A., Minneapolis, 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 Award Resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States income tax purposes or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to federal or State of Minnesota income taxation, retroactive to the date of issuance.

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

Type of Property	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 $14,655,457,341[1]

2023/24 Assessor's Estimated Market Value

	Sherburne County	Anoka County	Hennepin County	Isanti County	Wright County	Total
Real Estate	$6,236,355,900	$776,774,500	$3,163,412,400	$970,200	$3,869,513,900	$14,047,026,900
Personal Property	41,211,000	7,450,200	19,136,600	0	28,233,400	96,031,200
Total Valuation	$6,277,566,900	$784,224,700	$3,182,549,000	$970,200	$3,897,747,300	$14,143,058,100

2023/24 Net Tax Capacity

	Sherburne County	Anoka County	Hennepin County	Isanti County	Wright County	Total
Real Estate	$66,088,949	$7,947,359	$42,185,793	$9,623	$42,022,526	$158,254,250
Personal Property	819,228	148,442	377,202	0	563,918	1,908,790
Net Tax Capacity	$66,908,177	$8,095,801	$42,562,995	$9,623	$42,586,444	$160,163,040
Less:						
Captured Tax Increment Tax Capacity[2]	(727,796)	0	(810,152)	0	(1,062,078)	(2,600,026)
Fiscal Disparities Contribution[3]	0	(374,825)	(7,366,031)	0	0	(7,740,856)
Power Line Adjustment[4]	(5,116)	0	(122)	0	(66)	(5,304)
Taxable Net Tax Capacity	$66,175,265	$7,720,976	$34,386,690	$9,623	$41,524,300	$149,816,854
Plus: Fiscal Disparities Distribution[3]	0	774,919	1,771,838	0	0	2,546,757
Adjusted Taxable Net Tax Capacity	$66,175,265	$8,495,895	$36,158,528	$9,623	$41,524,300	$152,363,611

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1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 96.91% 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 $14,655,457,341.

2 The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts located in the District.

3 Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

4 Ten percent of the net tax capacity of certain high voltage transmission lines is removed when setting local tax rates. However, taxes are paid on the full value of these lines. The taxes attributable to 10% of value of these lines are used to fund a power line credit. Certain property owners receive a credit when the high voltage transmission line runs over their property.

2023/24 NET TAX CAPACITY BY CLASSIFICATION

	2023/24 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$102,147,861	63.78%
Agricultural	2,906,129	1.81%
Commercial/industrial	38,423,645	23.99%
Public utility	714,946	0.45%
Railroad operating property	217,970	0.14%
Non-homestead residential	13,453,270	8.40%
Commercial & residential seasonal/rec.	383,866	0.24%
Other	6,563	0.00%
Personal property	1,908,790	1.19%
Total	$160,163,040	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Adjusted Taxable Net Tax Capacity[2]	Percent Increase/Decrease in Estimated Market Value
2019/20	$8,786,970,200	$8,337,761,406	$97,804,553	$93,884,657	8.30%
2020/21	9,430,237,996	8,995,571,197	105,325,902	100,690,423	7.32%
2021/22	10,262,246,500	9,848,001,078	114,511,213	109,147,619	8.82%
2022/23	12,483,040,100	12,135,224,827	140,165,723	133,904,747	21.64%
2023/24	14,143,058,100	13,810,899,221	160,163,040	152,363,611	13.30%

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

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

LARGEST TAXPAYERS/TAXPAYING PARCELS[1]

Taxpayer	Type of Property	2023/24 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Duke Realty LP	Industrial	$1,587,504	0.99%
CPG Partners LP	Commercial	1,109,278	0.69%
Graco Minnesota Inc.	Industrial	874,810	0.55%
CIVF VI - MN1M01-M02 LLC	Industrial	781,850	0.49%
Diamond Lake Rd Ind Own LL	Industrial	722,710	0.45%
Great River Energy	Utility	640,879	0.40%
Minnegasco Inc.	Utility	630,618	0.39%
FedEx Ground Inc.	Industrial	592,890	0.37%
WPT Industrial Reit	Industrial	570,310	0.36%
MRE Propco LP	Industrial	548,190	0.34%
Total		$8,059,039	5.03%

District's Total 2023/24 Net Tax Capacity $160,163,040

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers/Taxpaying Parcels have been furnished by Sherburne, Anoka, Hennepin, Isanti and Wright Counties.

DEBT

DIRECT DEBT[2]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[3] (includes the Bonds)* $280,715,000

*Preliminary, subject to change.

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1 Hennepin County has provided only the ten largest taxpaying ***parcels*** which appear on the tax rolls of the County, and therefore the information stated above may not be reflective of the entire valuation of all parcels and may not include all classifications of property.

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

3 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.

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations[1]	$6,448,183

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

The District has no current plans for additional financing in the next 12 months.

STATE AID FOR DEBT SERVICE

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

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

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

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). 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. Although the District expects to receive a small amount of Agricultural Credit in its debt service fund, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aid.

The District's $2,555,000 General Obligation Taxable OPEB Bonds, Series 2017B and $7,025,000 Certificates of Participation, Series 2018A, do **not** qualify for the agricultural credit pursuant to Minnesota Statutes.

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

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	$14,655,457,341
Multiply by 15%	0.15
Statutory Debt Limit	$2,198,318,601
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes[1] (includes the Bonds)*	(279,510,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	(6,448,183)
Unused Debt Limit*	$1,912,360,418

*Preliminary, subject to change.

[1] Does not include the $2,555,000 General Obligation Taxable OPEB Refunding Bonds, Series 2017B, as they are not subject to the debt limit calculation per Minnesota Statutes.

Independent School District No. 728 (Elk River Area Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 02/20/2025)

	Facilities Maintenance Bonds Series 2017A		Taxable OPEB Refunding Bonds 1) Series 2017B		Alternative Facilities Refunding Bonds 2017C		Facilities Maintenance Bonds Series 2019A		School Building Bonds Series 2020A	
Dated	03/23/2017		11/21/2017		11/21/2017		03/14/2019		01/30/2020	
Amount	$14,520,000		$2,555,000		$6,265,000		$16,415,000		$112,435,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2026	1,480,000	304,050	225,000	35,370	600,000	111,750	500,000	568,750	2,555,000	2,712,094
2027	1,930,000	259,650	235,000	29,183	640,000	81,750	500,000	543,750	2,645,000	2,609,894
2028	1,855,000	201,750	240,000	22,485	665,000	62,550	1,010,000	518,750	2,680,000	2,504,094
2029	1,825,000	146,100	250,000	15,405	695,000	42,600	1,470,000	478,350	1,340,000	2,396,894
2030	3,045,000	91,350	255,000	7,905	725,000	21,750	3,085,000	419,550	1,000,000	2,356,694
2031							3,150,000	327,000	2,120,000	2,326,694
2032							2,985,000	201,000	2,265,000	2,241,894
2033							3,715,000	111,450	2,300,000	2,196,594
2034									11,605,000	2,150,594
2035									12,285,000	1,918,494
2036									12,565,000	1,657,438
2037									12,850,000	1,374,725
2038									13,135,000	1,085,600
2039									13,585,000	757,225
2040									13,920,000	417,600
2041										
2042										
	10,135,000	1,002,900	1,205,000	110,348	3,325,000	320,400	16,415,000	3,168,600	106,850,000	28,706,525

1) This issue is not subject to the debt limit.

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Independent School District No. 728 (Elk River Area Schools), Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 02/20/2025)

	Facilities Maintenance Bonds Series 2021A		Facilities Maintenance Bonds Series 2023A		School Bldg. and Alt. Fac. Refund. Bonds Series 2024A		Facilities Maintenance Bonds Series 2025A							
Dated	02/04/2021		02/02/2023		02/28/2024		02/20/2025							
Amount	$16,350,000		$10,910,000		$87,300,000		$32,545,000*							
Maturity	02/01		02/01		02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2026	0	279,683	0	522,250	9,930,000	3,942,100	60,000	1,406,296	15,350,000	9,882,342	25,232,342	265,365,000	5.47%	**2026**
2027	0	279,683	1,185,000	522,250	10,400,000	3,445,600	1,040,000	1,481,653	18,575,000	9,253,411	27,828,411	246,790,000	12.09%	**2027**
2028	0	279,683	1,045,000	463,000	11,020,000	2,925,600	1,020,000	1,429,653	19,535,000	8,407,564	27,942,564	227,255,000	19.04%	**2028**
2029	0	279,683	1,070,000	410,750	11,635,000	2,374,600	1,075,000	1,378,653	19,360,000	7,523,034	26,883,034	207,895,000	25.94%	**2029**
2030	0	279,683	1,050,000	357,250	9,480,000	1,792,850	1,040,000	1,324,903	19,680,000	6,651,934	26,331,934	188,215,000	32.95%	**2030**
2031	0	279,683	1,555,000	304,750	9,825,000	1,318,850	1,025,000	1,272,903	17,675,000	5,829,879	23,504,879	170,540,000	39.25%	**2031**
2032	0	279,683	2,680,000	227,000	10,455,000	827,600	1,055,000	1,221,653	19,440,000	4,998,829	24,438,829	151,100,000	46.17%	**2032**
2033	0	279,683	2,325,000	93,000	10,235,000	409,400	1,155,000	1,168,903	19,730,000	4,259,029	23,989,029	131,370,000	53.20%	**2033**
2034	3,805,000	279,683					1,065,000	1,111,153	16,475,000	3,541,429	20,016,429	114,895,000	59.07%	**2034**
2035	3,290,000	224,510					1,055,000	1,057,903	16,630,000	3,200,906	19,830,906	98,265,000	64.99%	**2035**
2036	3,310,000	173,515					1,075,000	1,005,153	16,950,000	2,836,105	19,786,105	81,315,000	71.03%	**2036**
2037	3,365,000	118,900					1,115,000	962,153	17,330,000	2,455,778	19,785,778	63,985,000	77.21%	**2037**
2038	2,580,000	51,600					1,065,000	917,553	16,780,000	2,054,753	18,834,753	47,205,000	83.18%	**2038**
2039							2,465,000	873,888	16,050,000	1,631,113	17,681,113	31,155,000	88.90%	**2039**
2040							2,580,000	769,125	16,500,000	1,186,725	17,686,725	14,655,000	94.78%	**2040**
2041							7,300,000	659,475	7,300,000	659,475	7,959,475	7,355,000	97.38%	**2041**
2042							7,355,000	330,975	7,355,000	330,975	7,685,975	0	100.00%	**2042**
	16,350,000	3,085,668	10,910,000	2,900,250	82,980,000	17,036,600	32,545,000	18,371,988	280,715,000	74,703,278	355,418,278			

* Preliminary, subject to change.

Independent School District No. 728 (Elk River Area Schools), Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 02/20/2025)

	Admin. Building 2016		Certificates of Participation Series 2018A		Admin. Building Lease Refunding 2019							
Dated	06/28/2016		05/10/2018		05/01/2019							
Amount	$4,646,500		$7,025,000		$1,336,894							
Maturity	06/01 & 12/01		02/01		03/01 & 09/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2025	158,544	27,667	0	0	120,900	1,965	279,444	29,632	309,076	6,168,739	4.33%	**2025**
2026	323,034	49,389	460,000	125,931			783,034	175,320	958,354	5,385,705	16.48%	**2026**
2027	331,127	41,295	475,000	112,131			806,127	153,426	959,554	4,579,578	28.98%	**2027**
2028	339,424	32,999	490,000	97,881			829,424	130,880	960,304	3,750,154	41.84%	**2028**
2029	347,928	24,494	505,000	83,181			852,928	107,676	960,604	2,897,226	55.07%	**2029**
2030	356,645	15,777	520,000	68,031			876,645	83,808	960,454	2,020,581	68.66%	**2030**
2031	365,581	6,841	535,000	52,431			900,581	59,273	959,854	1,120,000	82.63%	**2031**
2032			550,000	35,713			550,000	35,713	585,713	570,000	91.16%	**2032**
2033			570,000	18,525			570,000	18,525	588,525	0	100.00%	**2033**
	2,222,283	198,463	4,105,000	593,825	120,900	1,965	6,448,183	794,252	7,242,435			

OVERLAPPING DEBT[1]

Taxing District	2023/24 Adjusted Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Counties of:				
Anoka	$615,308,722	1.3808%	$21,745,000	$300,255
Hennepin	2,859,451,218	1.2645%	1,211,355,000 [3]	15,317,584
Isanti	59,897,572	0.0161%	4,165,000	671
Sherburne	164,917,675	40.1262%	34,260,000	13,747,236
Wright	281,065,244	14.7739%	69,090,000	10,207,288
Cities of:				
Albertville	13,162,148	29.0104%	11,258,000	3,265,991
Dayton	22,327,629	6.3597%	16,530,000	1,051,258
Elk River	42,671,578	100.0000%	15,365,000	15,365,000
Nowthen	9,307,125	39.8954%	2,545,000	1,015,338
Otsego	38,897,895	87.1403%	2,115,000	1,843,017
Ramsey	49,075,045	9.7373%	38,035,000	3,703,582
Rogers	38,226,006	91.1550%	11,865,000	10,815,541
St. Francis	11,384,369	0.0370%	17,300,000	6,401
St. Michael	33,860,361	10.9385%	9,070,000	992,122
Zimmerman	7,488,758	100.0000%	4,861,000	4,861,000
Towns of:				
Big Lake	14,045,345	31.3565%	220,000	68,984
Livonia	10,522,318	100.0000%	2,652,000	2,652,000

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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.

3 Hennepin County also has General Obligation Sales Tax Revenue Bonds (Ballpark Project) outstanding which are payable entirely from the proceeds of a dedicated 0.15% county-wide sales tax; and General Obligation Sales Tax Revenue Bonds (Transportation Sales Tax) which are expected to be paid from a 0.50% sales and use tax and a $20 per vehicle excise taxes. These issues have not been included in the overlapping debt or debt ratios.

OVERLAPPING DEBT, CONTINUED[1]

Taxing District	2023/24 Adjusted Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Special Districts of:				
Metropolitan Council	$6,313,906,529	0.7072%	$190,720,000[3]	$1,348,772
Three Rivers Park District	2,052,772,775	1.7614%	49,625,000	874,095
District's Share of Total Overlapping Debt				$87,436,134

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value $14,655,457,341	Debt/ Per Capita 86,424[4]
Direct G.O. Debt Being Paid From Taxes and State Aids*	$280,715,000	1.92%	$3,248.11
District's Share of Total Overlapping Debt	$87,436,134	0.60%	$1,011.71
Total*	$368,151,134	2.51%	$4,259.83

*Preliminary, subject to change.

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.

3 The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation wastewater revenue, grant anticipation notes and certificates of participation outstanding all of which are supported entirely by revenues and have not been included in the overlapping debt or debt ratios sections.

4 Estimated 2023 population.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date	% Collected
2019/20	$57,665,861	$57,306,153	$57,603,228	99.89%
2020/21	60,167,045	59,816,551	60,097,311	99.88%
2021/22	62,260,177	61,845,949	62,152,466	99.83%
2022/23	69,106,993	68,674,209	68,891,210	99.69%
2023/24	72,080,249	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[2] Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

TAX CAPACITY RATES[3]

	2019/20	2020/21	2021/22	2022/23	2023/24
I.S.D. No. 728 (Elk River Area Schools)	34.371%	31.717%	30.889%	26.605%	23.924%
Anoka County w/ Library	33.078%	31.086%	29.254%	24.176%	25.629%
Hennepin County	41.084%	38.210%	38.535%	34.542%	34.681%
Isanti County	62.966%	62.094%	59.744%	50.472%	45.182%
Sherburne County	47.426%	45.835%	44.080%	38.630%	36.597%
Wright County	44.421%	43.719%	43.751%	37.848%	33.737%
City of Albertville	47.067%	46.801%	46.355%	41.794%	41.954%
City of Dayton (portion applicable in Hennepin County)	55.281%	52.899%	48.444%	35.647%	35.653%
City of Dayton (portion applicable in Wright County)	54.139%	51.378%	47.733%	35.109%	35.653%
City of Elk River	46.241%	44.556%	43.967%	39.700%	37.817%
City of Nowthen	24.288%	24.680%	22.238%	20.728%	20.809%

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

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

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

TAX CAPACITY RATES CONTINUED[4]

	2019/20	2020/21	2021/22	2022/23	2023/24
City of Otsego	35.099%	34.653%	34.545%	29.572%	23.109%
City of Ramsey	39.592%	39.251%	42.239%	40.429%	41.430%
City of Rogers	35.859%	33.396%	34.762%	33.557%	35.599%
City of St. Francis	50.543%	50.589%	51.147%	44.719%	50.065%
City of St. Michael	36.691%	35.817%	33.909%	27.132%	25.715%
City of Zimmerman	41.239%	41.624%	42.697%	36.812%	36.083%
Town of Livonia[2]	22.522%	24.665%	22.113%	17.344%	17.118%
Anoka County/Municipal Public Safety	0.405%	0.383%	0.360%	0.298%	N/A
Anoka County HRA	1.513%	1.573%	1.505%	1.326%	1.574%
Anoka County RRA	0.494%	0.481%	0.351%	0.306%	N/A
Dayton EDA	1.142%	1.521%	0.711%	0.538%	N/A
East Central Regional Development	0.199%	0.188%	0.173%	0.146%	0.133%
Elk River EDA	1.202%	1.235%	1.150%	1.041%	0.975%
Elk River HRA	1.331%	1.093%	1.050%	1.058%	1.031%
Hennepin County RRA	1.388%	1.323%	1.329%	1.188%	1.153%
Hennepin County HRA	0.801%	0.722%	0.771%	0.663%	0.624%
Metropolitan Council (portion applicable in Anoka County)	0.596%	0.645%	0.651%	0.555%	0.643%
Metropolitan Council (portion applicable in Hennepin County)	0.616%	0.631%	0.659%	0.576%	0.614%
Metropolitan Mosquito (portion applicable in Anoka County)	0.398%	0.387%	0.372%	0.320%	0.326%
Metropolitan Mosquito (portion applicable in Hennepin County)	0.412%	0.381%	0.377%	0.331%	0.312%
Metropolitan Transit District (portion applicable in Anoka County)	1.360%	1.248%	1.175%	1.009%	0.938%
Metropolitan Transit District (portion applicable in Hennepin County)	1.360%	1.256%	1.204%	1.066%	0.927%
Park Museum	0.710%	0.707%	0.722%	0.647%	0.694%

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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.

TAX CAPACITY RATES CONTINUED[3]

	2019/20	2020/21	2021/22	2022/23	2023/24
St. Michael EDA	0.763%	0.712%	0.654%	0.508%	0.443%
Three Rivers Park District	2.859%	2.793%	2.787%	2.473%	2.399%
Zimmerman EDA	N/A	1.088%	0.982%	0.766%	0.668%
Referendum Market Value Rates:					
I.S.D. No. 728 (Elk River Area Schools)	0.29961%	0.30598%	0.28698%	0.27424%	0.25758%
Elk River EDA	0.02079%	0.01952%	0.01825%	0.01509%	0.01360%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Sherburne, Anoka, Hennepin, Isanti and Wright Counties.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 2,155, including 1,132 non-licensed employees and 1,023 licensed employees (987 of whom are teachers). The District provides education for 14,034 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

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[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.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Elk River Education Association	June 30, 2025
School Service Employees - Local - 284 - Cooks	June 30, 2025
School Service Employees - Local - 284 - Clerks	June 30, 2025
School Service Employees - Local - 284 - Custodians	June 30, 2025
AFL - CIO Council 65 Teachers Assistants	June 30, 2025
District 728 School Administrators	June 30, 2025
Professional Administration Support Organization	June 30, 2025
Level III Management	June 30, 2025
Special Education Coordinators	June 30, 2025

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 Annual Comprehensive Financial Report (Audit) shows a total OPEB liability of $8,960,597 as of June 30, 2024. The District has been funding these obligations on a pay-as-you-go basis, but in November of 2008 they issued $3,340,000 in OPEB Bonds to fund an irrevocable trust. As of June 30, 2024, the net position of the trust was $10,547,806. Future OPEB costs will be paid partially from the trust and partially from operating funds.

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	971	5,936	6,091	12,998
2021/22	1,050	6,232	6,174	13,456
2022/23	1,049	6,378	6,204	13,631
2023/24	1,073	6,589	6,205	13,867
2024/25	1,019	6,692	6,323	14,034

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2025/26	1,025	6,755	6,359	14,139
2026/27	1,030	6,688	6,456	14,174
2027/28	1,030	6,638	6,589	14,257

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Hassan Elementary	2005	--
Lincoln Elementary	1956	1966, 1922
Meadowvale Elementary	1992	--
Otsego Elementary	1995	--
Parker Elementary	1973	2002, 2013
Prairie View Elementary	2017	2018, 2019
Rogers Elementary	1968	1973, 2000, 2004, 2017
Twin Lakes Elementary	2007	--
Westwood Elementary	2003	2010
Zimmerman Elementary	1956	1968, 1979, 2002, 2010, 2016
Prairie View Middle School	2022	--
Rogers Middle School	1998	2004
Salk Middle School	1979	2018
VandenBerge Middle School	1961	1967, 1969, 1995, 2021
Elk River High School	1970	1976, 2002, 2017
Ivan Sand Community Middle/High School	1998	--
Rogers High School	2003	2016, 2017
Zimmerman Middle/ High School	1998	2002, 2004, 2015, 2016
Handke Community School	1930	1951, 2014
Education Technology Center	1976	--

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 September 30, 2024)

Fund	**Total Cash and Investments**
General	$99,593,877
Food Service	5,814,542
Community Service	1,505,755
Debt Service	12,881,035
Building/Construction	15,392,579
Trust & Agency	209,014
Internal Service	5,726,432
OPEB Trust	10,767,553
OPEB Debt Service	191,785
Student Activities	411,242
Total Funds on Hand	$152,493,814

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 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	$30,415,305	$37,863,374	$40,296,133	$47,218,631	$49,415,170
Investment earnings	171,903	(106,479)	2,891,701	4,629,389	2,564,655
Other local revenues	3,261,235	5,674,944	6,585,258	7,360,079	6,107,107
Revenues from state sources	131,109,328	137,908,088	141,075,431	155,413,933	159,155,095
Revenues from federal sources	8,025,979	8,351,495	6,812,144	4,896,274	3,432,418
Total Revenues	$172,983,750	$189,691,422	$197,660,667	$219,518,306	$220,674,445
Expenditures					
Current:					
Administration	$5,725,163	$6,189,334	$6,589,965	$6,614,434	$6,949,208
District support services	6,073,108	6,607,630	7,081,335	6,689,123	6,644,847
Elementary and secondary regular instruction	67,388,581	73,251,778	77,752,026	83,097,335	86,976,011
Vocational education instruction	2,543,802	2,741,057	3,005,656	3,385,037	2,903,264
Special education instruction	32,568,504	34,752,071	36,084,019	39,725,493	45,022,148
Instructional support services	14,359,335	15,410,768	14,132,143	13,847,410	15,227,051
Pupil support services	15,993,540	17,859,935	20,096,892	21,482,036	27,640,590
Sites and buildings	13,554,527	20,386,083	24,747,669	27,183,904	26,398,300
Fiscal and other fixed cost programs	689,345	1,062,504	1,150,362	1,292,749	1,395,603
Food service	0	0	3,095	0	0
Community service	0	0	0	37,735	130,125
Debt service	1,202,164	1,205,382	1,275,736	1,278,153	1,202,435
Total Expenditures	$160,098,069	$179,466,542	$191,918,898	$204,633,409	$220,489,582
Excess of revenues over (under) expenditures	$12,885,681	$10,224,880	$5,741,769	$14,884,897	$184,863
Other Financing Sources (Uses)					
Sale of capital assets	$52,769	$188,144	$31,337	$141,639	
Debt issued	0	0	280,215	0	
Transfers in	0	0	0	0	
Transfers (out)	0	0	0	(66,141)	
Total Other Financing Sources (Uses)	52,769	188,144	311,552	75,498	
Net changes in Fund Balances	$12,938,450	$10,413,024	$6,053,321	$14,960,395	
General Fund Balance July 1	$36,676,474	$49,614,924	$60,027,948	$66,081,269	
Change in Accounting Principle	0	0	0	0	
General Fund Balance June 30	$49,614,924	$60,027,948	$66,081,269	$81,041,664	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$551,942	$516,896	$1,362,583	$1,762,179	
Restricted	12,082,762	13,175,111	10,877,648	12,618,063	
Committed	1,839,829	1,713,171	1,488,242	1,254,821	
Assigned	20,159,049	28,024,445	35,927,195	44,994,805	
Unassigned	14,981,342	16,598,325	16,425,601	20,411,796	
Total	$49,614,924	$60,027,948	$66,081,269	$81,041,664	

Note: District voters approved an operating referendum question on November 5, 2019, which provided an increase in revenue of $750 per pupil and resulted in an annual increase in general fund revenue of approximately $11 million, beginning with fiscal year 2020-21. The new authority was authorized for a term of 10 years and includes an annual inflationary increase.

[1] The 2024-25 budget was adopted on May 28, 2024.

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 79,235 and a 2023 population estimate of 86,424, and comprising an area of 171.58 square miles, is located approximately 40 miles northwest of St. Paul, Minnesota. The City of Elk River is the county seat of Sherburne County, 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. 728 (Elk River Area Schools)	Elementary and secondary education	2,155
Sherburne County	County government and services	793
Accurate Home Care	Home care services	577
Cretex Co.	Concrete product manufacturing	500 [2]
Outlets at Albertville	Outlet mall	500
Guardian Angels of Elk River	Nursing home	481
Sportech, Inc.	Manufacturing	450
Archway Marketing Service	Promotional product packaging	350
Graco, Inc.	Fluid handling systems and components	300
Performance Foodservice	Grocers-wholesale	300
Cabela's	Sporting goods-retail	300

Source: The District, 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 employees at all locations, including those outside the District boundaries. The corporate office is located in the City of Elk River with approximately 50 employees.

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	66,807
2020 U.S. Census population	79,235
Percent of Change 2010 - 2020	18.60%
2023 State Demographer Estimate	86,424

Income and Age Statistics

	The District	Sherburne County	State of Minnesota	United States
2023 per capita income	$48,514	$44,241	$46,957	$43,289
2023 median household income	$119,679	$102,965	$87,556	$78,538
2023 median family income	$136,082	$121,435	$111,492	$96,922
2023 median gross rent	$1,393	$1,151	$1,235	$1,348
2023 median value owner occupied units	$364,700	$332,700	$305,500	$303,400
2023 median age	36.6 yrs.	36.9 yrs.	38.6 yrs.	38.7 yrs.

	State of Minnesota	United States
District % of 2023 per capita income	103.32%	112.07%
District % of 2023 median family income	122.06%	140.40%

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	Sherburne County	Sherburne County	State of Minnesota
2020	50,247	6.2%	6.3%
2021	50,226	3.8%	3.7%
2022	51,484	2.8%	2.7%
2023	51,839	3.2%	2.8%
2024, November	51,171	3.0%	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.

ISD 728 INDEPENDENT SCHOOL DISTRICT 728

ELK RIVER | OTSEGO | ROGERS | ZIMMERMAN

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ending June 30, 2024

11500 193RD AVE. NW, ELK RIVER, MN 55330

763.241.3400

WWW.ISD728.ORG

2024

ANNUAL COMPREHENSIVE FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2024

INDEPENDENT SCHOOL DISTRICT NO. 728
ELK RIVER, MINNESOTA

11500 193rd Avenue NW
Elk River, MN 55330

Prepared by
Finance Department

Andrew Almos • Executive Director of Business Services
Joe Primus • Director of Finance
Josh Juntunen • Accountant

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SECTION I

INTRODUCTORY SECTION

ISD 728 INDEPENDENT SCHOOL DISTRICT 728
ELK RIVER | OTSEGO | ROGERS | ZIMMERMAN

11500 193rd Ave. NW
Elk River, MN 55330
763.241.3400
www.isd728.org

November 18, 2024

To the School Board, Citizens, and Employees
of Independent School District No. 728

INTRODUCTION

Submitted herewith is the Annual Comprehensive Financial Report (ACFR) of Independent School District No. 728, Elk River Area School District (the District) for the fiscal year ended June 30, 2024. The organization, form, and content of this report were prepared in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB), the Association of School Business Officials (ASBO) International, the American Institute of Certified Public Accountants (AICPA), and the Minnesota Department of Education. Although the data was received from many sources, the accuracy and thoroughness of this report rests solely with the District. This report belongs to the citizens of the District's community for it describes, in financial terms, the position and operating results of the District. Questions and comments are solicited and welcome.

REPORT FORMAT

The ACFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, organizational charts, a list of School Board members and administration personnel, a map of the District, and the Certificate of Excellence in Financial Reporting. The financial section includes the Independent Auditor's Report, management's discussion and analysis (MD&A), basic financial statements, required supplementary information, and supplementary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year comparative basis.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A of the District can be found immediately following the report of the independent auditors.

PROFILE OF THE REPORTING ENTITY AND ITS SERVICES

The financial reporting entity includes all the funds of the primary government (the District). Component units are legally separate entities for which the primary government is financially accountable. There are no entities considered to be component units which are required to be presented in the District's basic financial statements.

The District is an independent political subdivision of the state of Minnesota. The District is the eighth largest school district in the state, with a current enrollment of 14,062 average daily memberships (ADM) in pre-kindergarten through Grade 12. The District comprises all or part of 13 municipalities, encompassing 170 square miles. The District currently conducts programs at 18 sites, including 4 high schools, 5 middle schools, and 10 elementary buildings as well as K–12 Online Programs. In addition to the regular K–12 programs, the District provides programs in the areas of special education, limited English proficiency, career and technical, and alternative education. Community education programs are also provided.

The District's governing body is the School Board, consisting of seven members. School Board members are elected at large to serve overlapping four-year terms of office. Elections are held biennially on the first Tuesday in November. The Superintendent of Schools is the Chief Administrative Officer and is appointed by the School Board.

FINANCIAL STATEMENTS

The financial statements contained in this report disclose the financial position of the District as of June 30, 2024, and the financial operations for the fiscal year then ended. The District's financial records and reports are maintained and prepared on a modified or full accrual basis of accounting in accordance with the Uniform Financial Accounting and Reporting Standards for Minnesota School Districts, as well as the standards of the GASB and the AICPA. These records are audited annually by an independent certified public accountant as required by Minnesota law. The accounting firm of Malloy, Montague, Karnowski, Radosevich & Co., P.A. performed the audit for the 2023–2024 fiscal year. Their report is included in the financial section of this report. The auditor has given unmodified opinions on the District's basic financial statements. An unmodified opinion means that, in the judgment of the auditor, the basic financial statements present fairly, in all material respects, the financial position of the District and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The independent audit of the financial statements of the District was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited district's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The District is also required to undergo an annual Minnesota state legal compliance audit under Minnesota Statutes § 6.65. These reports are available in a separate document.

INTERNAL CONTROL SYSTEM

The District's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of all financial transactions. The concept of reasonable assurance recognizes that the cost of these controls should not exceed the benefits. The evaluation of these costs and benefits requires estimates and judgments by management.

FINANCIAL AND BUDGETARY CONTROL

All financial transactions of the District are accounted for in specific funds. The accounting system provides for complete, self-balancing accounts for each fund of the District. The system provides budgetary control for the activities of all of the District's governmental funds, thereby ensuring legal compliance. Debt service requirements and project-length financial plans are adopted for the Capital Projects – Building Construction Fund. The system also provides budgetary control at the sub-function level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors.

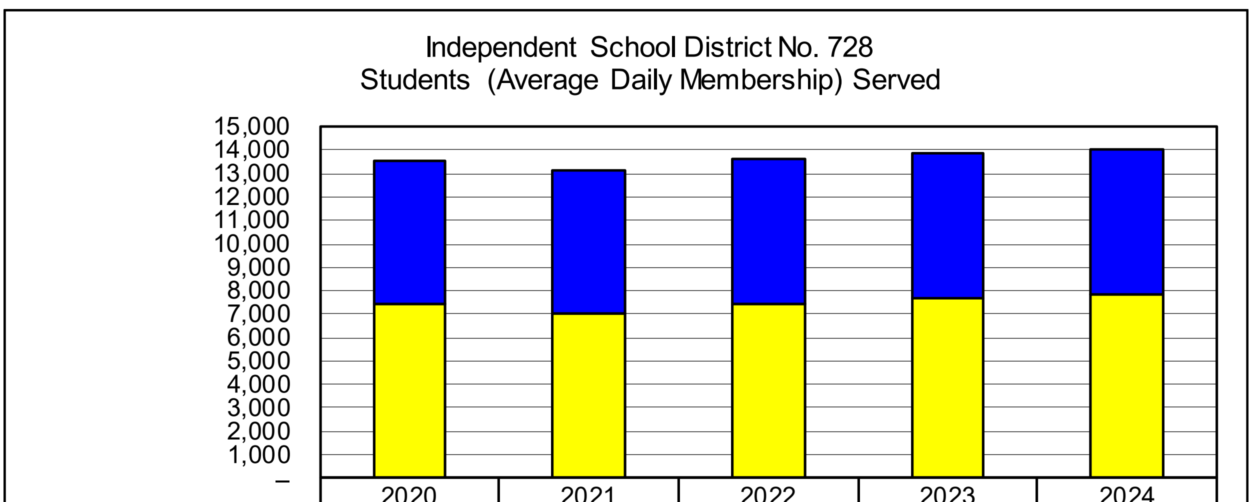
The budget process includes estimates of revenues and expenditures based upon agreed assumptions. The staff allocation formulas are determined based on need and available resources to accomplish the District's goals. The budget is adopted by June of each year and revised once during the fiscal year of its implementation.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

ECONOMIC CONDITION AND OUTLOOK OF LOCAL ECONOMY

With the exception of voter-approved operating referendum, the District is primarily dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that the legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. The Legislature increased the unrestricted general education formula funding per pupil 4.00 percent for fiscal year 2023–2024 and 2.00 percent for fiscal year 2024–2025.

The District's enrollment has seen a 5.23 percent increase over the last five years, as the construction of homes has increased significantly in the District. District enrollment had increased in four of the past five years. The District had a decline in 2020–2021, due to the COVID-19 pandemic. Parents chose to home school their children or enroll them into other educational institutions, such as nonpublic schools and charter schools. In fiscal year 2020–2021, the District expanded its online program for elementary and middle school students to attract and retain students by increasing the flexibility and the amount of course offerings. This was implemented to address the effects of the COVID-19 pandemic. Housing permits issued in the District continue to increase from prior years. This is one indicator showing signs of a strong local economy.



	2020	2021	2022	2023	2024
Secondary (7–12)	6,136	6,116	6,198	6,208	6,203
Elementary (Pre-K–6)	7,431	7,058	7,438	7,668	7,859

Transportation infrastructure, such as railroads, airports, and freeways, has a significant impact on the economic growth of the area. Major highways have seen significant improvements and changes, due to the increased amount of economic growth in the local area. There are additional significant improvements that began in 2022, as the Minnesota Legislature approved transportation funding for projects that will improve the traffic flow in our communities. These projects are estimated to be finished in November 2024.

Overall, the economic outlook for the District is one of continuing economic growth and a growing population. The District had one operating referendum question on the November 2019 ballot. The question was replacing a current levy of $467.10 per pupil with a levy of $1,217.12 per pupil, subject to an annual increase at the rate of inflation. This question was passed by 56.51 percent of the voters. The referendum is in place for 10 years beginning in 2020–2021. The new revenue source is being used to maintain class sizes, support struggling students, support student mental health, update the District's curriculum and classroom materials, and improve career and technical programs for students.

The District had a second question on the November 2019 ballot. This question was for $113.0 million in building bonds. This question was passed by 55.57 percent of the voters. The District is using these bonds for a variety of building projects, including an additional middle school to address enrollment growth, address a variety of building maintenance needs across the District, update indoor physical education and outdoor athletic facilities, and create more flexible learning spaces across the District at all levels to support different learning styles. In January 2020, the District issued $112,435,000 in General Obligation Building Bonds.

In March 2020, the District implemented a distance learning program for the remainder of the fiscal year as a result of the COVID-19 pandemic. For fiscal year 2020–2021, the District offered a hybrid model to its secondary students and its elementary students resumed face-to-face instruction. However, the District experienced an increase in parents opting to home school their children or seek other educational opportunities in fiscal year 2020–2021. For the past 3 fiscal years, the District enrollment strongly rebounded and experienced large increases at all grade levels. For fiscal year 2024–2025, the District continues to see strong enrollment at all grade levels. Long-range enrollment trends look favorable.

Staff shortages, inflation, and employee relations make for a challenging environment to preserve programming and fund balance, while maintaining fiscal responsibility to the District's students, parents, taxpayers, and employees.

LONG-TERM FINANCIAL PLANNING

The District reviews and updates its long-term financial projections periodically throughout the fiscal year as new information becomes available. As new federal and state legislation is introduced, the District is constantly projecting the impact of the proposed new legislation on the District. We are in constant communication with our representatives, informing them of the impact on the District.

As the needs of the District change, financial projections are updated and recommendations are made to the School Board for the upcoming school year as needed.

RELEVANT FINANCIAL POLICIES

The District has adopted a comprehensive set of financial policies. The District has set a minimum fund balance policy. At June 30, 2024, the unassigned fund balance of the General Fund was equal to 8.0 percent of fiscal 2024 final budgeted expenditures, exceeding the minimum goal of 5.0 percent set by the School Board. This percentage for June 30, 2023 was at 7.1 percent. The District also monitors its unrestricted, unassigned fund balance against unrestricted, unassigned expenditures.

The District has updated its investment policies to account for its other post-employment benefit trust account. Cash not immediately needed to meet the operating costs of the District during the year was invested in various types of short-term investments in accordance with state of Minnesota law and district policy. Generally, the District's investments mature between 30 days and 2 years. The District earned income of $7,617,586 on all investments, excluding fiduciary funds, for the year ended June 30, 2024. The average yield on investments was 3.27 percent for fiscal year 2024.

MAJOR INITIATIVES

The District's major initiatives include the implementation of its five-year strategic plan, completing various long-term facilities maintenance projects and the projects related to the $113.0 million of new facilities. The District monitors its debt instruments on a continual basis. The District plans to take advantage of low interest rates if the savings are significant and material enough to warrant refinancing existing debt issues.

The District adopted a comprehensive Strategic Plan for 2023–2028, developed by the School Board, district staff, and various members in the community. The strategic plan has a number of educational outcomes desired by the community that may require additional financial resources.

The District is required to have an updated 10-year long-term facilities maintenance plan to address various projects, such as bituminous repairs, site improvements, mechanical, electrical, plumbing repairs, and interior repairs at various sites. In June 2024, the District updated its 10-year long-term facilities maintenance plan. The next two years include an estimated at $35.4 million in projects, beginning in June 2024 through fiscal year 2025–2026.

In 2021, the District issued $16,350,000 in 2021A Facilities Maintenance Bonds to provide the primary source of funding for the following projects: $2.6 million in lighting and electrical projects, $5.2 million in interior improvements, $4.3 million in mechanical and HVAC improvements, and $8.2 million in various site projects throughout the District. These projects were completed by June 2024.

In 2023, the District issued $10,910,000 in 2023A Facilities Maintenance Bonds to provide the primary source of funding for the following projects: $4.0 million in roofing repairs, $1.7 million in exterior improvement projects, $1.6 million in plumbing improvements, $1.9 million in building hardware and equipment, $2.9 million in lighting and electrical projects, $5.6 million in interior improvements, $6.3 million in various site projects, $4.0 million in mechanical and HVAC improvements, and $330,000 in various projects throughout the District. The anticipated completion date for these projects is June 2025.

The District is in the process of purchasing additional land for future facilities due to the current and projected growth in the southern region of our District. Additional facilities may also be needed to best meet the needs of all our learners, including those with special needs.

AGE OF SCHOOL BUILDINGS

The average age of the District's school buildings is 31 years. The District has 23 buildings throughout the District and anticipates it will spend between $14.0 million to $16.0 million each year on long-term facilities maintenance projects. This spending plan will help to maintain our existing buildings, and extend the useful life of the assets. The District will also use other resources, such as operating capital, long-term facilities maintenance revenue, and general funds for routine maintenance, which may also extend the useful life of its assets.

PROJECTED ENROLLMENT

In October 2018, the District had a demographic study completed by an independent third party to assist in projecting student enrollment. The study indicated a relatively steady increase in enrollment based on the economic conditions at that time. Enrollment projections have been altered to reflect current trend and improved economic conditions.

Student enrollment for the next 10 years is expected to rise. The District will be closely monitoring current and future enrollment for new trend data that may lead the District to alter its long-range projections if necessary. By the 2028 fiscal year, the District is expected to have an adjusted ADM of 15,565, increasing moderately at about 19.0 percent over a 10-year period. Projections are updated periodically throughout the fiscal year based on the most recent data that becomes available. The District also monitors student enrollment attendance and open enrollment to other surrounding school districts closely.

REPORTING ACHIEVEMENT

The ASBO International awarded a Certificate of Excellence in Financial Reporting to the District for its ACFR for the fiscal year ended June 30, 2023. This was the 16th consecutive year that the District has received this prestigious award. In order to be awarded a Certificate of Excellence, the District had to publish an ACFR that is easily readable, efficiently organized, and conforms to the program standards, as well as accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Excellence is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Excellence Program's requirements and we are submitting it to the ASBO International to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

We would like to thank the members of the School Board for their interest and support in planning and conducting the financial operations of the District in a fiscally responsible and progressive manner.

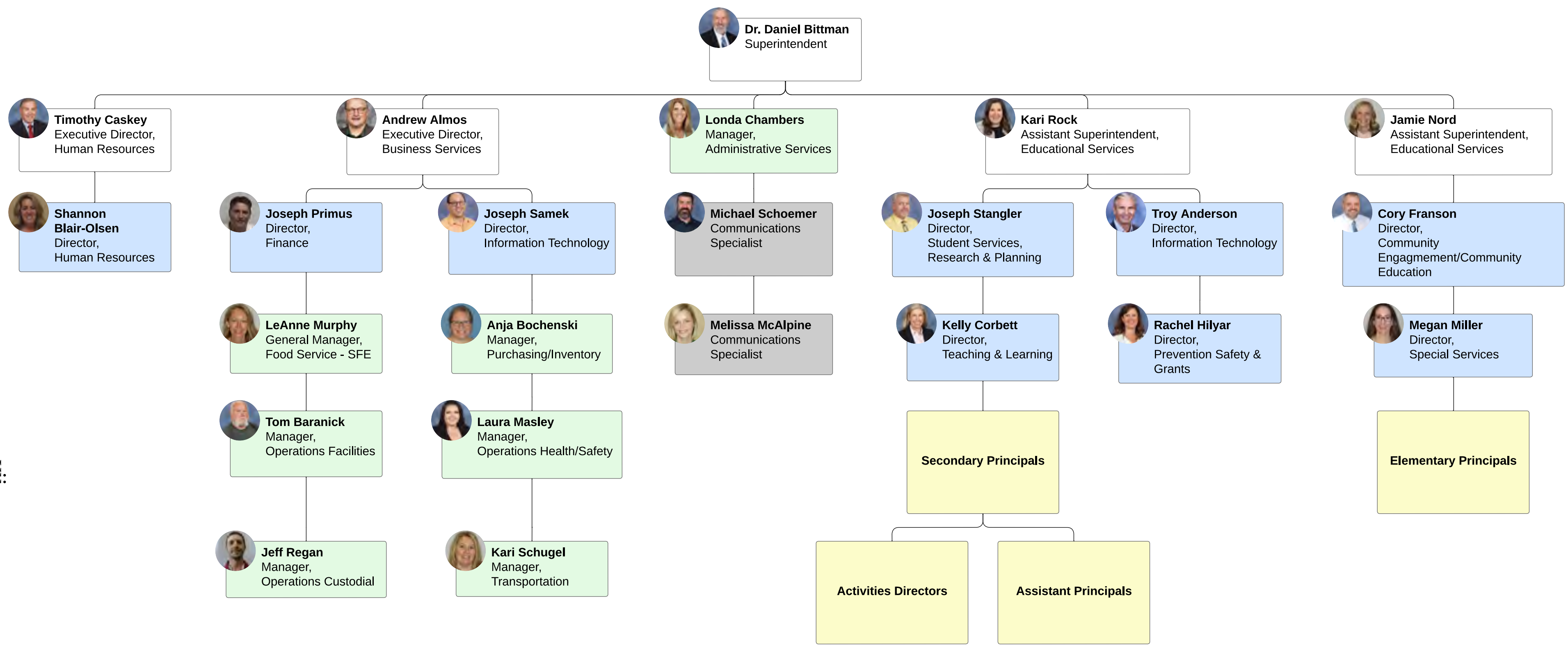
Respectfully submitted,

Daniel Bittman
Superintendent

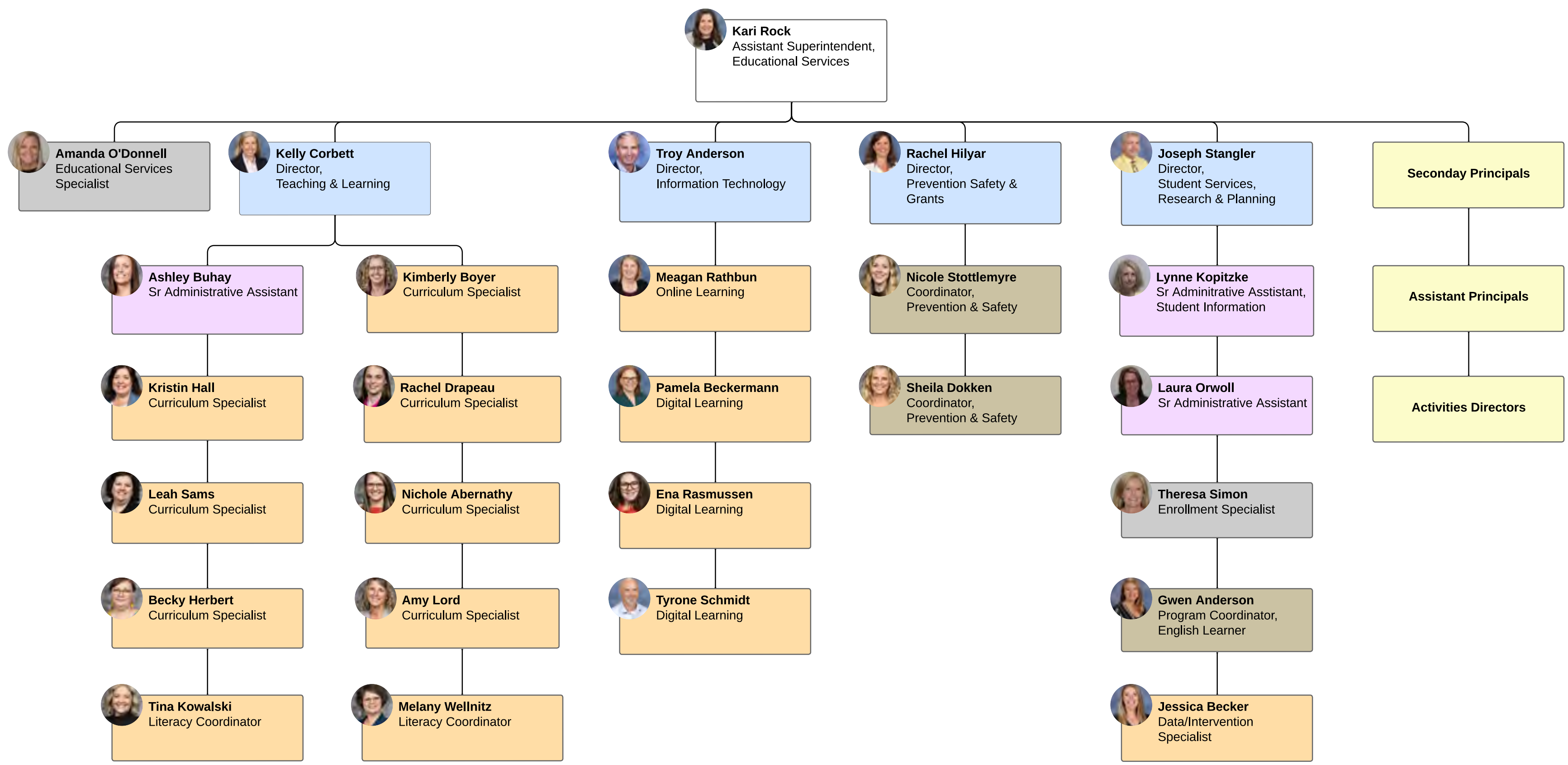
Andrew Almos
Executive Director of Business Services

Joe Primus
Director of Finance

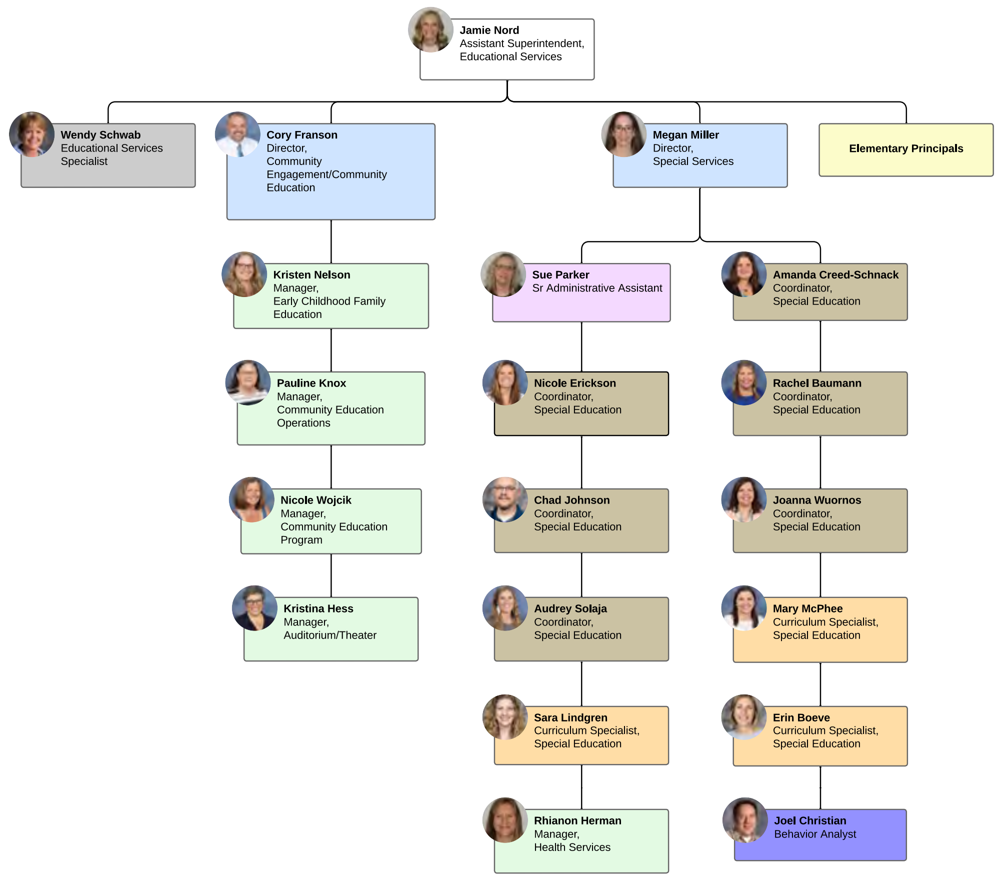
ELK RIVER AREA SCHOOLS
Senior Leadership Organizational Chart
06/30/2024



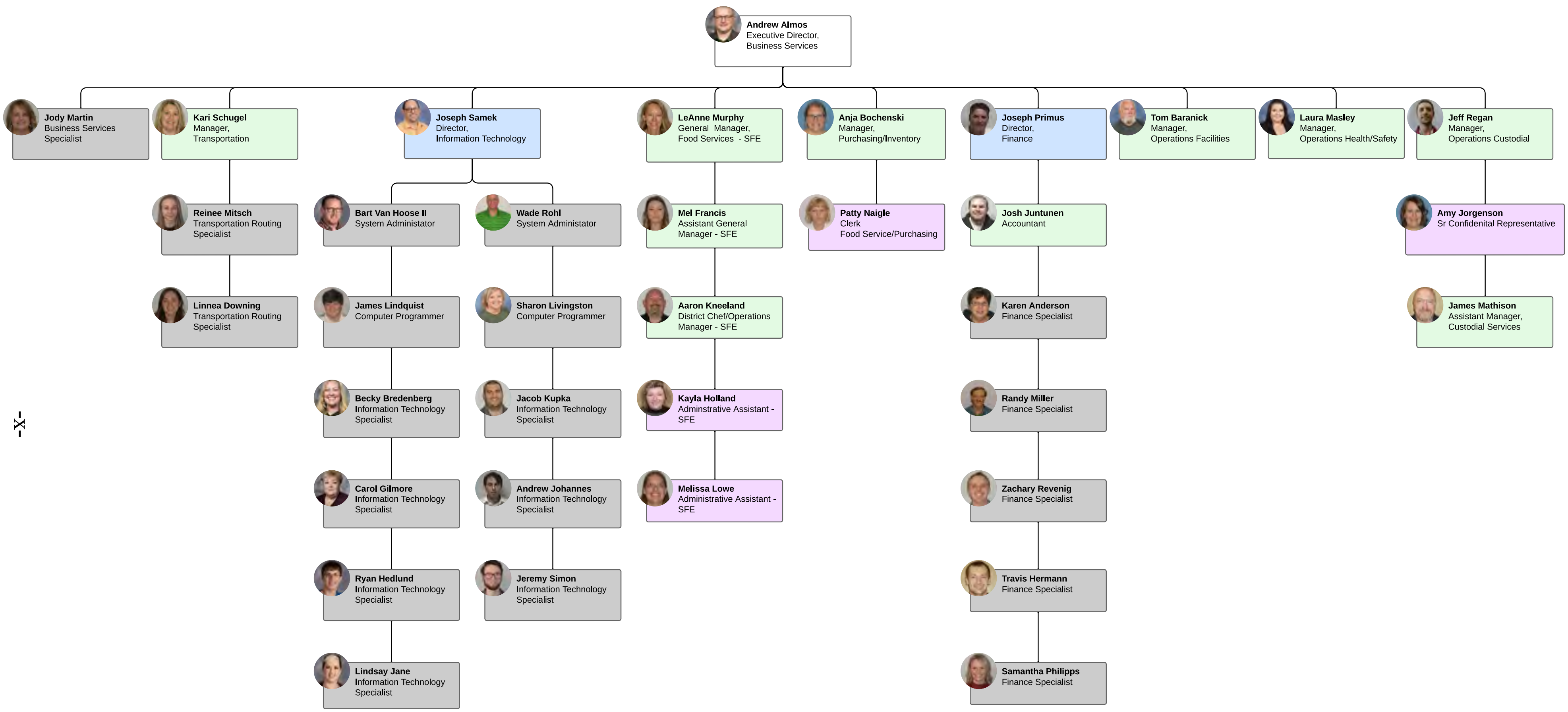
ELK RIVER AREA SCHOOLS
Educational Services Organizational Chart
06/30/2024



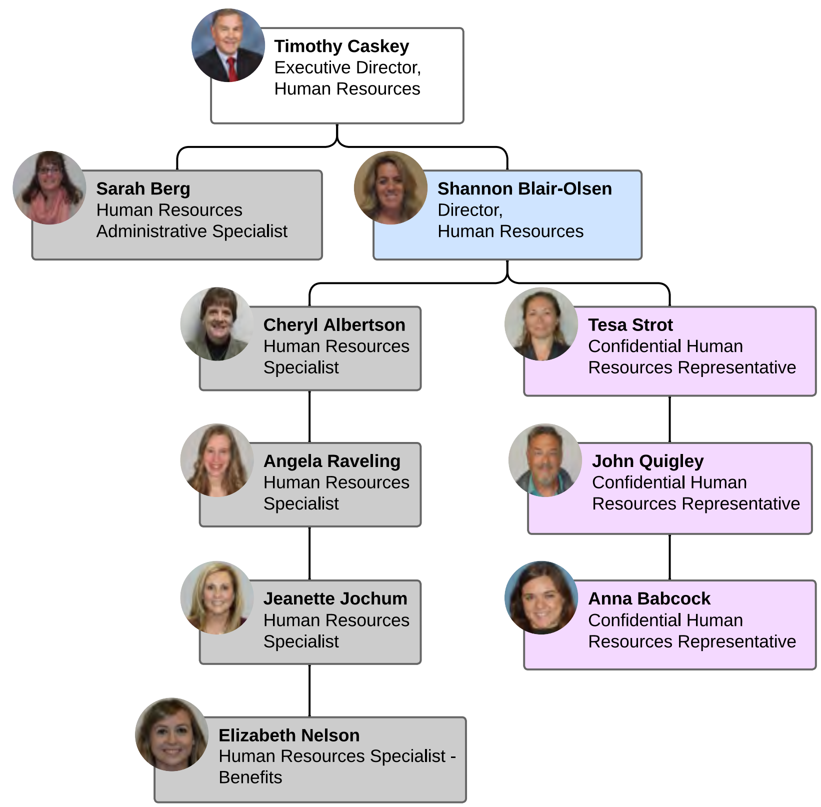
ELK RIVER AREA SCHOOLS
Educational Services Organizational Chart - Continued
06/30/2024



ELK RIVER AREA SCHOOLS
Business Services Organizational Chart
06/30/2024



ELK RIVER AREA SCHOOLS
Labor Relations and Personnel Services Organizational Chart
06/30/2024



INDEPENDENT SCHOOL DISTRICT NO. 728

School Board and Administration
Year Ended June 30, 2024

SCHOOL BOARD

	Position
Holly Thompson	Chairperson
Sara Weis	Vice Chairperson
Joel Nelson	Treasurer
Sarah Hamlin	Clerk
John Anderson	Director
Mindy Freiberg	Director
Christi Tullbane	Director

ADMINISTRATION

Dr. Daniel Bittman	Superintendent
Dr. Kari Rock	Assistant Superintendent of Educational Services
Jamie Nord	Assistant Superintendent of Educational Services
Tim Caskey	Executive Director of Human Resources
Andrew Almos	Executive Director of Business Services
Joe Primus	Director of Finance

ISD 728 BUILDINGS

1 **ISD 728 District Office**
11500 193rd Avenue NW, Elk River, MN 55330

2 **Handke Center (Community Ed/Early Childhood Family Ed)**
1170 Main Street, Elk River, MN 55330

3 **District Service Center**
19072 Triangle Road NW, Elk River, MN 55330

4 **Hassan Elementary School (K-4)**
14055 Orchid Avenue, Rogers, MN 55374

5 **Lincoln Elementary School (K-5)**
998 Jackson Street NW, Elk River, MN 55330

6 **Meadowvale Elementary School (K-5)**
12701 Elk Lake Road, Elk River, MN 55330

7 **Otsego Elementary School (E-4)**
8125 River Road NE, Otsego, MN 55330

8 **Parker Elementary School (K-5)**
500 School Street, Elk River, MN 55330

9 **Prairie View Elementary School (E-4)**
12220 80th Street NE, Otsego, MN 55330

10 **Rogers Elementary STEM Magnet School (E-4)**
12521 Main Street, Rogers, MN 55374

11 **Twin Lakes Elementary School (K-5)**
10051 191st Avenue NW, Elk River, MN 55330

12 **Westwood Elementary School (3-5)**
13651 4th Avenue South, Zimmerman, MN 55398

13 **Zimmerman Elementary School (E-2)**
25959 West 4th Street, Zimmerman, MN 55398

14 **Ivan Sand Community High School (9-12)**
1232 School Street, Elk River, MN 55330

15 **Elk River High School (9-12)**
900 School Street, Elk River, MN 55330

16 **Rogers High School (9-12)**
21000 - 141st Avenue, Rogers, MN 55374

17 **Rogers Middle School (5-8)**
20855 - 141st Avenue, Rogers, MN 55374

18 **Salk Middle School (6-8)**
11970 Highland Road, Elk River, MN 55330

19 **VandenBerge Middle School (6-8)**
948 Proctor Road, Elk River, MN 55330

20 **Zimmerman Middle-High School (6-12)**
25900 - 4th Street West, Zimmerman, MN 55398

21 **Prairie View Middle School (5-8)**
8300 Maciver Ave NE, Otsego, MN 55330

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Independent School District No. 728

for its Annual Comprehensive Financial Report
for the Fiscal Year Ended June 30, 2023.

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.

CERTIFICATE OF EXCELLENCE
IN FINANCIAL REPORTING

Ryan S. Stechschulte
President

James M. Rowan, CAE, SFO
CEO/Executive Director

SECTION II

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 728
Elk River, Minnesota

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 728 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

EMPHASIS OF MATTER

Change in Accounting Principle

As described in Note 1 of the notes to basic financial statements, in fiscal 2024, the District adopted new accounting guidance for capitalizing purchases of groups of similar assets in the current year. Our opinion is not modified with respect to this matter.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

(continued)

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 12 months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), 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, 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 RSI 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.

(continued)

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, as listed in the table of contents, is presented for purpose of additional analysis and is 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

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

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

PRIOR YEAR COMPARATIVE INFORMATION

We have previously audited the District's 2023 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 21, 2023. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
November 18, 2024

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This section of Independent School District No. 728's (the District) Annual Comprehensive Financial Report (ACFR) presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the other components of the District's ACFR.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2024 by $132,901,788 (net position). The District's total net position increased by $35,248,498 during the fiscal year ended June 30, 2024, as government-wide revenues of $267,161,666 exceeded expenses of $231,913,168.

- The District's government-wide beginning net position increased by $5,434,043, due to a change in accounting principle for new accounting guidance for capitalizing groups of similar assets implemented during the year.

- At June 30, 2024, the District's governmental funds reported combined ending fund balances of $115,451,281, a decrease of $5,764,891 from the prior year. The most significant reason for this decrease was the spend down of construction and long-term facility improvement funds in the District's Capital Projects – Building Construction Fund.

- The District's General Fund, its primary operating fund, closed the most recent fiscal year with an unassigned fund balance of $20,411,796, which represents approximately 10.0 percent of fiscal 2024 General Fund expenditures.

- The District's final expenditures included $1,174,917 in federal funds for spending on various program needs in the District related to COVID-19 pandemic recovery funds. All of the federal COVID-19 pandemic recovery funds awarded to the District have been spent as of June 30, 2024.

- The District incurred $9,145,869 in construction expenditures for new facilities.

- The District incurred $23,371,675 in long-term facilities maintenance expenditures.

- The District and the Post-Employment Benefits Trust had a combined $8,718,321 of investment earnings during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of: the government-wide financial statements, the fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) 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, except for the fiduciary funds. 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.

The two government-wide financial statements report the District's *net position* and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, 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 are indicators of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds is presented as supplementary information.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Minnesota schools must establish funds within the guidelines of the state's Uniform Financial Accounting and Reporting Standards.

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps to determine whether there are more or less 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 government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for self-insurance activities of the District employees' dental claims, health claims, and property and liability claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

Table 1
Summary Statement of Net Position
as of June 30, 2024 and 2023

	2024	2023
Assets		
Current and other assets	$ 229,502,059	$ 232,142,832
Capital assets, net	401,687,061	379,787,078
Total assets	$ 631,189,120	$ 611,929,910
Deferred outflows of resources		
OPEB plan deferments	$ 3,090,186	$ 2,476,126
Pension plan deferments	30,212,282	38,606,694
Total deferred outflows of resources	$ 33,302,468	$ 41,082,820
Liabilities		
Current and other liabilities	$ 38,681,076	$ 36,969,203
Long-term liabilities, including due within one year	413,237,720	432,175,467
Total liabilities	$ 451,918,796	$ 469,144,670
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 69,755,756	$ 67,317,616
OPEB plan deferments	1,138,020	931,485
Pension plan deferments	8,777,228	23,399,712
Total deferred inflows of resources	$ 79,671,004	$ 91,648,813
Net position		
Net investment in capital assets	$ 129,813,826	$ 114,089,759
Restricted	30,754,359	26,967,921
Unrestricted	(27,666,397)	(48,838,433)
Total net position	$ 132,901,788	$ 92,219,247

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation and amortization amounts. Changes in variables, such as estimated useful lives or capitalization policies, may produce significant differences in the calculated amounts. Long-term liabilities for severance, compensated absences, other post-employment benefits (OPEB), and pensions, which are basically unfunded, impact the unrestricted portion of net position.

Total net position increased $35,248,498 during the year ended June 30, 2024. The District's net investment in capital assets increased $15,724,067, due in part to capital additions financed with property tax levies. The restricted portion of net position increased $3,786,438, due to increases in resources restricted for capital asset acquisition, debt service, food service, and other state funding restrictions. Unrestricted net position improved by $21,172,036.

The change in unrestricted net position, as well as the changes in long-term liabilities, deferred outflows of resources, and deferred inflows of resources, were impacted by changes in the District's share of unfunded pension liabilities related to the state-wide Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans.

Table 2 presents a condensed version of the change in net position of the District:

Table 2
Change in Net Position
for the Years Ended June 30, 2024 and 2023

	2024	2023
Revenues		
Program revenues		
Charges for services	$ 11,803,835	$ 14,120,411
Operating grants and contributions	50,140,668	38,253,650
General revenues		
Property taxes	69,651,905	62,379,693
General grants and aids	124,752,571	118,162,129
Other	10,812,687	7,815,047
Total revenues	267,161,666	240,730,930
Expenses		
Administration	6,435,346	5,609,709
District support services	6,615,116	7,044,723
Elementary and secondary regular instruction	78,819,541	61,912,206
Vocational education instruction	3,175,351	2,437,194
Special education instruction	38,210,612	30,405,000
Instructional support services	12,935,341	12,385,096
Pupil support services	20,494,781	17,977,356
Sites and buildings	14,597,491	16,192,702
Fiscal and other fixed cost programs	1,292,749	1,150,362
Food service	10,284,630	8,175,910
Community service	10,372,740	9,453,667
Unallocated depreciation/amortization expense	20,195,735	14,580,069
Interest and fiscal charges	8,483,735	7,284,619
Total expenses	231,913,168	194,608,613
Change in net position	35,248,498	46,122,317
Net position – beginning, as previously reported	92,219,247	46,096,930
Change in accounting principle	5,434,043	–
Net position – beginning, as restated	97,653,290	46,096,930
Net position – ending	$ 132,901,788	$ 92,219,247

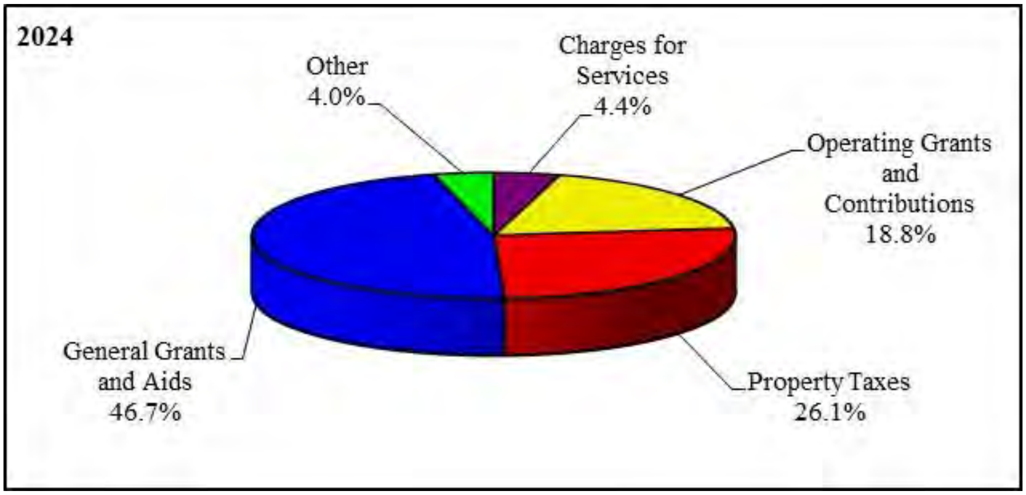
This format presents the District's operating results on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation/amortization expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

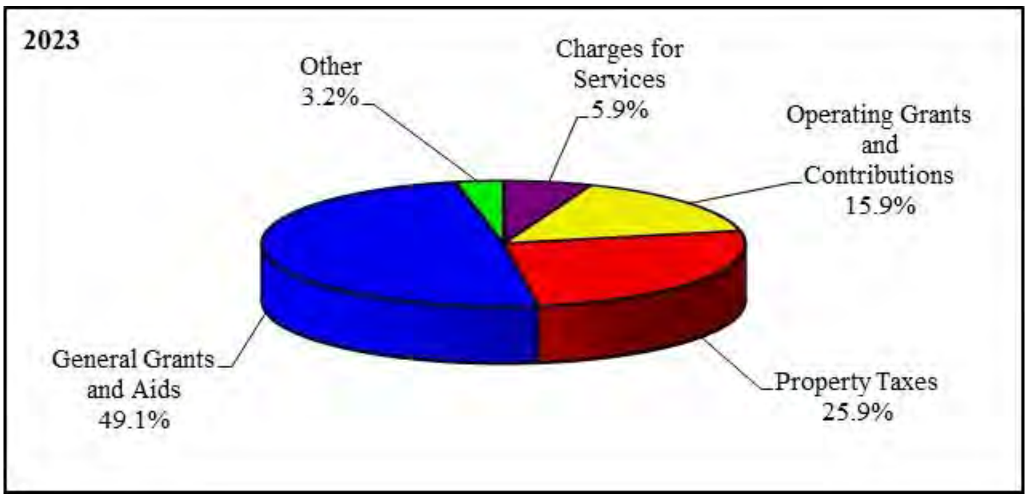
Total revenues for fiscal year 2024 were $26,430,736, or 11.0 percent, higher than the prior year. Legislative increases in state funding for general education, special education, and child nutrition, an increase in the property tax levy, and improved investment earnings contributed to the overall increase.

Expenses increased $37,304,555, or 19.2 percent, from the prior year. The increases were spread across a number of program areas, including; elementary and secondary regular instruction at $16,907,335, special education at $7,805,612, pupil support services at $2,517,425, food service at $2,108,720, unallocated depreciation/amortization expense of $5,615,666, and interest and fiscal charges at $1,199,116.

Figures A and B show further analysis of these revenue sources and expense functions:

Figure A – Sources of Revenue for Fiscal Years 2024 and 2023





The largest share of the District's revenue is received from the state, including most of the general and operating grants. This significant reliance on the state for funding has placed tremendous pressure on local school districts as a result of limited funding increases in recent years.

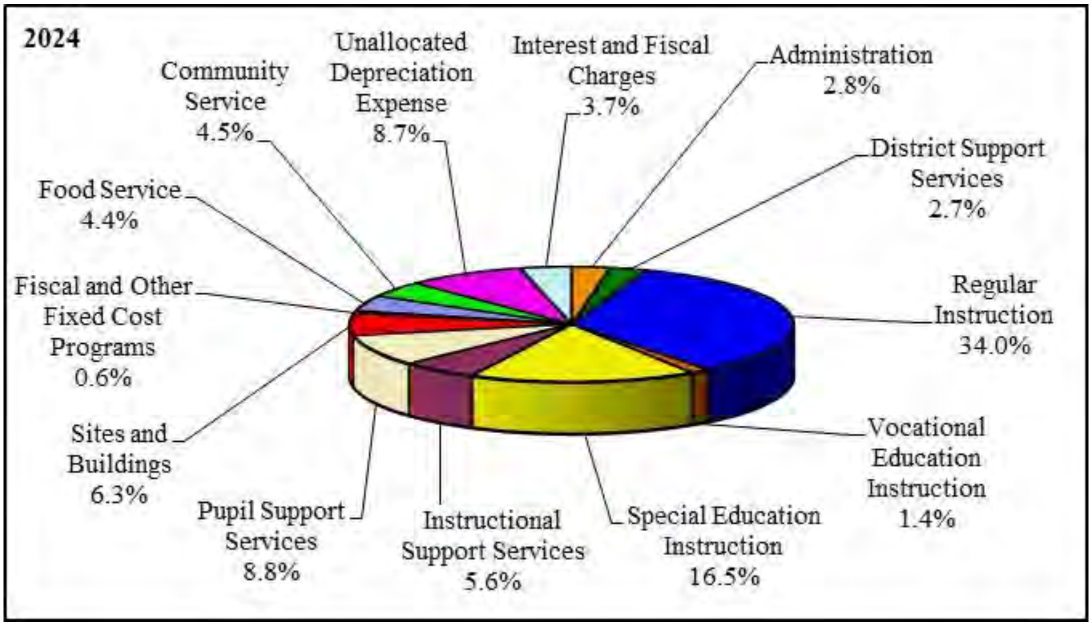
Property taxes are the next largest source of funding. The level of funding that property tax sources provide is not only dependent on taxpayers of the District by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

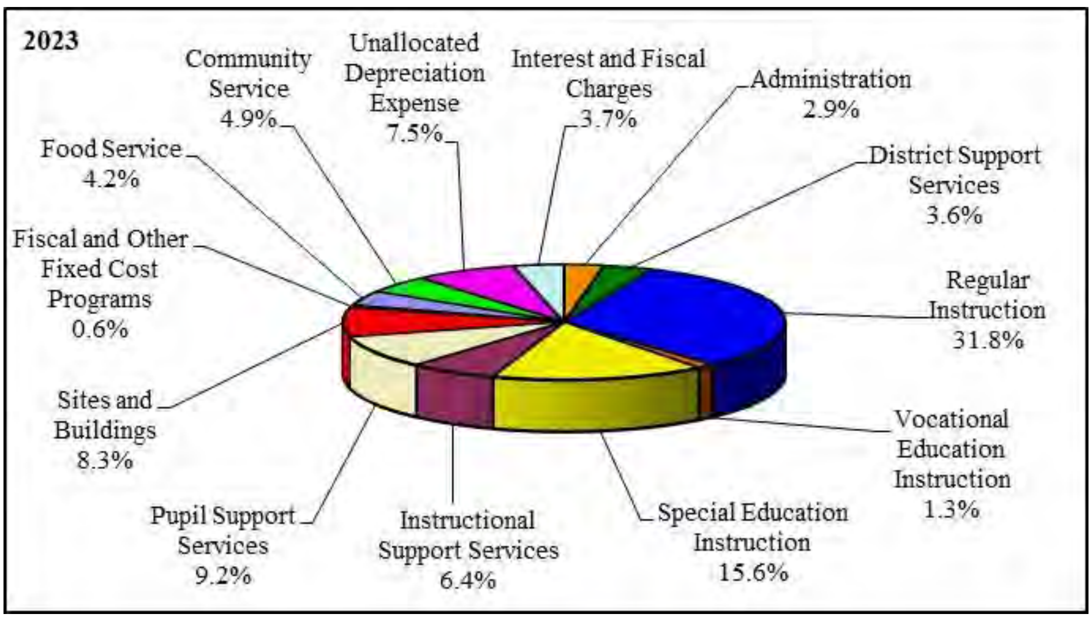
The increase in operating grants and contributions resulted from the legislative increases to state special education and child nutrition program funding, as previously discussed.

Revenue from property taxes increased, due to an increase in the voter-approved operating referendum levy, the inflation factor, and an increase in the number of students.

General grants and aids increased, mainly due to increased general education funding from a higher per pupil general education formula allowance and the continued growth in the District's student population.

Figure B – Expenses for Fiscal Years 2024 and 2023





The District's expenses are predominately related to educating students. Approximately 57.5 percent of the District's expenses were in categories directly related to providing instruction, which includes: regular instruction, vocational education instruction, special education instruction, and instructional support services.

The year-to-year change in the percentages of expenses between the program areas shown above was attributable to changes in expenses related to the two state-wide pension plans, the level of construction of facilities construction and long-term facilities maintenance, and a decline in one-time federal pandemic relief funds available.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances of the District's governmental funds:

Table 3
Governmental Fund Balances
as of June 30, 2024 and 2023

	2024	2023	Change
Nonspendable	$ 1,824,711	$ 1,365,391	$ 459,320
Restricted	46,965,148	66,009,743	(19,044,595)
Committed	1,254,821	1,488,242	(233,421)
Assigned	44,994,805	35,927,195	9,067,610
Unassigned	20,411,796	16,425,601	3,986,195
Total governmental funds	$ 115,451,281	$ 121,216,172	$ (5,764,891)

The decrease in the restricted fund balances is due primarily to the spending of bond proceeds on the construction of new facilities and long-term facilities maintenance projects. The committed fund balance is for expenditures related to severance plans. Assigned fund balances at year-end included $15,615,201 in building budget carryovers, $17,229,604 in curriculum and technology department carryovers for supplies and materials, $7,150,000 for strategic plan initiatives, and $5,000,000 for facility planning purposes.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Change	Percent Change
Revenue	$ 200,771,527	$ 215,829,677	$ 15,058,150	7.5%
Expenditures	$ 199,195,135	$ 254,527,067	$ 55,331,932	27.8%
Other financing sources (uses)	$ 80,203	$ 23,682	$ (56,521)	(70.5%)

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. It is the District's practice to amend the General Fund budget for known significant changes in circumstances, such as: updated enrollment estimates, legislation changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, health insurance premium increases, special education tuition changes, or utility rate changes.

The majority of the revenue budget change, $11,250,591 in state sources, was related to changes from 2023 state legislation. An increase of $966,617 in other revenue, such as miscellaneous fees, admissions, and donations, was a result of schools returning to pre-pandemic activity levels. Investment income was expected to increase by $2,611,836 from the original estimate. The most significant changes from the original expenditure budget to the final budget was the addition of $27,820,660 in unspent budget carryovers, and $24,033,761 for capital projects, including the purchase of land and facility planning.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Increase (Decrease) From Prior Year	
	2024 Actual	Amount	Percent	Amount	Percent
Revenue	$ 219,518,306	$ 3,688,629	1.7%	$ 21,857,639	11.1%
Expenditures	204,633,409	$ (49,893,658)	(19.6%)	$ 12,714,511	6.6%
Other financing sources (uses)	75,498	$ 51,816	218.8%	$ (236,054)	(75.8%)
Net change in fund balances	$ 14,960,395				

Actual revenues for 2024 increased $21,857,639 compared to 2023. The property tax increase was $6,922,498, due to the increase in voter-approved operating referendum levy authority. Revenue from state sources increased $14,338,502, due to additional student enrollment and legislative increases in general education, special education aid, and categorial aids. Investment earnings were $1,737,688 higher than prior year, due to more favorable market conditions, higher interest rates, and more cash on hand to invest.

Revenues were $3,688,629 over budget. General education state aid was $812,652 higher than anticipated, mainly due to increased enrollment. Special education state aid was $164,499 lower than projected. Budget projections for special education are based on a conservative approach, due to the complexity of the funding mechanisms. Additional tuition owed to other districts resulted in lower special education aid. Investment earnings were $1,746,684 higher than projected, as the District had more cash on hand and interest rates were significantly higher than predicted. The District also experienced an unrealized increase in the fair value of its investment portfolio. School fees and activities, including donations included in other local revenue, resumed to a normal operating level and exceeded budget by $2,013,249.

Actual expenditures for 2024 increased $12,714,511, compared to 2023. The District negotiated salary increases between 3 and 6 percent with the majority of its bargaining units, including teachers, the District's largest bargaining unit. Total packages for two-year contract settlements were as high as 12 percent. The District determined that the budget called for an additional 19 teaching positions at an estimated cost of $1.9 million.

Expenditures were $49,893,658 under budget, mainly due to underspending of $32,844,805 in building and department carryovers that will be spent in the 2024–2025 school year. The District's expenditure budget assumes that buildings will spend all of their budgets. This includes $17.2 million related to curriculum development and technology. The District has assigned $7.2 million for pursuing additional land for future facilities as growth continues to happen in the southern region of the District. The District had $5.0 million in budgeted capital projects that did not start until after June 30, 2024. The District also had $4.0 million in unspent staff development funds that will be used for future staff development activities.

Analysis of the Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund balance includes the proceeds from long-term facilities maintenance bonds and levies, and proceeds from building bonds and certificates of participation issued for new construction.

In 2020, the District issued $112,435,000 in 2020A General Obligation Building Bonds. These bond proceeds funded a $55.0 million new middle school in Otsego, $15.5 million of activity space at Rogers High School, $7.0 million of activity space at Zimmerman High School, $8.0 million of activity space at Elk River High School, $8.85 million in renovations at VandenBerge Middle School, $11.35 million in renovations at Lincoln Elementary, and $7.3 million in renovations at Handke Center. During fiscal year 2020–2021, the District spent $41,845,610 of these proceeds. In fiscal year 2021–2022, the District spent $35,172,052. For fiscal year 2022–2023, the District spent $12,787,762. During fiscal year 2023–2024, the District spent $9,145,869 and remains on budget.

In 2021, the District issued $16,350,000 in 2021A Facilities Maintenance Bonds. The two-year District Long-Term Facilities Maintenance Plan approved by the Minnesota Department of Education (MDE) included $20.4 million in projects for which these bonds were the primary source of financing, including: $3.8 million in roofing repairs, $700,000 in exterior improvement projects, $700,000 in plumbing improvements, $500,000 in building hardware and equipment, $1.2 million in lighting and electrical projects, $1.7 million in interior improvements, $6.9 million in various site projects, $4.4 million in mechanical and HVAC improvements, and $500,000 in various projects throughout the District. These projects began in June 2021. The completion date for these projects was August 2023.

In 2023, the District issued $10,910,000 in 2023A Facilities Maintenance Bonds. The most recent two-year District Long-Term Facilities Maintenance Plan approved by the MDE included $28.4 million in projects for which these bonds were the primary source of financing, including: $4.0 million in roofing repairs, $1.7 million in exterior improvement projects, $1.6 million in plumbing improvements, $1.9 million in building hardware and equipment, $2.9 million in lighting and electrical projects, $5.6 million in interior improvements, $6.3 million in various site projects, $4.0 million in mechanical and HVAC improvements, and $330,000 in various projects throughout the District. These projects began in June 2023 and the estimated completion date is June 2025.

Analysis of the Debt Service Fund

The Debt Service Fund year-end fund balance of $5,453,104 is restricted for future debt service. The District repaid $14,770,000 of bond principal from this fund during the year.

In 2024, the District also issued $87,300,000 in 2024A General Obligation School Building and Alternative Facilities Refunding Bonds, which along with an issuance premium of $8,196,929, was used to call $95,020,000 of outstanding bonded debt. This current refunding reduced future debt service by about $3.2 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2024 and 2023:

Table 6
Capital Assets

	2024	2023	Change
Land	$ 13,456,323	$ 13,456,323	$ –
Land and building improvements	237,485,485	169,694,874	67,790,611
Buildings	327,135,338	276,833,746	50,301,592
Furniture and equipment	37,447,749	25,690,877	11,756,872
Technology subscriptions	755,863	755,863	–
Construction in progress	39,461,503	122,351,675	(82,890,172)
Less accumulated depreciation/amortization	(254,055,200)	(228,996,280)	(25,058,920)
Total	$ 401,687,061	$ 379,787,078	$ 21,899,983
Depreciation/amortization expense	$ 20,871,071	$ 15,039,044	$ 5,832,027

Land and building improvements included the completion of the Rogers High School activity addition at $20.1 million, Vandenberge Middle School renovations at $15.3 million, Elk River High School activity space renovations project at $11.4 million, Zimmerman High School activity space addition at $9.4 million, Handke Center improvement and roof project Phase 1 at $4.4 million, Hassan Elementary School parking lot improvement project at $2.3 million, Otsego Elementary School parking lot project at $2.2 million, Zimmerman Elementary School renovation project at $1.7 million, and various renovations throughout the District.

Building construction completion includes the Prairie View Middle School at $50,301,592.

Construction in progress at year-end includes: Handke Center Phase 2 at $10.8 million, Lincoln Elementary School improvement project at $19.8 million, Zimmerman High School and Zimmerman Elementary Site improvement at $3.4 million, Rogers High School stadium gateway and interior renovation project at $2.3 million, and Rogers Elementary renovation project Phase 1 at $2.5 million, and other various projects throughout the District.

Additional details of the District's capital assets can be found in the Note 3 of the notes to basic financial statements.

Debt Administration

Table 7 presents the components of the District's long-term liabilities and the change from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2024	2023	Change
General obligation bonds payable	$ 263,240,000	$ 285,730,000	$ (22,490,000)
Plus premium	15,167,102	8,335,225	6,831,877
Total bonds payable	278,407,102	294,065,225	(15,658,123)
Certificates of participation payable	4,550,000	4,985,000	(435,000)
Financed purchases payable	2,618,743	3,158,435	(539,692)
Subscription liabilities	484,788	548,732	(63,944)
Severance payable	1,918,724	1,959,737	(41,013)
Compensated absences payable	1,753,427	1,599,008	154,419
Net pension liability	123,504,936	125,859,330	(2,354,394)
Total	$ 413,237,720	$ 432,175,467	$ (18,937,747)

General obligation bond retirements amounted to $109,790,000 in 2024, which was offset by the sale of $87,300,000 in 2024A General Obligation School Building and Alternative Facilities Refunding Bonds as previously discussed.

The difference in the net pension liability reflects the changes in the District's proportionate share of the PERA and the TRA state-wide pension obligations.

The state limits the amount of general obligation debt the District can issue to 15.0 percent of the market value of all taxable property within the District's corporate limits. (See Table 8.)

Table 8
Limitations on Debt

District's market value	$ 13,631,136,297
Limit rate	15.0%
Legal debt limit	$ 2,044,670,445

Additional details of the District's debt and long-term liabilities can be found in Note 4 of the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature added $275, or 4.00 percent, per pupil to the basic general education funding formula for fiscal year 2024. The 2023 Legislature approved an additional $143, or 2.00 percent, per pupil to the formula for fiscal year 2025. The state funding formula is still well below the rate of inflation for the past decade.

In 2023–2024, other categorical state aids, including special education, gifted and talented, and extended time, increased due to legislative changes. A number of state aids and levies were adjusted, removed, or added that may have an effect on the amount of revenue the District will receive and may determine changes to future programs.

The District had one operating referendum question on the November 2019 ballot. The question was replacing a current levy of $467.10 per pupil with a levy of $1,217.12 per pupil, subject to an annual increase at the rate of inflation. This question was passed by 56.51 percent of the voters. The referendum is in place for 10 years beginning in 2020–2021. The new revenue source will be used to maintain class sizes, support struggling students, support student mental health, update the District's curriculum and classroom materials, and improve career and technical programs for students. With the annual rate of inflation, the levy amount increased to $1,428.18 per pupil for fiscal year 2023–2024. The levy amount increased to $1,466.29, per pupil for fiscal year 2024–2025, and will increase to $1,501.92 for fiscal year 2025–2026.

A second question listed on the November 2019 ballot was regarding $113 million for building bonds. This question was passed by 55.57 percent of the voters. The District is using these bonds for a variety of building projects, including a middle school to address enrollment growth, address a variety of building maintenance needs across the District, update indoor physical education and outdoor athletic facilities, and create more flexible learning spaces across the District at all levels to support different learning styles.

The District experienced a decrease in student enrollment in 2020–2021. This resulted in less revenue being received for operations. The District implemented additional programming in 2020–2021 to attract students and families. The Online 728 High School that began operating in September 2014 to attract students that prefer an alternative method of instruction, has expanded programming to include Grades K through 8. Career and technical education programs have been expanded to attract and meet the interests of students. Participation in the online program increased from 264 to 275 during fiscal year 2023–2024, mainly at the high school, while the Grades K through 8 Online programs declined, which is another sign that the students and parents are opting to return to a traditional education environment.

The District continues to see increases in the number of housing permits issued by local government entities in the District; a sign of a growing economy. Despite the signs of a growing local economy, the District will need to continue to address staffing levels and monitor future class sizes, as well as building capacity. The District has a comprehensive capital facilities plan and may need to look for additional space if enrollment continues to increase as expected in the southern region of the District.

For 2023–2024, staffing shortages continue to create additional challenges in many areas, such as classroom instruction, food service, custodial services, and transportation services. For 2024–2025, the District continues to monitor its working conditions and staffing shortages continue to create additional challenges in all aspects of the education industry.

The District requested proposals for its transportation services for the next two fiscal years. The only response received was from the District's current transportation provider. The resulting contract includes a rate increase of 35 percent for fiscal year 2024–2025 to adjust to the market, and an additional inflationary increase of 5 percent for fiscal year 2025–2026.

The state funding formula, the economy, and growing demand on limited resources have created challenges in funding education for Minnesota schools. As the federal funds received expire and the new federal mandates that relate to the COVID-19 pandemic are maintained, decisions regarding the additional staff resources hired will have a major impact on the operation of the District. The District will strive to maintain its current level of educational programming and carry on its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This ACFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Finance Department, Independent School District No. 728, 11500 193rd Avenue Northwest, Elk River, Minnesota 55330.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 728

Statement of Net Position
as of June 30, 2024
(With Partial Comparative Information as of June 30, 2023)

	Governmental Activities	
	2024	2023
Assets		
Cash and temporary investments	$ 164,743,571	$ 172,283,869
Receivables		
Current taxes	35,698,197	33,889,470
Delinquent taxes	744,110	676,885
Accounts and interest	2,067,627	1,362,189
Due from other governmental units	22,836,634	21,670,626
Inventory	139,243	158,164
Prepaid items	1,685,468	1,207,227
Net OPEB assets	1,587,209	894,402
Capital assets		
Not depreciated/amortized	52,917,826	135,807,998
Depreciated/amortized, net	348,769,235	243,979,080
Capital assets, net	401,687,061	379,787,078
Total assets	631,189,120	611,929,910
Deferred outflows of resources		
OPEB plan deferments	3,090,186	2,476,126
Pension plan deferments	30,212,282	38,606,694
Total deferred outflows of resources	33,302,468	41,082,820
Total assets and deferred outflows of resources	$ 664,491,588	$ 653,012,730
Liabilities		
Salaries and compensated absences payable	$ 14,601,874	$ 13,375,721
Accounts and contracts payable	17,093,075	17,161,966
Accrued interest payable	3,586,225	3,655,063
Due to other governmental units	549,830	616,334
Unearned revenue	2,850,072	2,160,119
Long-term liabilities		
Due within one year	18,184,453	17,632,644
Due in more than one year	395,053,267	414,542,823
Total long-term liabilities	413,237,720	432,175,467
Total liabilities	451,918,796	469,144,670
Deferred inflows of resources		
Property taxes levied for subsequent year	69,755,756	67,317,616
OPEB plan deferments	1,138,020	931,485
Pension plan deferments	8,777,228	23,399,712
Total deferred inflows of resources	79,671,004	91,648,813
Net position		
Net investment in capital assets	129,813,826	114,089,759
Restricted for		
Capital asset acquisition	15,599,838	13,308,481
Debt service	2,113,678	1,734,615
Food service	5,840,176	5,081,203
Community service	646,758	1,006,521
Other purposes (state funding restrictions)	6,553,909	5,837,101
Unrestricted	(27,666,397)	(48,838,433)
Total net position	132,901,788	92,219,247
Total liabilities, deferred inflows of resources, and net position	$ 664,491,588	$ 653,012,730

See notes to basic financial statements

Statement of Activities
Year Ended June 30, 2024
(With Partial Comparative Information for the Year Ended June 30, 2023)

Functions/Programs	2024 Expenses	2024 Program Revenues – Charges for Services	2024 Program Revenues – Operating Grants and Contributions	2024 Net (Expense) Revenue and Changes in Net Position – Governmental Activities	2023 Net (Expense) Revenue and Changes in Net Position – Governmental Activities
Governmental activities					
Administration	$ 6,435,346	$ 27,784	$ 646,377	$ (5,761,185)	$ (4,786,470)
District support services	6,615,116	60,638	–	(6,554,478)	(6,963,198)
Elementary and secondary regular instruction	78,819,541	1,690,153	3,008,391	(74,120,997)	(58,004,309)
Vocational education instruction	3,175,351	76,419	236,642	(2,862,290)	(2,129,775)
Special education instruction	38,210,612	2,366,495	32,000,800	(3,843,317)	(2,320,048)
Instructional support services	12,935,341	20,226	207,649	(12,707,466)	(12,092,810)
Pupil support services	20,494,781	824	1,893,600	(18,600,357)	(15,691,307)
Sites and buildings	14,597,491	109,708	4,812	(14,482,971)	(16,023,937)
Fiscal and other fixed cost programs	1,292,749	–	222,857	(1,069,892)	(875,712)
Food service	10,284,630	1,164,379	9,622,224	501,973	(206,488)
Community service	10,372,740	6,287,209	2,297,316	(1,788,215)	(1,275,810)
Unallocated depreciation/amortization expense (excludes direct depreciation/amortization expenses of various programs)	20,195,735	–	–	(20,195,735)	(14,580,069)
Interest and fiscal charges	8,483,735	–	–	(8,483,735)	(7,284,619)
Total governmental activities	$ 231,913,168	$ 11,803,835	$ 50,140,668	(169,968,665)	(142,234,552)
General revenues					
Taxes					
Property taxes levied for general purposes				47,313,438	40,374,034
Property taxes levied for community service				1,246,471	1,233,553
Property taxes levied for debt service				21,091,996	20,772,106
General grants and aids				124,752,571	118,162,129
Other general revenues				3,195,101	2,925,240
Investment earnings				7,617,586	4,889,807
Total general revenues				205,217,163	188,356,869
Change in net position				35,248,498	46,122,317
Net position – beginning, as previously reported				92,219,247	46,096,930
Change in accounting principle				5,434,043	–
Net position – beginning, as restated				97,653,290	46,096,930
Net position – ending				$ 132,901,788	$ 92,219,247

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 728

Balance Sheet
Governmental Funds
as of June 30, 2024
(With Partial Comparative Information as of June 30, 2023)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 98,492,506	$ 31,469,815	$ 16,160,770
Receivables			
Current taxes	24,404,765	–	10,737,924
Delinquent taxes	454,363	–	275,490
Accounts and interest	1,734,648	194,147	–
Due from other governmental units	20,822,882	–	219,514
Inventory	139,243	–	–
Prepaid items	1,622,936	25,557	–
Total assets	$ 147,671,343	$ 31,689,519	$ 27,393,698
Liabilities			
Salaries and compensated absences payable	$ 13,859,901	$ 1,070	$ –
Accounts and contracts payable	4,880,777	9,399,023	3,088
Due to other governmental units	547,818	–	–
Unearned revenue	–	–	–
Total liabilities	19,288,496	9,400,093	3,088
Deferred inflows of resources			
Property taxes levied for subsequent year	46,942,917	–	21,690,707
Unavailable revenue – delinquent taxes	398,266	–	246,799
Total deferred inflows of resources	47,341,183	–	21,937,506
Fund balances			
Nonspendable	1,762,179	25,557	–
Restricted	12,618,063	22,263,869	5,453,104
Committed	1,254,821	–	–
Assigned	44,994,805	–	–
Unassigned	20,411,796	–	–
Total fund balances	81,041,664	22,289,426	5,453,104
Total liabilities, deferred inflows of resources, and fund balances	$ 147,671,343	$ 31,689,519	$ 27,393,698

Nonmajor Funds	Total Governmental Funds 2024	Total Governmental Funds 2023
$ 6,509,421	$ 152,632,512	$ 158,823,497
555,508	35,698,197	33,889,470
14,257	744,110	676,885
138,633	2,067,428	1,279,246
1,794,238	22,836,634	21,670,626
–	139,243	158,164
36,975	1,685,468	1,207,227
$ 9,049,032	$ 215,803,592	$ 217,705,115
$ 735,846	$ 14,596,817	$ 13,372,542
366,832	14,649,720	14,487,326
2,012	549,830	616,334
142,453	142,453	165,102
1,247,143	29,938,820	28,641,304
1,122,132	69,755,756	67,317,616
12,670	657,735	530,023
1,134,802	70,413,491	67,847,639
36,975	1,824,711	1,365,391
6,630,112	46,965,148	66,009,743
–	1,254,821	1,488,242
–	44,994,805	35,927,195
–	20,411,796	16,425,601
6,667,087	115,451,281	121,216,172
$ 9,049,032	$ 215,803,592	$ 217,705,115

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INDEPENDENT SCHOOL DISTRICT NO. 728

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2024
(With Partial Comparative Information as of June 30, 2023)

	2024	2023
Total fund balances – governmental funds	$ 115,451,281	$ 121,216,172
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	655,742,261	608,783,358
Accumulated depreciation/amortization	(254,055,200)	(228,996,280)
Net OPEB assets are included in net position, but are excluded from fund balances because the do not represent current financial resources.	1,587,209	894,402
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(263,240,000)	(285,730,000)
Certificates of participation payable	(4,550,000)	(4,985,000)
Financed purchases payable	(2,618,743)	(3,158,435)
Subscription liabilities	(484,788)	(548,732)
Severance payable	(1,918,724)	(1,959,737)
Compensated absences payable	(1,753,427)	(1,599,008)
Net pension liability	(123,504,936)	(125,859,330)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(3,586,225)	(3,655,063)
Debt issuance premiums are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources.	(15,167,102)	(8,335,225)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	6,955,227	8,870,479
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – OPEB plan deferments	3,090,186	2,476,126
Deferred outflows of resources – pension plan deferments	30,212,282	38,606,694
Deferred inflows of resources – OPEB plan deferments	(1,138,020)	(931,485)
Deferred inflows of resources – pension plan deferments	(8,777,228)	(23,399,712)
Deferred inflows of resources – delinquent property taxes	657,735	530,023
Total net position – governmental activities	$ 132,901,788	$ 92,219,247

INDEPENDENT SCHOOL DISTRICT NO. 728

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2024
(With Partial Comparative Information for the Year Ended June 30, 2023)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 47,218,631	$ –	$ 21,089,997
Investment earnings	4,629,389	1,256,557	965,337
Other	7,360,079	11,193	–
State sources	155,413,933	–	2,195,164
Federal sources	4,896,274	–	–
Total revenue	219,518,306	1,267,750	24,250,498
Expenditures			
Current			
Administration	6,614,434	–	–
District support services	6,689,123	–	–
Elementary and secondary regular instruction	83,097,335	–	–
Vocational education instruction	3,385,037	–	–
Special education instruction	39,725,493	–	–
Instructional support services	13,847,410	–	–
Pupil support services	21,482,036	–	–
Sites and buildings	27,183,904	–	–
Fiscal and other fixed cost programs	1,292,749	–	–
Food service	–	–	–
Community service	37,735	–	–
Capital outlay	–	22,656,064	–
Debt service			
Principal	1,038,636	–	14,770,000
Interest and fiscal charges	239,517	–	9,678,108
Total expenditures	204,633,409	22,656,064	24,448,108
Excess (deficiency) of revenue over expenditures	14,884,897	(21,388,314)	(197,610)
Other financing sources (uses)			
Debt issued	–	–	–
Refunding debt issued	–	–	87,300,000
Premium on debt issued	–	–	8,196,929
Paid to refunded bond escrow agent	–	–	(95,020,000)
Transfers in	–	–	–
Transfers (out)	(66,141)	–	–
Sale of capital assets	141,639	–	–
Total other financing sources (uses)	75,498	–	476,929
Net change in fund balances	14,960,395	(21,388,314)	279,319
Fund balances			
Beginning of year	66,081,269	43,677,740	5,173,785
End of year	$ 81,041,664	$ 22,289,426	$ 5,453,104

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2024	Total Governmental Funds 2023
$ 1,215,565	$ 69,524,193	$ 62,277,934
202,213	7,053,496	4,492,931
7,486,025	14,857,297	17,014,314
7,895,195	165,504,292	145,138,626
4,020,664	8,916,938	10,681,255
20,819,662	265,856,216	239,605,060
–	6,614,434	6,589,965
–	6,689,123	7,081,335
–	83,097,335	77,752,026
–	3,385,037	3,005,656
–	39,725,493	36,084,019
–	13,847,410	14,132,143
–	21,482,036	20,096,892
–	27,183,904	24,747,669
–	1,292,749	1,150,362
9,385,351	9,385,351	7,737,828
10,281,696	10,319,431	9,533,437
835,047	23,491,111	18,517,918
–	15,808,636	14,826,740
–	9,917,625	8,952,690
20,502,094	272,239,675	250,208,680
317,568	(6,383,459)	(10,603,620)
–	–	11,190,215
–	87,300,000	–
–	8,196,929	1,593,447
–	(95,020,000)	–
66,141	66,141	–
–	(66,141)	–
–	141,639	31,337
66,141	618,568	12,814,999
383,709	(5,764,891)	2,211,379
6,283,378	121,216,172	119,004,793
$ 6,667,087	$ 115,451,281	$ 121,216,172

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Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2024
(With Partial Comparative Information for the Year Ended June 30, 2023)

	2024	2023
Total net change in fund balances – governmental funds	$ (5,764,891)	$ 2,211,379
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation/amortization expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	37,337,340	28,819,047
Depreciation/amortization expense	(20,871,071)	(15,039,044)
Net book value of capital assets disposed	(329)	–
Net OPEB assets are included in net position, but are excluded from fund balances because the do not represent current financial resources.	692,807	894,402
Debt proceeds are reported as a source of financing in the governmental funds. Debt proceeds are not reported as revenues in the Statement of Activities, but are reflected as additional long-term liabilities.		
Debt issued	(87,300,000)	(11,190,215)
Repayment of long-term debt principal does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	109,790,000	13,820,000
Certificates of participation payable	435,000	420,000
Financed purchases payable	539,692	524,809
Subscription liabilities	63,944	61,931
Net OPEB liability	–	2,158,828
Net pension liability	2,354,394	(58,719,326)
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	68,838	(6,285)
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(6,831,877)	80,909
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Severance payable	41,013	38,695
Compensated absences payable	(154,419)	(77,939)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	(1,915,252)	(1,178,350)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – OPEB plan deferments	614,060	(525,138)
Deferred outflows of resources – pension plan deferments	(8,394,412)	(1,954,935)
Deferred inflows of resources – OPEB plan deferments	(206,535)	50,124
Deferred inflows of resources – pension plan deferments	14,622,484	85,631,666
Deferred inflows of resources – delinquent property taxes	127,712	101,759
Change in net position – governmental activities	$ 35,248,498	$ 46,122,317

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INDEPENDENT SCHOOL DISTRICT NO. 728

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2024

	Budget			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 46,815,862	$ 46,812,815	$ 47,218,631	$ 405,816
Investment earnings	270,869	2,882,705	4,629,389	1,746,684
Other	5,018,318	5,984,935	7,360,079	1,375,144
State sources	144,122,934	155,373,525	155,413,933	40,408
Federal sources	4,543,544	4,775,697	4,896,274	120,577
Total revenue	200,771,527	215,829,677	219,518,306	3,688,629
Expenditures				
Current				
Administration	6,502,276	8,648,568	6,614,434	(2,034,134)
District support services	6,137,791	6,384,961	6,689,123	304,162
Elementary and secondary regular instruction	79,283,122	88,646,535	83,097,335	(5,549,200)
Vocational education instruction	2,766,215	3,272,105	3,385,037	112,932
Special education instruction	40,688,340	42,036,789	39,725,493	(2,311,296)
Community education instruction	–	53,929	37,735	(16,194)
Instructional support services	15,858,216	32,332,772	13,847,410	(18,485,362)
Pupil support services	21,365,589	22,742,789	21,482,036	(1,260,753)
Sites and buildings	24,011,250	48,045,011	27,183,904	(20,861,107)
Fiscal and other fixed cost programs	1,376,850	1,158,122	1,292,749	134,627
Debt service				
Principal	974,693	974,693	1,038,636	63,943
Interest and fiscal charges	230,793	230,793	239,517	8,724
Total expenditures	199,195,135	254,527,067	204,633,409	(49,893,658)
Excess (deficiency) of revenue over expenditures	1,576,392	(38,697,390)	14,884,897	53,582,287
Other financing sources (uses)				
Transfers (out)	–	(110,000)	(66,141)	43,859
Sale of capital assets	80,203	133,682	141,639	7,957
Other financing sources (uses)	80,203	23,682	75,498	51,816
Net change in fund balances	$ 1,656,595	$ (38,673,708)	14,960,395	$ 53,634,103
Fund balances				
Beginning of year			66,081,269	
End of year			$ 81,041,664	

INDEPENDENT SCHOOL DISTRICT NO. 728

Statement of Net Position
Proprietary Funds
as of June 30, 2024
(With Partial Comparative Information as of June 30, 2023)

	Internal Service Funds	
	2024	2023
Assets		
Current assets		
Cash and temporary investments	$ 12,111,059	$ 13,460,372
Receivables		
Accounts and interest	199	82,943
Total current assets	12,111,258	13,543,315
Liabilities		
Current liabilities		
Salaries and compensated absences payable	5,057	3,179
Claims payable	2,443,355	2,674,640
Unearned revenue	2,707,619	1,995,017
Total current liabilities	5,156,031	4,672,836
Net position		
Unrestricted	$ 6,955,227	$ 8,870,479

INDEPENDENT SCHOOL DISTRICT NO. 728

Statement of Revenue, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2024
(With Partial Comparative Information for the Year Ended June 30, 2023)

	Internal Service Funds	
	2024	2023
Operating revenue		
Charges for services	$ 22,413,672	$ 22,123,169
Insurance recovery	3,871	407,884
Total operating revenue	22,417,543	22,531,053
Operating expenses		
Dental benefit claims	1,526,654	1,418,546
Health benefit claims	20,199,980	20,038,721
Insurance premiums	1,091,087	892,450
Insurance claims	42,543	459,340
Administrative charges	2,036,621	1,297,222
Total operating expenses	24,896,885	24,106,279
Operating income (loss)	(2,479,342)	(1,575,226)
Nonoperating revenue		
Investment earnings	564,090	396,876
Change in net position	(1,915,252)	(1,178,350)
Net position		
Beginning of year	8,870,479	10,048,829
End of year	$ 6,955,227	$ 8,870,479

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Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2024
(With Partial Comparative Information for the Year Ended June 30, 2023)

	Internal Service Funds	
	2024	2023
Cash flows from operating activities		
Charges for services	$ 23,209,018	$ 22,102,832
Insurance recovery	3,871	407,884
Payments for claims	(22,000,462)	(21,343,862)
Payments for insurance premiums	(1,091,087)	(61,027)
Payments for administrative charges	(2,034,743)	(1,298,213)
Net cash flows from operating activities	(1,913,403)	(192,386)
Cash flows from noncapital financing activities		
Cash received from other funds	–	600,499
Cash paid to other funds	–	(600,499)
Net cash flows from noncapital financing activities	–	–
Cash flows from investing activities		
Investment income received	564,090	396,876
Net change in cash and cash equivalents	(1,349,313)	204,490
Cash and cash equivalents		
Beginning of year	13,460,372	13,255,882
End of year	$ 12,111,059	$ 13,460,372
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	$ (2,479,342)	$ (1,575,226)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts receivable	82,744	(77,393)
Prepaid items	–	831,423
Salaries and compensated absences payable	1,878	(991)
Claims payable	(231,285)	572,745
Unearned revenue	712,602	57,056
Net cash flows from operating activities	$ (1,913,403)	$ (192,386)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 728

Statement of Fiduciary Net Position
as of June 30, 2024

	Post-Employment Benefits Trust Fund	Custodial Fund
Assets		
Cash and temporary investments	$ –	$ 218,144
Cash and investments held by trustee		
Investment pools and mutual funds	10,547,806	–
Total assets	10,547,806	218,144
Liabilities		
Accounts and contracts payable	–	9,248
Net position		
Restricted for OPEB	$ 10,547,806	
Restricted for individuals		$ 208,896

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2024

	Post-Employment Benefits Trust Fund	Custodial Fund
Additions		
Contributions – employer	$ –	$ 35,781
Investment earnings	1,100,735	–
Total additions	1,100,735	35,781
Deductions		
Benefits	–	39,850
Administrative fees	41,811	–
Total deductions	41,811	39,850
Change in net position	1,058,924	(4,069)
Net position		
Beginning of year	9,488,882	212,965
End of year	$ 10,547,806	$ 208,896

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 728 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. A seven-member School Board elected by the voters of the District governs the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statements level. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 internally directed revenues are reported instead as general revenues.

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

For capital assets that can be specifically identified with, or allocated to functional areas, depreciation or amortization expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation/amortization expense is reported as "unallocated depreciation/amortization expense." Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. The internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the proprietary (internal service) funds are consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefits) trust, and custodial. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt are reported as other financing sources.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service funds are charges to other district funds for services. Operating expenses for the internal service funds include the cost of providing the services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue or the long-term facilities maintenance program.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general obligation debt principal, interest, and related costs.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to account for the District's child nutrition program.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services.

Proprietary Funds

The District maintains three internal services funds. Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments on a cost-reimbursement basis.

Dental Benefits Self-Insurance Internal Service Fund – This fund is used to account for the District's self-insured dental insurance costs and claims.

Health Benefits Self-Insurance Internal Service Fund – This fund is used to account for the District's self-insured health insurance costs and claims.

Property, Casualty, and Liability Self-Insurance Internal Service Fund – This fund is used to account for the District's property, casualty, and liability insurance costs and claims.

Fiduciary Funds

Post-Employment Benefits Trust Fund – This fund is used to administer assets held in an irrevocable trust to fund post-employment benefits for eligible employees.

Custodial Fund – A Custodial Fund is used as a flow through mechanism in which the District receives funds and distributes funds to an organization or individuals, with no financial benefit to the District. This fund is used to account for the District's Healthcare Reimbursement Account (HRA).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all of the District's governmental funds, which are prepared on the same modified accrual basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Expenditures may only exceed appropriations at the fund level if approved by the school board by resolution or through the disbursement approval process. Budgeted appropriations lapse at year-end. Expenditures exceeded budgeted amounts in the Capital Projects – Building Construction Fund by $1,072,369 and in the Debt Service Fund by $34,185.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Earnings from the investments of the Capital Projects – Building Construction Fund and all fiduciary funds are allocated directly to those funds/accounts.

Cash and investments held by trustee include balances held in a segregated account that is established for a specific purpose. In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalent. The proprietary fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for investments in certain external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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; and Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements at year-end.

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable.

At June 30, 2024, the District reported the following amounts due from other governmental units:

Due from the MDE	$ 22,384,888
Due from other Minnesota school districts	328,128
Due from various other local governments	123,618
Total	$ 22,836,634

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of supplies and fuel oil, recorded at invoice cost, computed on a first-in, first-out basis.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenses/expenditures at the time of consumption.

J. Property Taxes

The majority of the District's revenue in the General Fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $2,354,941 of the property tax levy collectible in 2024 as revenue to the District in fiscal year 2023–2024. The remaining portion of the taxes collectible in 2024 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District.

K. Subscription-Based Information Technology Arrangements (SBITAs)

A SBITA is a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The District has entered into certain SBITAs for education, evaluation tracking, and other purposes. Capital assets associated with SBITAs are presented separately in Note 3. When applicable, a subscription liability is reported in Note 4 to include the terms and related disclosures associated with any subscription liability.

L. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. SBITA capital assets are recorded based on the measurement of any subscription liability plus the payments due to a SBITA vendor at the commencement of the subscription term, including any applicable initial implementation costs as defined in the standard. The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. Groups of similar assets acquired at or near the same time for a single objective, with individual acquisition costs below this threshold, are capitalized if the aggregate cost of the assets is considered significant. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land and building improvements and buildings, and 5 to 20 years for furniture and equipment. SBITAs are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. Land and construction in progress are not depreciated.

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

M. Interfund Balances and Transfers

Interfund balances and transfers presented in the fund financial statements are eliminated in the government-wide financial statements to the extent possible. Receivable or payable balances between fiduciary funds and other district funds are not eliminated. The District transferred $66,141 from the General Fund to the (nonmajor) Community Service Special Revenue Fund during the year to support community service program costs.

N. 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

O. Compensated Absences

Eligible employees accrue vacation and sick leave at varying rates as specified by contract, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end. Unused vacation is accrued as it is earned in the government-wide financial statements.

P. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of unused accumulated sick leave. No employee can receive severance benefits that exceed one year’s salary.

Severance pay based on convertible sick leave is recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements as the liability matures, due to employee retirement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. State-Wide Pension Plans

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 the Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the 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.

The 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 Teachers Retirement Fund Association in 2015.

R. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for external investment pools or certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

S. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual experience, changes in proportion, changes of assumptions, differences between projected and actual earnings on pension and OPEB Plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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 workers' compensation, for which it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current fiscal year.

The District established an internal service fund to account for and finance its uninsured risk of loss for employee dental benefits. The Dental Benefits Self-Insurance Internal Service Fund is funded by employee and district contributions and interest income. The District has a claims liability in the internal service fund at June 30, 2024, based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the loss can be reasonably estimated. Changes in the internal service fund's claims liability were:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2024	$ 75,596	$ 1,526,654	$ 1,485,920	$ 116,330
2023	$ 103,409	$ 1,418,546	$ 1,446,359	$ 75,596

The District established an internal service fund to account for and finance its uninsured risk of loss for employee health benefits. The Health Benefits Self-Insurance Internal Service Fund is funded by district contributions and interest income. The District has a claims liability in the internal service fund at June 30, 2024, based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the loss can be reasonably estimated. Changes in the internal service fund's claims liability were:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2024	$ 2,599,044	$ 20,199,980	$ 20,511,270	$ 2,287,754
2023	$ 1,997,937	$ 20,038,721	$ 19,437,614	$ 2,599,044

The District established an internal service fund to account for and finance its uninsured risk of loss for property, casualty, and liability insurance. The Property, Casualty, and Liability Self-Insurance Internal Service Fund is funded by district contributions and interest income. The District has a claims liability in the internal service fund at June 30, 2024, based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the loss can be reasonably estimated. Changes in the internal service fund's claims liability were:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2024	$ –	$ 42,543	$ 3,272	$ 39,271
2023	$ 549	$ 459,340	$ 459,889	$ –

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation/amortization, reduced by any outstanding debt attributable to the acquisition of capital assets.

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Position** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

V. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District's superintendent and executive director of business services are authorized to establish assignments of fund balance.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

X. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2023, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Y. Change in Account Principle

During the year ended June 30, 2024, the District implemented new accounting guidance for capitalizing purchases of groups of similar assets. This recent change in authoritative literature, which provides new guidance on accounting and financial reporting for capital assets, requires a government to capitalize groups of similar assets purchased at or near the same time, that are individually below the District's capitalization threshold, if the aggregate cost is significant. In prior periods, the District only capitalized assets whose individual cost exceeded its capitalization policy threshold. Certain amounts necessary to fully restate fiscal year 2023 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this new guidance resulted in the District reporting certain groups of similar capital assets acquired in previous years and accumulated depreciation thereon, increasing beginning net position by $5,434,043 in the government-wide financial statements in the current year. See Note 3 for additional details on this change in the current year.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	$ 26,813,021
Investments	148,696,500
Total	$ 175,509,521

Cash and investments are presented in the financial statements as follows:

Statement of Net Position	
Cash and temporary investments	$ 164,743,571
Statement of Fiduciary Net Position	
Cash and investments held by trustee – Post-Employment Benefits Trust Fund	10,547,806
Cash and temporary investments – Custodial Fund	218,144
Total	$ 175,509,521

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District's deposit policies do not further limit depository choices.

At year-end, the bank balance of the District's deposits was $29,441,166, all of which were fully covered by federal deposit insurance, surety bonds, or collateral held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

	Credit Risk		Fair Value	Interest Rate Risk – Maturity in Years			
Investment Type	Rating	Agency	Measurements	No Maturity	Less Than 1	1 to 5	Total
U.S. treasuries	N/A	N/A	Level 1	$ –	$ 6,260,404	$ 1,985,681	$ 8,246,085
Negotiable certificates of deposit	Not Rated		Level 2	$ –	$ 429,511	$ –	429,511
State and local bonds (G.O. Bonds)	Aa	Moody's	Level 2	$ –	$ 744,135	$ –	744,135
Investment pools/mutual funds							
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost	$ 49,240,708	$ –	$ –	49,240,708
MNTrust Limited Term Duration	Not Rated		Amortized Cost	$ 15,651,066	$ –	$ –	15,651,066
MNTrust Term Series	Not Rated		Amortized Cost	$ –	$ 13,000,000	$ 15,000,000	28,000,000
MNTrust Full Flex	Not Rated		Amortized Cost	$ 16,439,097	$ –	$ –	16,439,097
MSDLAF Liquid Class	AAA	S&P	Amortized Cost	$ 219,395	$ –	$ –	219,395
MSDLAF MAX Class	AAA	S&P	Amortized Cost	$ 31,195	$ –	$ –	31,195
Federated Institutional Tax-Free	Not Rated		Amortized Cost	$ 18,766,353	$ –	$ –	18,766,353
Mutual funds	AAA	S&P	Level 1	$ 598,175	$ –	$ –	598,175
Mutual funds	Not Rated		Level 1	$ 10,330,780	$ –	$ –	10,330,780
Total investments							$148,696,500

N/A – Not Applicable

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

External investment pools managed by Minnesota Trust (MNTrust) and the Minnesota School District Liquid Asset Fund (MSDLAF), are regulated by Minnesota Statutes and not registered with the Securities and Exchange Commission. These investment pools are reported at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class 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. MNTrust Term Series are intended to be held until maturity; a participant's withdrawal prior to maturity will require 7-days' notice of redemption and will likely carry a penalty, which could be substantial in that it would be intended to allow the Term Series to recoup any associated penalties, charges, losses, or other costs associated with the early redemption of the investments therein. MNTrust Limited Term Duration must be deposited for a minimum of 30 days. MNTrust Full Flex offers weekly liquidity with a one-day notice of withdrawal.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the top two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts with parties meeting minimum statutory requirements; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers.

For assets held in the District's irrevocable OPEB trust accounted for in its Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2024 is as follows:

	Balance – Beginning of Year	Change in Accounting Principle	Additions	Deletions	Transfers	Balance – End of Year
Capital assets, not depreciated/amortized						
Land	$ 13,456,323	$ –	$ –	$ –	$ –	$ 13,456,323
Construction in progress	122,351,675	–	34,195,458	–	(117,085,630)	39,461,503
Total capital assets, not depreciated/amortized	135,807,998	–	34,195,458	–	(117,085,630)	52,917,826
Capital assets, depreciated/amortized						
Land and building improvements	169,694,874	–	1,006,573	–	66,784,038	237,485,485
Buildings	276,833,746	–	–	–	50,301,592	327,135,338
Furniture and equipment	25,690,877	9,626,949	2,135,309	(5,386)	–	37,447,749
Technology subscriptions	755,863	–	–	–	–	755,863
Total capital assets, depreciated/amortized	472,975,360	9,626,949	3,141,882	(5,386)	117,085,630	602,824,435
Less accumulated depreciation/amortization						
Land and building improvements	(46,923,415)	–	(9,775,300)	–	–	(56,698,715)
Buildings	(127,496,833)	–	(4,747,423)	–	–	(132,244,256)
Furniture and equipment	(54,467,401)	(4,192,906)	(6,239,717)	5,057	–	(64,894,967)
Technology subscriptions	(108,631)	–	(108,631)	–	–	(217,262)
Total accumulated depreciation/amortization	(228,996,280)	(4,192,906)	(20,871,071)	5,057	–	(254,055,200)
Net capital assets, depreciated/amortized	243,979,080	5,434,043	(17,729,189)	(329)	117,085,630	348,769,235
Total capital assets, net	$ 379,787,078	$ 5,434,043	$ 16,466,269	$ (329)	$ –	$ 401,687,061

The change in accounting principle is described in Note 1 of the notes to basic financial statements.

Depreciation/amortization expense for the year was charged to the following governmental functions:

Administration	$ 267
District support services	133,133
Elementary and secondary regular instruction	96,655
Vocational education instruction	10,077
Special education instruction	5,421
Instructional support services	222,179
Pupil support services	204,418
Community service	3,186
Unallocated depreciation/amortization expense	20,195,735
Total depreciation/amortization expense	$ 20,871,071

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation (G.O.) bonds payable outstanding:

General Obligation Bond Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
2016A Refunding	11/16/2016	5.000%	$ 44,885,000	02/01/2025	$ 6,485,000
2017A Facilities Maintenance	03/23/2017	3.000–4.000%	$ 14,520,000	02/01/2030	12,180,000
2017B Taxable OPEB Refunding	11/21/2017	2.750–3.100%	$ 2,555,000	02/01/2030	1,425,000
2017C Alternative Facilities Refunding	11/21/2017	3.000–5.000%	$ 6,265,000	02/01/2030	3,895,000
2019A Facilities Maintenance	03/14/2019	3.000–5.000%	$ 16,415,000	02/01/2033	16,415,000
2020A School Building	01/30/2020	2.000–4.000%	$ 112,435,000	02/01/2040	108,280,000
2021A Facilities Maintenance	02/04/2021	1.450–2.000%	$ 16,350,000	02/01/2038	16,350,000
2023A Facilities Maintenance	02/03/2023	4.000–5.000%	$ 10,910,000	02/01/2033	10,910,000
2024A School Building and Alternative Facilities Refunding Bonds	02/28/2024	4.000–5.000%	$ 87,300,000	02/01/2033	87,300,000
Total general obligation bonds payable					$ 263,240,000

These bonds were issued to finance acquisition, construction, and/or improvements of capital facilities, finance the retirement (refunding) of prior bond issues, or finance OPEB obligations. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. Future annual debt levies authorized equal 105 percent of the principal and interest due each year, subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

The District issued $87,300,000 of G.O. School Building and Alternative Facilities Refunding Bonds, Series 2024A, the proceeds of which were used to refund, in advance of their stated maturities, the 2025–2033 maturities of the District's G.O. School Building Bonds Series 2015A and the 2025–2029 maturities of the District's G.O. Alternative Facilities Bonds, Series 2015B. This refunding reduced the District's total future debt service payments by $3,234,847, and resulted in an economic gain of $2,620,885. The difference between the carrying amount of the refunded debt and its reacquisition price was not material, and was included in current year expense (interest and fiscal charges) on the government-wide financial statements.

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
2018A Certificates of Participation	05/10/2018	3.00–3.25%	$ 7,025,000	02/01/2033	$ 4,550,000

In May 2018, the District issued certificates of participation totaling $7,025,000 for construction of an elementary school addition and a new middle school. The certificates will be paid by the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Financed Purchases Payable

In May 2010, the District has an agreement to finance the construction of certain building improvements with a value of $2,700,000, with an interest rate of 3.25 percent and periodic principal and interest payments through March 2025. If the District fails to make the rental payments specified in this agreement or otherwise defaults on the agreement, the lender may 1) enter the property and take possession without terminating the agreement, holding the District responsible for the difference in the net income derived from such possession and the rent due under this agreement, 2) exclude the District from possession of the property and attempt to sell or lease the property, holding the District responsible for the rent due under this agreement until the property is sold or leased, or 3) take legal action to force performance under the terms of the agreement. The agreement is being paid through the General Fund.

In June 2016, the District entered into an agreement to finance the purchase of a building valued at $4,646,500 for a new district office site. The agreement bears an interest rate of 2.49 percent and calls for periodic principal and interest payments through June 2031. The agreement is being paid through the General Fund.

D. Subscription Liabilities

The District entered into agreements to finance the use of instructional software, which call for annual principal and interest payments through June 2032. These agreements are paid by the General Fund. The total amount of the underlying technology subscription assets and the related accumulated amortization is presented in Note 3 of the notes to basic financial statements.

Subscription Description	Issue Date	Interest Rate	Final Maturity	Principal Outstanding
McGraw Hill Study Synch	07/01/2020	3.250%	06/30/2027	$ 204,573
Discovery Education	07/01/2022	3.250%	06/30/2032	280,215
				$ 484,788

E. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: severance, compensated absences, pension benefits, and OPEB, the details of which are discussed elsewhere in these notes. Such benefits are financed primarily through the General Fund, Food Service Special Revenue Fund, and Community Service Special Revenue Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2024, are as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 19,649,894	$ 6,124,180	$ 6,449,052	$ 2,692,112
TRA	103,855,042	24,088,102	2,328,176	(288,756)
Total	$ 123,504,936	$ 30,212,282	$ 8,777,228	$ 2,403,356

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

F. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds, certificates of participation, financed purchases payable, and subscription liabilities are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Participation Principal	Certificates of Participation Interest	Financed Purchases Payable Principal	Financed Purchases Payable Interest	Subscription Liabilities Principal	Subscription Liabilities Interest
2025	$ 15,070,000	$ 8,857,539	$ 445,000	$ 139,281	$ 555,004	$ 63,147	$ 66,022	$ 6,649
2026	15,290,000	8,476,046	460,000	125,931	323,034	49,389	88,349	12,954
2027	17,535,000	7,771,759	475,000	112,131	331,127	41,295	110,332	9,440
2028	18,515,000	6,977,911	490,000	97,881	339,424	32,999	41,247	5,812
2029	18,285,000	6,144,381	505,000	83,181	347,928	24,494	42,588	4,428
2030–2034	87,660,000	19,181,586	2,175,000	174,700	722,226	22,618	136,250	4,523
2035–2039	76,965,000	7,362,006	–	–	–	–	–	–
2040	13,920,000	417,600	–	–	–	–	–	–
	$ 263,240,000	$ 65,188,828	$ 4,550,000	$ 733,105	$ 2,618,743	$ 233,942	$ 484,788	$ 43,806

G. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	$ 285,730,000	$ 87,300,000	$ 109,790,000	$ 263,240,000	$ 15,070,000
Premiums	8,335,225	8,196,929	1,365,052	15,167,102	–
Total bonds payable	294,065,225	95,496,929	111,155,052	278,407,102	15,070,000
Certificates of participation payable	4,985,000	–	435,000	4,550,000	445,000
Financed purchases payable	3,158,435	–	539,692	2,618,743	555,004
Subscription liabilities	548,732	–	63,944	484,788	66,022
Severance payable	1,959,737	274,610	315,623	1,918,724	295,000
Compensated absences payable	1,599,008	2,165,467	2,011,048	1,753,427	1,753,427
Net pension liability	125,859,330	21,342,683	23,697,077	123,504,936	–
Total	$ 432,175,467	$ 119,279,689	$ 138,217,436	$ 413,237,720	$ 18,184,453

NOTE 5 – FUND BALANCES

The following is a breakdown of the equity components of the District's governmental funds as of year-end, which are defined earlier in the report:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ 139,243	$ –	$ –	$ –	$ 139,243
Prepaid items	1,622,936	25,557	–	36,975	1,685,468
Total nonspendable	1,762,179	25,557	–	36,975	1,824,711
Restricted					
Student activities	404,920	–	–	–	404,920
Scholarships	1,016,771	–	–	–	1,016,771
Staff development	4,012,307	–	–	–	4,012,307
Operating capital	6,064,154	–	–	–	6,064,154
Gifted and talented	7,272	–	–	–	7,272
Basic skills	931,740	–	–	–	931,740
Safe schools levy	180,899	–	–	–	180,899
Long-term facilities maintenance	–	5,478,039	–	–	5,478,039
Building construction	–	16,785,830	–	–	16,785,830
Debt service	–	–	5,453,104	–	5,453,104
Food service	–	–	–	5,836,090	5,836,090
Community education	–	–	–	173,880	173,880
Early childhood family education (ECFE)	–	–	–	521,064	521,064
Community service	–	–	–	99,078	99,078
Total restricted	12,618,063	22,263,869	5,453,104	6,630,112	46,965,148
Committed					
Future severance	1,254,821	–	–	–	1,254,821
Assigned					
Building carryover	15,615,201	–	–	–	15,615,201
Curriculum and technology	17,229,604	–	–	–	17,229,604
Strategic planning initiatives	7,150,000	–	–	–	7,150,000
Facility planning	5,000,000	–	–	–	5,000,000
Total assigned	44,994,805	–	–	–	44,994,805
Unassigned	20,411,796	–	–	–	20,411,796
Total	$ 81,041,664	$ 22,289,426	$ 5,453,104	$ 6,667,087	$ 115,451,281

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance of 5.0 percent of the annual projected expenditures. At June 30, 2024, the unassigned fund balance of the General Fund was 8.0 percent of final budgeted expenditures for fiscal 2024.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

The District participates in the following cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The PERA's and the TRA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. The PERA's and the TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code (IRC).

1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

Certain full-time and part-time employees of the District other than teachers are covered by the GERF. GERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Association (TRA)

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. 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.

1. GERF Benefits

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 the 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 accrual rate for Coordinated Plan members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7 percent 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 age 66.

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For 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.

2. TRA Benefits

The 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 Statutes 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 the TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier I Benefits

Step-Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2 %
All years after	2.7 %
Coordinated Plan	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are July 1, 2006 or after	1.9 %

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

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

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members applies. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. 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.

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

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. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employee and employer contributions. Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2024, were $2,222,600. The District’s contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. Rates for each fiscal year were:

	Year Ended June 30,					
	2022		2023		2024	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	12.34 %	11.00 %	12.55 %	11.25 %	12.75 %
Coordinated Plan	7.50 %	8.34 %	7.50 %	8.55 %	7.75 %	8.75 %

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2024, were $7,714,646. The District’s contributions were equal to the required contributions for each year as set by state statutes.

The following is a reconciliation of employer contributions in the TRA's fiscal year 2023 Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

	in thousands
Employer contributions reported in the TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	$ 508,764
Add employer contributions not related to future contribution efforts	(87)
Deduct the TRA's contributions not included in allocation	(643)
Total employer contributions	508,034
Total nonemployer contributions	35,587
Total contributions reported in the Schedule of Employer and Nonemployer Allocations	$ 543,621

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2024, the District reported a liability of $19,649,894 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 nonemployer 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 $541,699. 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 the 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 the PERA's participating employers. The District's proportionate share was 0.3514 percent at the end of the measurement period and 0.3504 percent for the beginning of the period.

District's proportionate share of the net pension liability	$ 19,649,894
State's proportionate share of the net pension liability associated with the District	541,699
Total	$ 20,191,593

For the year ended June 30, 2024, the District recognized pension expense of $2,689,678 for its proportionate share of the GERF's pension expense. The District also recognized an additional $2,434 as pension expense and grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual $16 million contribution.

At June 30, 2024, the District reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 644,868	$ 134,208
Changes in actuarial assumptions	3,154,607	5,385,869
Net collective difference between projected and actual investment earnings on pension plan investments	–	675,667
Changes in proportion	102,105	253,308
District's contributions to the GERF subsequent to the measurement date	2,222,600	–
Total	$ 6,124,180	$ 6,449,052

The $2,222,600 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2025	$ 288,564
2026	$ (2,881,181)
2027	$ 471,417
2028	$ (426,272)

2. TRA Pension Costs

At June 30, 2024, the District reported a liability of $103,855,042 for its proportionate share of the TRA's 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 the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 1.2579 percent at the end of the measurement period and 1.2252 percent for the beginning of the period.

The pension liability amount reflected a reduction, due to direct aid provided to the 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 the net pension liability	$ 103,855,042
State's proportionate share of the net pension liability associated with the District	7,274,823
Total	$ 111,129,865

For the year ended June 30, 2024, the District recognized negative pension expense of $1,313,108. It also recognized $1,024,352 as an increase to pension expense for the support provided by direct aid.

At 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 economic experience	$ 975,542	$ 1,486,804
Changes in actuarial assumptions	11,485,535	–
Net collective difference between projected and actual investment earnings on pension plan investments	59,292	–
Changes in proportion	3,853,087	841,372
District's contributions to the TRA subsequent to the measurement date	7,714,646	–
Total	$ 24,088,102	$ 2,328,176

A total of $7,714,646 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2025	$ 1,993,266
2026	$ 187,755
2027	$ 12,229,776
2028	$ (611,837)
2029	$ 246,320

E. Long-Term Expected Return on Investment

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50 %	5.10 %
International equity	16.50	5.30 %
Private markets	25.00	5.90 %
Fixed income	25.00	0.75 %
Total	100.00 %	

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

F. 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 and the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.25%	2.50%
Wage growth rate		2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	3.00%	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Investment rate of return	7.00%	7.00%

1. GERF

The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 percent. 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 7.00 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the GERF Plan. Benefit increases after retirement are assumed to be 1.25 percent for the GERF Plan.

Salary growth assumptions in the GERF Plan range in annual increments from 10.25 percent after one year of service to 3.00 percent after 27 years of service.

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

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

2. TRA

Salary increases were based on a service-related table.

Mortality Assumptions Used in Valuation of Total Pension Liability	
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 and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 Scale.
Post-disability	RP-2014 Disabled Retiree Mortality Table, without adjustment.

Cost of living benefit increases after retirement for retirees are assumed to be 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year, up to 1.50 percent annually.

Actuarial assumptions for the TRA Plan were based on the results of actuarial experience studies. The most recent experience study in the TRA Plan was completed in 2019, with economic assumptions updated in 2019.

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

The following changes in plan provisions and actuarial assumptions occurred in 2023:

1. GERF

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, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- The normal retirement age for active and eligible Tier II members will be 65 effective July 1, 2024.
- The employer contribution rate will increase from 8.75 percent to 9.50 percent on July 1, 2025.
- The employee contribution rate will increase from 7.75 percent to 8.00 percent on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for MnSCU, Perpich Center for Arts Education, and Minnesota academies will increase to reflect the 0.75 percent employer contribution rate increase.

G. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2023 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF 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.

2. TRA

The discount rate used to measure the total pension liability was 7.00 percent. 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.

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

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 on the preceding page, 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	Current Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.00%	7.00%	8.00%
District's proportionate share of the GERF net pension liability	$ 34,762,241	$ 19,649,894	$ 7,219,415
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	$ 165,641,153	$ 103,855,042	$ 53,275,587

I. Pension Plan Fiduciary Net Position

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

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

NOTE 7 – DISTRICT – DEFINED CONTRIBUTION PENSION PLAN

The District has established a tax qualified plan under section 403(b) of the IRC, which states that all contributions by or on behalf of employees are tax deferred until time of withdrawal. The plan is offered to all common law employees except student teachers. Employees are immediately eligible to make contributions under the plan. Eligibility for employer matching contributions is based on applicable employment or collective bargaining agreements to which an employee is subject, or as determined by the District from year-to-year. Annual employer contributions for a full-time equivalent vary from $1,000 to $9,000 depending on the applicable employment or collective bargaining agreement. Employer contributions are prorated for employees working less than a full-time equivalent.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Employer and employee contributions are combined and used to purchase various investment options determined by the employees that are included in the District's 403(b) plan document.

The District has defined the organizations that are authorized to offer annuity contracts and/or custodial accounts under its plan. The District has contracted with Educators Benefit Consultants, LLC to act as its third party administrator. At June 30, 2024, there were 932 plan participants. The District has not established a trust to finance these benefits.

Total contributions made by the District during fiscal year ended June 30, 2024 were $1,356,649, which is equal to the required contributions and has been recognized as pension expense in the governmental operating funds.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups, with eligibility based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, administered by the District. Plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

B. Benefits Provided

Members of certain employee groups receive at retirement an amount of $12,500 or $40,000 based on their bargaining unit. These benefits are paid into a post-retirement healthcare savings plan administered by the Minnesota State Retirement System. Employees may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan established under IRC Section 403(b). The amount of any post-employment healthcare savings plan benefits due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment, to the extent that such 403(b) contributions exceed any severance (as described earlier in these notes) earned by the individual.

All retirees of the District have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. The District covers the full premium for the most expensive plan for 12 months for certain bargaining groups. If the retiree chooses a lesser cost plan, the savings are accumulated and used for coverage beyond the 12 months. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District.

D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	72
Active plan members	1,854
Total members	1,926

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Net OPEB Liability (Asset) of the District

The District's net OPEB liability (asset) was measured as of June 30, 2024. The components of the net OPEB liability (asset) of the District at year-end were as follows:

Total OPEB liability	$ 8,960,597
Plan fiduciary net position	(10,547,806)
District's net OPEB liability (asset)	$ (1,587,209)
Plan fiduciary net position as a percentage of the total OPEB liability	117.7%

F. Actuarial Methods and Assumptions

The total OPEB liability (asset) was determined by an actuarial valuation measured as of June 30, 2024, using a valuation (census) date of July 1, 2023, and update procedures were used to roll forward the total OPEB liability to the measurement date. The entry-age method and the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.20%
Expected long-term investment return	4.30% (net of investment expenses)
20-year municipal bond yield	4.10%
Inflation rate	2.50%
Salary increases	Service graded table
Medical trend rate	6.25%, grading to 5.00% over 5 years, then 4% over the next 48 years
Dental trend rate	4.00%

Mortality rates were based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale. The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

The long-term expected rate of return on OPEB 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 OPEB 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.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic equity	50.00 %	3.40 %
Fixed income	33.00	5.20 %
International equity	17.00	5.20 %
Total	100.00 %	4.30 %

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

Changes in actuarial assumption since the previous valuation are as follows:

- The discount rate was changed from 4.10 percent to 4.20 percent.
- Healthcare trend rates were updated to better anticipate short-term and long-term increases.
- Mortality assumptions were updated to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 11.6 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 4.20 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy have also been taken into account.

I. Changes in the Net OPEB Liability (Asset)

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a-b)
Beginning balance – July 1, 2023	$ 8,594,480	$ 9,488,882	$ (894,402)
Changes for the year			
Service cost	774,185	–	774,185
Interest	341,923	–	341,923
Changes in actuarial assumptions	153,082	–	153,082
Employer contributions	–	2,079,050	(2,079,050)
Net investment income	–	408,022	(408,022)
Differences between expected and actual economic experience	1,175,977	692,713	483,264
Benefit payments	(2,079,050)	(2,079,050)	–
Administrative expenses	–	(41,811)	41,811
Total net changes	366,117	1,058,924	(692,807)
Ending balance – June 30, 2024	$ 8,960,597	$ 10,547,806	$ (1,587,209)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

J. Net OPEB Liability (Asset) Sensitivity to Discount and Healthcare Cost Trend Rate Changes

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Discount rate	3.20%	4.20%	5.20%
Net OPEB liability (asset)	$ (951,566)	$ (1,587,209)	$ (2,198,332)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Cost Trend Rates	Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
Medical trend rate	5.25% grading to 4.00%, then 3.00%	6.25% grading to 5.00%, then 4.00%	7.25% grading to 6.00%, then 5.00%
Dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability (asset)	$ (2,584,964)	$ (1,587,209)	$ (411,058)

K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized OPEB expense of $978,718. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,834,421	$ –
Changes in actuarial assumptions	255,765	498,911
Differences between projected and actual investment earnings	–	639,109
Total	$ 3,090,186	$ 1,138,020

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,	OPEB Expense Amount
2025	$ 326,169
2026	$ 541,117
2027	$ 337,331
2028	$ 374,616
2029	$ 183,070
Thereafter	$ 189,863

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has established the Elk River Employees' Flex-Benefits Plan (the Plan). The Plan is a flexible benefit plan classified as a "cafeteria plan" under § 125 of the IRC. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from July 1 to June 30, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual medical expense contributions to the Plan, whether or not such contributions have been made.

The employee portion of insurance premiums (health, dental, and disability) are withheld and paid by the District directly to the designated insurance companies. The dependent care and medical expense reimbursement portions of the Plan are administered by an independent contract administrator. All plan activity is accounted for in the General Fund.

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose.

B. Federal and State Receivables

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

C. Contract Commitments

The District is committed to a number of contracts awarded for various construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2024 was approximately $18,133,711.

NOTE 11 – SUBSEQUENT EVENT

In July 2024, the District purchased two parcels of land in Otsego, Minnesota with a total value of approximately $8.3 million for potential future school sites.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 728

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2024

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the 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 as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3851%	$ 18,090,069	$ –	$ 18,090,069	$ 20,219,457	89.47%	78.70%
06/30/2016	06/30/2015	0.3764%	$ 19,507,002	$ –	$ 19,507,002	$ 22,066,428	88.40%	78.20%
06/30/2017	06/30/2016	0.3678%	$ 29,863,536	$ 390,025	$ 30,253,561	$ 22,848,614	130.70%	68.90%
06/30/2018	06/30/2017	0.3691%	$ 23,563,100	$ 966,510	$ 24,529,610	$ 23,779,807	99.09%	75.90%
06/30/2019	06/30/2018	0.3785%	$ 20,997,627	$ 688,732	$ 21,686,359	$ 25,424,769	82.59%	79.50%
06/30/2020	06/30/2019	0.3698%	$ 20,445,414	$ 635,472	$ 21,080,886	$ 26,165,385	78.14%	80.20%
06/30/2021	06/30/2020	0.3653%	$ 21,901,404	$ 675,425	$ 22,576,829	$ 26,058,011	84.05%	79.10%
06/30/2022	06/30/2021	0.3484%	$ 14,878,241	$ 454,301	$ 15,332,542	$ 25,087,901	59.30%	87.00%
06/30/2023	06/30/2022	0.3504%	$ 27,751,795	$ 813,661	$ 28,565,456	$ 26,245,090	105.74%	76.70%
06/30/2024	06/30/2023	0.3514%	$ 19,649,894	$ 541,699	$ 20,191,593	$ 27,820,718	70.63%	83.10%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2024

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 1,632,222	$ 1,632,222	$ –	$ 22,066,428	7.40%
06/30/2016	$ 1,713,651	$ 1,713,651	$ –	$ 22,848,614	7.50%
06/30/2017	$ 1,782,430	$ 1,782,430	$ –	$ 23,779,807	7.50%
06/30/2018	$ 1,906,956	$ 1,906,956	$ –	$ 25,424,769	7.50%
06/30/2019	$ 1,962,608	$ 1,962,608	$ –	$ 26,165,385	7.50%
06/30/2020	$ 1,954,096	$ 1,954,096	$ –	$ 26,058,011	7.50%
06/30/2021	$ 1,881,048	$ 1,881,048	$ –	$ 25,087,901	7.50%
06/30/2022	$ 1,968,331	$ 1,968,331	$ –	$ 26,245,090	7.50%
06/30/2023	$ 2,087,090	$ 2,087,090	$ –	$ 27,820,718	7.50%
06/30/2024	$ 2,222,600	$ 2,222,600	$ –	$ 29,630,591	7.50%

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2024

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the 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 as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	1.1825%	$ 54,488,749	$ 3,833,249	$ 58,321,998	$ 56,617,686	96.24%	81.50%
06/30/2016	06/30/2015	1.1357%	$ 70,254,277	$ 8,617,327	$ 78,871,604	$ 57,618,323	121.93%	76.80%
06/30/2017	06/30/2016	1.1739%	$280,003,159	$ 28,104,382	$308,107,541	$ 60,997,945	459.04%	44.88%
06/30/2018	06/30/2017	1.1982%	$239,182,455	$ 23,120,540	$262,302,995	$ 64,471,194	370.99%	51.57%
06/30/2019	06/30/2018	1.1985%	$ 75,277,018	$ 7,072,472	$ 82,349,490	$ 66,184,537	113.74%	78.07%
06/30/2020	06/30/2019	1.2188%	$ 77,686,568	$ 6,875,233	$ 84,561,801	$ 69,155,985	112.34%	78.21%
06/30/2021	06/30/2020	1.1792%	$ 87,120,876	$ 7,300,865	$ 94,421,741	$ 68,532,623	127.12%	75.48%
06/30/2022	06/30/2021	1.1942%	$ 52,261,763	$ 4,407,634	$ 56,669,397	$ 71,476,510	73.12%	86.63%
06/30/2023	06/30/2022	1.2252%	$ 98,107,535	$ 7,275,767	$105,383,302	$ 75,725,043	129.56%	76.17%
06/30/2024	06/30/2023	1.2579%	$103,855,042	$ 7,274,823	$111,129,865	$ 79,791,632	130.16%	76.42%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2024

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 4,318,601	$ 4,318,601	$ –	$ 57,618,323	7.50%
06/30/2016	$ 4,574,846	$ 4,574,846	$ –	$ 60,997,945	7.50%
06/30/2017	$ 4,837,538	$ 4,837,538	$ –	$ 64,471,194	7.50%
06/30/2018	$ 4,966,291	$ 4,966,291	$ –	$ 66,184,537	7.50%
06/30/2019	$ 5,339,757	$ 5,339,757	$ –	$ 69,155,985	7.72%
06/30/2020	$ 5,428,317	$ 5,428,317	$ –	$ 68,532,623	7.92%
06/30/2021	$ 5,808,375	$ 5,808,375	$ –	$ 71,476,510	8.13%
06/30/2022	$ 6,315,912	$ 6,315,912	$ –	$ 75,725,043	8.34%
06/30/2023	$ 6,836,532	$ 6,836,532	$ –	$ 79,791,632	8.57%
06/30/2024	$ 7,714,646	$ 7,714,646	$ –	$ 88,036,250	8.76%

INDEPENDENT SCHOOL DISTRICT NO. 728

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net
OPEB Liability (Asset) and Related Ratios
Year Ended June 30, 2024

	Year Ended June 30,							
	2017	2018	2019	2020	2021	2022	2023	2024
Total OPEB liability								
Service cost	$ 524,349	$ 549,500	$ 609,206	$ 691,182	$ 741,260	$ 640,739	$ 651,043	$ 774,185
Interest	302,006	314,958	286,618	249,896	187,964	157,429	360,843	341,923
Changes in actuarial assumptions	–	37,774	250,053	18,822	132,224	(813,626)	(47,578)	153,082
Changes in plan provisions	–	(59,314)	–	48,410	–	(74,257)	–	–
Differences between expected and and actual economic experience	–	(467,389)	–	144,106	–	3,124,224	–	1,175,977
Benefit payments	(153,005)	(875,078)	(1,080,900)	(1,249,176)	(1,738,095)	(903,329)	(1,465,344)	(2,079,050)
Net change in total OPEB liability	673,350	(499,549)	64,977	(96,760)	(676,647)	2,131,180	(501,036)	366,117
Total OPEB liability – beginning of year	7,498,965	8,172,315	7,672,766	7,737,743	7,640,983	6,964,336	9,095,516	8,594,480
Total OPEB liability – end of year	8,172,315	7,672,766	7,737,743	7,640,983	6,964,336	9,095,516	8,594,480	8,960,597
Plan fiduciary net position								
Employer contributions	–	–	–	–	–	3,903,329	3,465,344	2,079,050
Investment earnings	582,427	299,444	280,626	251,316	214,721	194,080	298,278	408,022
Differences between expected and and actual economic experience	–	175,063	154,423	179,847	1,074,791	(746,270)	280,820	692,713
Benefit payments – employer-financed	(153,005)	(875,078)	(1,080,900)	(1,249,176)	(1,738,095)	(903,329)	(1,465,344)	(2,079,050)
Administrative expenses	(33,689)	(37,069)	(35,770)	(33,024)	(31,455)	(24,605)	(26,904)	(41,811)
Net change in plan fiduciary net position	395,733	(437,640)	(681,621)	(851,037)	(480,038)	2,423,205	2,552,194	1,058,924
Plan fiduciary net position								
Beginning of year	6,568,086	6,963,819	6,526,179	5,844,558	4,993,521	4,513,483	6,936,688	9,488,882
End of year	6,963,819	6,526,179	5,844,558	4,993,521	4,513,483	6,936,688	9,488,882	10,547,806
Net OPEB liability (asset)	$ 1,208,496	$ 1,146,587	$ 1,893,185	$ 2,647,462	$ 2,450,853	$ 2,158,828	$ (894,402)	$ (1,587,209)
Fiduciary net position as a percentage of the total OPEB liability	85.21%	85.06%	75.53%	65.35%	64.81%	76.26%	110.41%	117.71%
Covered-employee payroll	$ 78,139,313	$ 80,883,076	$ 83,309,568	$ 91,804,759	$ 94,558,902	$ 99,669,792	$102,659,885	$112,438,844
Net OPEB liability (asset) as a percentage of the covered-employee payroll	1.55%	1.42%	2.27%	2.88%	2.59%	2.17%	(0.87%)	(1.41%)

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 728

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2024

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	8.50%
2018	6.80%
2019	6.70%
2020	7.40%
2021	25.80%
2022	(12.20%)
2023	8.30%
2024	11.60%

Note: The District implemented GASB Statement Nos. 74 and 75 for the year ended June 30, 2017. This schedule is intended to present 10-year trend information. Additional years will be presented as they become available.

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PERA – GENERAL EMPLOYEES RETIREMENT FUND

2023 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, noncompounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and zero percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, 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.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

- 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 MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 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 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, 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 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2017 CHANGES IN PLAN PROVISIONS

- The state's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21.0 million to $31.0 million in calendar years 2019 to 2031. The state's contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892.0 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.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

TEACHERS RETIREMENT ASSOCIATION (TRA)

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The normal retirement age for active and eligible Tier II members will be 65 effective July 1, 2024.
- The employer contribution rate will increase from 8.75 percent to 9.50 percent on July 1, 2025.
- The employee contribution rate will increase from 7.75 percent to 8.00 percent on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for MnSCU, Perpich Center for Arts Education, and Minnesota academies will increase to reflect the 0.75 percent employer contribution rate increase.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent 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 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 8.50 percent to 7.50 percent.
- The single discount rate changed from 5.12 percent to 7.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The single discount rate was changed from 8.00 percent to 4.66 percent.

2015 CHANGES IN PLAN PROVISIONS

- The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 4.10 percent to 4.20 percent.
- Healthcare trend rates were updated to better anticipate short-term and long-term increases.
- Mortality assumptions were updated to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 4.00 percent to 4.10 percent.

2022 CHANGES IN PLAN PROVISIONS

- Maximum annual matching contribution amounts to the 403(b) Plan were updated as follows:
  - Principals: $3,500 to $3,750 as of July 1, 2021 and $4,000 as of July 1, 2022.
  - Directors: $3,150 to $3,750 as of July 1, 2021 and $4,000 as of July 1, 2022.
  - Paraprofessionals: $1,000 to $750.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.20 percent to 4.00 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.50 percent to 2.20 percent.

2020 CHANGES IN PLAN PROVISIONS

- The superintendent's unused sick leave benefit is now paid as a lump sum instead of being held by the District to pay medical premiums, so this benefit was removed from the Governmental Accounting Standards Board Statement No. 75. The superintendent will now also receive district-paid medical, dental, and life insurance premiums at the same rate as when actively employed for ten years if the individual has nine years of service accumulated when they terminate employment.

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.20 percent to 2.50 percent.
- Healthcare trend rates were updated to better anticipate short-term and long-term increases.
- Mortality assumptions were updated to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2018 Generational Improvement Scale.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.70 percent to 3.20 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

2018 CHANGES IN PLAN PROVISIONS

- The principals' lump sum payment to a healthcare savings plan increased from 50.00 percent to 60.00 percent of the senior high school principal's annual salary. A sunset date of July 2, 2016 was also added, and the annual match amount increased from $3,150 to $3,500, while the total match also increased.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables (detrended to 2006) and then projected beyond the valuation date using scale MP-2016.
- The discount rate was changed from 3.80 percent to 3.70 percent.
- The percentage of future retirees and their spouses who are assumed to continue on one of the District's medical plans post-employment was increased from 50.00 percent to 100.00 percent for employees eligible for a subsidy based on unused sick days used to pay medical premiums.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from the projection of RP-2000 rates in 2013 to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement tables for only employees eligible to retire with Rule of 90 were also updated.
- The discount rate was changed from 4.00 percent to 3.80 percent.

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SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. The governmental funds category for the District includes the General Fund, Food Service Special Revenue Fund, Community Service Special Revenue Fund, Capital Projects – Building Construction Fund, and Debt Service Fund.

The statements and schedules that follow are to provide further detail and support additional analysis for the District’s major and nonmajor governmental funds.

INDEPENDENT SCHOOL DISTRICT NO. 728

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2024
(With Comparative Totals as of June 30, 2023)

	Special Revenue Funds		Totals	
	Food Service	Community Service	2024	2023
Assets				
Cash and temporary investments	$ 5,093,943	$ 1,415,478	$ 6,509,421	$ 7,330,965
Receivables				
Current taxes	–	555,508	555,508	600,511
Delinquent taxes	–	14,257	14,257	13,551
Accounts and interest	–	138,633	138,633	195,799
Due from other governmental units	1,256,906	537,332	1,794,238	1,010,393
Inventory	–	–	–	1,331
Prepaid items	30,570	6,405	36,975	1,477
Total assets	$ 6,381,419	$ 2,667,613	$ 9,049,032	$ 9,154,027
Liabilities				
Salaries and compensated absences payable	$ 200,229	$ 535,617	$ 735,846	$ 588,389
Accounts and contracts payable	170,068	196,764	366,832	879,574
Due to other governmental units	2,009	3	2,012	3
Unearned revenue	142,453	–	142,453	165,100
Total liabilities	514,759	732,384	1,247,143	1,633,066
Deferred inflows of resources				
Property taxes levied for subsequent year	–	1,122,132	1,122,132	1,226,912
Unavailable revenue – delinquent taxes	–	12,670	12,670	10,671
Total deferred inflows of resources	–	1,134,802	1,134,802	1,237,583
Fund balances				
Nonspendable	30,570	6,405	36,975	2,808
Restricted	5,836,090	794,022	6,630,112	6,280,570
Total fund balances	5,866,660	800,427	6,667,087	6,283,378
Total liabilities, deferred inflows of resources, and fund balances	$ 6,381,419	$ 2,667,613	$ 9,049,032	$ 9,154,027

INDEPENDENT SCHOOL DISTRICT NO. 728

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Special Revenue Funds		Totals	
	Food Service	Community Service	2024	2023
Revenue				
Local sources				
Property taxes	$ –	$ 1,215,565	$ 1,215,565	$ 1,211,628
Investment earnings	160,132	42,081	202,213	172,569
Other	1,198,816	6,287,209	7,486,025	10,380,078
State sources	5,597,879	2,297,316	7,895,195	2,138,395
Federal sources	4,020,664	–	4,020,664	3,869,111
Total revenue	10,977,491	9,842,171	20,819,662	17,771,781
Expenditures				
Current				
Food service	9,385,351	–	9,385,351	7,737,828
Community service	–	10,281,696	10,281,696	9,530,342
Capital outlay	829,655	5,392	835,047	369,621
Total expenditures	10,215,006	10,287,088	20,502,094	17,637,791
Excess (deficiency) of revenue over expenditures	762,485	(444,917)	317,568	133,990
Other financing sources				
Transfers in	–	66,141	66,141	–
Net change in fund balances	762,485	(378,776)	383,709	133,990
Fund balances				
Beginning of year	5,104,175	1,179,203	6,283,378	6,149,388
End of year	$ 5,866,660	$ 800,427	$ 6,667,087	$ 6,283,378

General Fund
Comparative Balance Sheet
as of June 30, 2024 and 2023

	2024	2023
Assets		
Cash and temporary investments	$ 98,492,506	$ 83,140,748
Receivables		
Current taxes	24,404,765	22,860,290
Delinquent taxes	454,363	396,111
Accounts and interest	1,734,648	899,392
Due from other governmental units	20,822,882	20,466,642
Inventory	139,243	156,833
Prepaid items	1,622,936	1,205,750
Total assets	$ 147,671,343	$ 129,125,766
Liabilities		
Salaries and compensated absences payable	$ 13,859,901	$ 12,780,710
Accounts and contracts payable	4,880,777	4,581,087
Due to other governmental units	547,818	595,482
Unearned revenue	–	2
Total liabilities	19,288,496	17,957,281
Deferred inflows of resources		
Property taxes levied for subsequent year	46,942,917	44,783,757
Unavailable revenue – delinquent taxes	398,266	303,459
Total deferred inflows of resources	47,341,183	45,087,216
Fund balances		
Nonspendable		
Inventory	139,243	156,833
Prepaid items	1,622,936	1,205,750
Restricted		
Restricted for student activities	404,920	337,083
Restricted for scholarships	1,016,771	979,742
Restricted for staff development	4,012,307	3,705,277
Restricted for operating capital	6,064,154	5,040,547
Restricted for gifted and talented	7,272	40,308
Restricted for basic skills	931,740	537,355
Restricted for safe schools levy	180,899	237,336
Committed		
Committed for future severance	1,254,821	1,488,242
Assigned		
Assigned for building carryover	15,615,201	16,749,018
Assigned for curriculum and technology	17,229,604	11,071,642
Assigned for strategic planning initiatives	7,150,000	3,000,000
Assigned for facility planning	5,000,000	5,106,535
Unassigned		
Unassigned	20,411,796	16,425,601
Total fund balances	81,041,664	66,081,269
Total liabilities, deferred inflows of resources, and fund balances	$ 147,671,343	$ 129,125,766

INDEPENDENT SCHOOL DISTRICT NO. 728

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024			2023
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 46,812,815	$ 47,218,631	$ 405,816	$ 40,296,133
Investment earnings	2,882,705	4,629,389	1,746,684	2,891,701
Other	5,984,935	7,360,079	1,375,144	6,585,258
State sources	155,373,525	155,413,933	40,408	141,075,431
Federal sources	4,775,697	4,896,274	120,577	6,812,144
Total revenue	215,829,677	219,518,306	3,688,629	197,660,667
Expenditures				
Current				
Administration	8,648,568	6,614,434	(2,034,134)	6,589,965
District support services	6,384,961	6,689,123	304,162	7,081,335
Elementary and secondary regular instruction	88,646,535	83,097,335	(5,549,200)	77,752,026
Vocational education instruction	3,272,105	3,385,037	112,932	3,005,656
Special education instruction	42,036,789	39,725,493	(2,311,296)	36,084,019
Community education instruction	53,929	37,735	(16,194)	3,095
Instructional support services	32,332,772	13,847,410	(18,485,362)	14,132,143
Pupil support services	22,742,789	21,482,036	(1,260,753)	20,096,892
Sites and buildings	48,045,011	27,183,904	(20,861,107)	24,747,669
Fiscal and other fixed cost programs	1,158,122	1,292,749	134,627	1,150,362
Debt service				
Principal	974,693	1,038,636	63,943	1,006,740
Interest and fiscal charges	230,793	239,517	8,724	268,996
Total expenditures	254,527,067	204,633,409	(49,893,658)	191,918,898
Excess (deficiency) of revenue over expenditures	(38,697,390)	14,884,897	53,582,287	5,741,769
Other financing sources (uses)				
Debt issued	–	–	–	280,215
Transfers (out)	(110,000)	(66,141)	43,859	–
Sale of capital assets	133,682	141,639	7,957	31,337
Total other financing sources (uses)	23,682	75,498	51,816	311,552
Net change in fund balances	$ (38,673,708)	14,960,395	$ 53,634,103	6,053,321
Fund balances				
Beginning of year		66,081,269		60,027,948
End of year		$ 81,041,664		$ 66,081,269

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2024 and 2023

	2024	2023
Assets		
Cash and temporary investments	$ 5,093,943	$ 5,483,865
Receivables		
Accounts and interest	–	3,051
Due from other governmental units	1,256,906	558,835
Prepaid items	30,570	220
Total assets	$ 6,381,419	$ 6,045,971
Liabilities		
Salaries and compensated absences payable	$ 200,229	$ 80,587
Accounts and contracts payable	170,068	696,109
Due to other governmental units	2,009	–
Unearned revenue	142,453	165,100
Total liabilities	514,759	941,796
Fund balances		
Nonspendable		
Prepaid items	30,570	220
Restricted		
Restricted for food service	5,836,090	5,103,955
Total fund balances	5,866,660	5,104,175
Total liabilities and fund balances	$ 6,381,419	$ 6,045,971

INDEPENDENT SCHOOL DISTRICT NO. 728

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024			2023
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 130,000	$ 160,132	$ 30,132	$ 135,815
Other – primarily meal sales	1,235,670	1,198,816	(36,854)	4,222,768
State sources	4,624,714	5,597,879	973,165	360,114
Federal sources	3,710,460	4,020,664	310,204	3,624,365
Total revenue	9,700,844	10,977,491	1,276,647	8,343,062
Expenditures				
Current				
Salaries	2,539,145	2,816,024	276,879	2,523,740
Employee benefits	843,278	877,235	33,957	866,877
Purchased services	1,480,342	1,031,764	(448,578)	475,594
Supplies and materials	4,744,698	4,644,594	(100,104)	3,856,320
Other expenditures	16,929	15,734	(1,195)	15,297
Capital outlay	1,109,521	829,655	(279,866)	353,191
Total expenditures	10,733,913	10,215,006	(518,907)	8,091,019
Net change in fund balances	$ (1,033,069)	762,485	$ 1,795,554	252,043
Fund balances				
Beginning of year		5,104,175		4,852,132
End of year		$ 5,866,660		$ 5,104,175

INDEPENDENT SCHOOL DISTRICT NO. 728

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2024 and 2023

	2024	2023
Assets		
Cash and temporary investments	$ 1,415,478	$ 1,847,100
Receivables		
Current taxes	555,508	600,511
Delinquent taxes	14,257	13,551
Accounts and interest	138,633	192,748
Due from other governmental units	537,332	451,558
Inventory	–	1,331
Prepaid items	6,405	1,257
Total assets	$ 2,667,613	$ 3,108,056
Liabilities		
Salaries and compensated absences payable	$ 535,617	$ 507,802
Accounts and contracts payable	196,764	183,465
Due to other governmental units	3	3
Total liabilities	732,384	691,270
Deferred inflows of resources		
Property taxes levied for subsequent year	1,122,132	1,226,912
Unavailable revenue – delinquent taxes	12,670	10,671
Total deferred inflows of resources	1,134,802	1,237,583
Fund balances		
Nonspendable		
Inventory	–	1,331
Prepaid items	6,405	1,257
Restricted		
Restricted for community education	173,880	324,284
Restricted for early childhood family education	521,064	730,542
Restricted for community service	99,078	121,789
Total fund balances	800,427	1,179,203
Total liabilities, deferred inflows of resources, and fund balances	$ 2,667,613	$ 3,108,056

INDEPENDENT SCHOOL DISTRICT NO. 728

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024			2023
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 1,229,470	$ 1,215,565	$ (13,905)	$ 1,211,628
Investment earnings	37,000	42,081	5,081	36,754
Other – primarily tuition and fees	6,325,903	6,287,209	(38,694)	6,157,310
State sources	2,246,340	2,297,316	50,976	1,778,281
Federal sources	–	–	–	244,746
Total revenue	9,838,713	9,842,171	3,458	9,428,719
Expenditures				
Current				
Salaries	6,536,879	6,736,747	199,868	5,933,374
Employee benefits	1,917,991	1,732,480	(185,511)	1,589,404
Purchased services	1,471,054	1,360,024	(111,030)	1,328,011
Supplies and materials	514,826	439,876	(74,950)	587,036
Other expenditures	22,956	12,569	(10,387)	92,517
Capital outlay	6,246	5,392	(854)	16,430
Total expenditures	10,469,952	10,287,088	(182,864)	9,546,772
Excess (deficiency) of revenue over expenditures	(631,239)	(444,917)	186,322	(118,053)
Other financing sources				
Transfers in	109,283	66,141	(43,142)	–
Net change in fund balances	$ (521,956)	(378,776)	$ 143,180	1,328,011
Fund balances				
Beginning of year		1,179,203		1,297,256
End of year		$ 800,427		$ 1,179,203

INDEPENDENT SCHOOL DISTRICT NO. 728

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2024 and 2023

	2024	2023
Assets		
Cash and temporary investments	$ 31,469,815	$ 52,536,507
Receivables		
Accounts and interest	194,147	184,055
Due from other governmental units	–	1,110
Prepaid items	25,557	–
Total assets	$ 31,689,519	$ 52,721,672
Liabilities		
Salaries and compensated absences payable	$ 1,070	$ 3,443
Accounts and contracts payable	9,399,023	9,019,640
Due to other governmental units	–	20,849
Total liabilities	9,400,093	9,043,932
Fund balances		
Nonspendable		
Prepaid items	25,557	–
Restricted		
Restricted for long-term facilities maintenance	5,478,039	18,378,876
Restricted for building construction	16,785,830	25,298,864
Total fund balances	22,289,426	43,677,740
Total liabilities and fund balances	$ 31,689,519	$ 52,721,672

INDEPENDENT SCHOOL DISTRICT NO. 728

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024			2023
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 415,881	$ 1,256,557	$ 840,676	$ 1,335,420
Other	12,000	11,193	(807)	48,978
Total revenue	427,881	1,267,750	839,869	1,384,398
Expenditures				
Capital outlay				
Salaries	9,266	18,500	9,234	17,353
Employee benefits	1,225	3,007	1,782	2,777
Purchased services	5,000	6,518	1,518	99,615
Supplies and materials	–	–	–	103,485
Capital expenditures	21,568,204	22,628,039	1,059,835	17,925,067
Total expenditures	21,583,695	22,656,064	1,072,369	18,148,297
Excess (deficiency) of revenue over expenditures	(21,155,814)	(21,388,314)	(232,500)	(16,763,899)
Other financing sources				
Debt issued	–	–	–	10,910,000
Premium on debt issued	–	–	–	1,509,047
Total other financing sources	–	–	–	12,419,047
Net change in fund balances	$ (21,155,814)	(21,388,314)	$ (232,500)	(4,344,852)
Fund balances				
Beginning of year		43,677,740		48,022,592
End of year		$ 22,289,426		$ 43,677,740

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2024 and 2023

	2024	2023
Assets		
Cash and temporary investments	$ 16,160,770	$ 15,815,277
Receivables		
Current taxes	10,737,924	10,428,669
Delinquent taxes	275,490	267,223
Due from other governmental units	219,514	192,481
Total assets	$ 27,393,698	$ 26,703,650
Liabilities		
Accounts and contracts payable	$ 3,088	$ 7,025
Deferred inflows of resources		
Property taxes levied for subsequent year	21,690,707	21,306,947
Unavailable revenue – delinquent taxes	246,799	215,893
Total deferred inflows of resources	21,937,506	21,522,840
Fund balances		
Restricted for debt service	5,453,104	5,173,785
Total liabilities, deferred inflows of resources, and fund balances	$ 27,393,698	$ 26,703,650

INDEPENDENT SCHOOL DISTRICT NO. 728

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2024
(With Comparative Actual Amounts for the Year Ended June 30, 2023)

	2024			2023
	Final Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 21,351,364	$ 21,089,997	$ (261,367)	$ 20,770,173
Investment earnings	93,200	965,337	872,137	93,241
State sources	1,987,702	2,195,164	207,462	1,924,800
Total revenue	23,432,266	24,250,498	818,232	22,788,214
Expenditures				
Debt service				
Principal	14,985,000	14,770,000	(215,000)	13,820,000
Interest and fiscal charges	9,428,923	9,678,108	249,185	8,683,694
Total expenditures	24,413,923	24,448,108	34,185	22,503,694
Excess (deficiency) of revenue over expenditures	(981,657)	(197,610)	784,047	284,520
Other financing sources (uses)				
Refunding debt issued	87,300,000	87,300,000	–	–
Premium on debt issued	8,053,191	8,196,929	143,738	84,400
Paid to refunded bond escrow agent	(95,020,000)	(95,020,000)	–	–
Total other financing sources (uses)	333,191	476,929	143,738	84,400
Net change in fund balances	$ (648,466)	279,319	$ 927,785	368,920
Fund balances				
Beginning of year		5,173,785		4,804,865
End of year		$ 5,453,104		$ 5,173,785

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PROPRIETARY FUNDS

The District maintains three proprietary (internal service) funds, which are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. These funds are used to account for the District's risk financing activities for self-insured dental benefits; health benefits; and property, casualty, and liability.

The statements that follow are to provide further detail and support additional analysis for the District's internal service funds.

INDEPENDENT SCHOOL DISTRICT NO. 728

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2024
(With Comparative Totals as of June 30, 2023)

	Dental Benefits Self-Insurance	Health Benefits Self-Insurance	Property, Casualty, and Liability Self-Insurance	Totals 2024	Totals 2023
Assets					
Current assets					
Cash and temporary investments	$ 431,405	$ 11,436,193	$ 243,461	$ 12,111,059	$ 13,460,372
Receivables					
Accounts and interest	–	199	–	199	82,943
Total current assets	431,405	11,436,392	243,461	12,111,258	13,543,315
Liabilities					
Current liabilities					
Salaries and compensated absences payable	615	4,442	–	5,057	3,179
Claims payable	116,330	2,287,754	39,271	2,443,355	2,674,640
Unearned revenue	90,443	2,617,176	–	2,707,619	1,995,017
Total current liabilities	207,388	4,909,372	39,271	5,156,031	4,672,836
Net position					
Unrestricted	$ 224,017	$ 6,527,020	$ 204,190	$ 6,955,227	$ 8,870,479

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Dental Benefits Self-Insurance	Health Benefits Self-Insurance	Property, Casualty, and Liability Self-Insurance	Totals 2024	Totals 2023
Operating revenue					
Charges for services	$ 1,524,219	$ 19,868,213	$ 1,021,240	$ 22,413,672	$ 22,123,169
Insurance recovery	–	–	3,871	3,871	407,884
Total operating revenue	1,524,219	19,868,213	1,025,111	22,417,543	22,531,053
Operating expenses					
Dental benefit claims	1,526,654	–	–	1,526,654	1,418,546
Health benefit claims	–	20,199,980	–	20,199,980	20,038,721
Insurance premiums	–	–	1,091,087	1,091,087	892,450
Insurance claims	–	–	42,543	42,543	459,340
Administrative charges	93,252	1,943,369	–	2,036,621	1,297,222
Total operating expenses	1,619,906	22,143,349	1,133,630	24,896,885	24,106,279
Operating income (loss)	(95,687)	(2,275,136)	(108,519)	(2,479,342)	(1,575,226)
Nonoperating revenue					
Investment earnings	12,869	551,221	–	564,090	396,876
Change in net position	(82,818)	(1,723,915)	(108,519)	(1,915,252)	(1,178,350)
Net position					
Beginning of year	306,835	8,250,935	312,709	8,870,479	10,048,829
End of year	$ 224,017	$ 6,527,020	$ 204,190	$ 6,955,227	$ 8,870,479

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	Dental Benefits Self-Insurance	Health Benefits Self-Insurance	Property, Casualty, and Liability Self-Insurance	Totals 2024	Totals 2023
Cash flows from operating activities					
Charges for services	$ 1,565,367	$ 20,620,850	$ 1,022,801	$ 23,209,018	$ 22,102,832
Insurance recovery	–	–	3,871	3,871	407,884
Payments for claims	(1,485,920)	(20,511,270)	(3,272)	(22,000,462)	(21,343,862)
Payments for insurance premiums	–	–	(1,091,087)	(1,091,087)	(61,027)
Payments for administrative charges	(92,974)	(1,941,769)	–	(2,034,743)	(1,298,213)
Net cash flows from operating activities	(13,527)	(1,832,189)	(67,687)	(1,913,403)	(192,386)
Cash flows from noncapital financing activities					
Cash received from other funds	–	–	–	–	600,499
Cash paid to other funds	–	–	–	–	(600,499)
Net cash flows from noncapital financing activities	–	–	–	–	–
Cash flows from investing activities					
Investment income received	12,869	551,221	–	564,090	396,876
Net change in cash and cash equivalents	(658)	(1,280,968)	(67,687)	(1,349,313)	204,490
Cash and cash equivalents					
Beginning of year	432,063	12,717,161	311,148	13,460,372	13,255,882
End of year	$ 431,405	$ 11,436,193	$ 243,461	$ 12,111,059	$ 13,460,372
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	$ (95,687)	$ (2,275,136)	$ (108,519)	$ (2,479,342)	$ (1,575,226)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities					
Changes in assets and liabilities					
Accounts receivable	12,396	68,787	1,561	82,744	(77,393)
Prepaid items	–	–	–	–	831,423
Salaries and compensated absences payable	278	1,600	–	1,878	(991)
Claims payable	40,734	(311,290)	39,271	(231,285)	572,745
Unearned revenue	28,752	683,850	–	712,602	57,056
Net cash flows from operating activities	$ (13,527)	$ (1,832,189)	$ (67,687)	$ (1,913,403)	$ (192,386)

EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. This activity is reported within the District's General Fund.

The schedule that follows is to provide further detail and support additional analysis for the District's extracurricular student activity accounts.

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INDEPENDENT SCHOOL DISTRICT NO. 728

Extracurricular Student Activity Accounts
Schedule of Cash Receipts and Disbursements
(Included in General Fund Activity)
Year Ended June 30, 2024

	Balance – June 30, 2023	Receipts	Disbursements	Balance – June 30, 2024
Elk River Senior High School	$ 104,372	$ 322,110	$ 298,236	$ 128,246
Rogers High School	155,485	278,406	232,470	201,421
Zimmerman Middle/High School	59,489	28,379	24,250	63,618
Prairie View Middle School	7,205	4,400	2,240	9,365
Rogers Middle School	7,645	2,613	2,373	7,885
Salk Middle School	5,882	(416)	125	5,341
VandenBerge Middle School	4,376	1,917	4,044	2,249
Total – all school sites	$ 344,454	$ 637,409	$ 563,738	$ 418,125

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SECTION III

STATISTICAL SECTION

(UNAUDITED)

STATISTICAL SECTION

This section of Independent School District No. 728's (the District) Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Indicators

These schedules contain service and infrastructure data to help the reader understand how the information in the District's ACFR relates to the services the District provides, and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the District's ACFR for the relevant year.

INDEPENDENT SCHOOL DISTRICT NO. 728

Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2015	2016	2017	2018
Governmental activities				
Net investment in capital assets	$ 48,804,992	$ 58,162,321	$ 66,281,539	$ 74,119,525
Restricted for				
Capital asset acquisition	3,397,188	5,045,201	5,771,115	4,580,621
Debt service	821,243	–	433,910	13,925
Food service	550,263	589,721	829,495	928,461
Community service	823,862	843,522	1,366,123	1,477,413
Other purposes	1,936,070	2,283,516	1,583,880	1,795,766
Unrestricted	(66,194,357)	(61,733,675)	(103,947,489)	(142,987,251)
Total governmental activities net position	$ (9,860,739)	$ 5,190,606	$(27,681,427)	$(60,071,540)

Note 1: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing this standard that decreased net position by approximately $5.6 million. Prior year amounts have not been restated.

Note 2: The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing this standard, that increased net position by approximately $504,000. Prior year amounts have not been restated.

Note 3: The District implemented GASB guidance for capitalizing groups of similar assets in fiscal 2024. The District reported a change in accounting principle as a result of implementing this guidance, that increased net position by approximately $5.4 million. Prior year amounts have not been restated.

2019	2020	2021	2022	2023	2024
$ 80,365,796	$ 85,211,130	$ 92,342,255	$102,533,182	$114,089,759	$129,813,826
7,102,264	10,731,811	13,623,821	14,069,193	13,308,481	15,599,838
2,056,507	1,165,442	1,900,844	1,350,055	1,734,615	2,113,678
1,324,022	1,987,635	2,321,339	4,828,786	5,081,203	5,840,176
1,639,944	2,048,603	1,022,373	1,132,082	1,006,521	646,758
1,662,262	3,782,664	4,890,219	5,989,454	5,837,101	6,553,909
(111,129,021)	(111,862,664)	(104,541,601)	(83,805,822)	(48,838,433)	(27,666,397)
$(16,978,226)	$ (6,935,379)	$ 11,559,250	$ 46,096,930	$ 92,219,247	$132,901,788

Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2015	2016	2017	2018
Governmental activities				
Expenses				
Administration	$ 4,566,912	$ 4,852,055	$ 6,498,715	$ 6,543,951
District support services	4,368,396	4,513,228	5,255,078	5,342,508
Elementary and secondary regular instruction	58,073,108	60,441,983	88,112,683	90,206,138
Vocational education instruction	875,753	1,245,464	2,371,357	2,620,603
Special education instruction	25,967,716	27,363,640	37,313,269	37,691,970
Instructional support services	8,206,849	12,354,581	14,780,996	14,730,422
Pupil support services	11,192,519	11,469,338	13,980,405	15,562,129
Sites and buildings	12,482,666	12,468,197	14,029,604	14,892,985
Fiscal and other fixed cost programs	396,000	396,000	386,858	433,697
Food service	5,876,540	6,163,276	6,391,792	6,340,469
Community service	6,317,800	6,427,472	7,319,200	8,081,308
Unallocated depreciation/amortization expense	7,642,598	8,352,486	8,863,300	10,523,228
Interest and fiscal charges on debt	7,225,662	7,699,565	7,456,682	6,670,481
Total expenses	153,192,519	163,747,285	212,759,939	219,639,889
Program revenues				
Charges for services				
Administration	–	–	–	52,220
District support services	52,913	59,777	90,007	180,679
Elementary and secondary regular instruction	1,926,840	1,972,051	1,857,482	1,885,844
Vocational education instruction	7,895	8,325	9,379	43,391
Special education instruction	557,187	748,731	885,711	715,570
Instructional support services	29,099	22,891	27,520	18,474
Pupil support services	–	102	295	539
Sites and buildings	177,913	202,213	549,308	156,421
Food service	3,553,840	3,856,137	4,054,362	4,133,585
Community education and services	4,017,924	4,214,442	4,709,132	5,081,241
Operating grants and contributions	24,699,108	28,699,456	26,453,313	29,093,063
Total program revenues	35,022,719	39,784,125	38,636,509	41,361,027
Net (expense) revenue	(118,169,800)	(123,963,160)	(174,123,430)	(178,278,862)
General revenues				
Taxes				
Property taxes, levied for general purposes	11,670,128	15,687,941	15,892,638	17,248,167
Property taxes, levied for community service	887,094	939,407	922,043	972,724
Property taxes, levied for facility improvements	7,004,845	–	–	–
Property taxes, levied for debt service	19,193,320	22,522,066	22,603,880	22,024,355
General grants and aids	93,521,879	97,390,356	104,696,993	103,552,726
Other general revenues	1,983,405	1,761,520	1,848,649	1,195,901
Investment earnings	253,974	713,215	923,649	894,876
Total general revenues	134,514,645	139,014,505	146,887,852	145,888,749
Change in net position	$ 16,344,845	$ 15,051,345	$(27,235,578)	$(32,390,113)

2019	2020	2021	2022	2023	2024
$ 3,986,941	$ 5,770,100	$ 6,013,698	$ 5,776,146	$ 5,609,709	$ 6,435,346
5,242,645	5,591,373	5,983,180	5,719,248	7,044,723	6,615,116
45,257,393	69,638,393	70,286,591	67,686,692	61,912,206	78,819,541
1,758,415	2,598,107	2,618,779	2,547,450	2,437,194	3,175,351
22,098,847	32,244,552	33,411,907	32,115,155	30,405,000	38,210,612
10,713,207	11,229,891	14,587,405	14,730,892	12,385,096	12,935,341
13,575,592	15,511,111	16,171,085	17,265,987	17,977,356	20,494,781
12,724,498	12,856,566	7,225,957	12,341,899	16,192,702	14,597,491
398,054	571,410	689,345	1,062,504	1,150,362	1,292,749
6,341,908	5,878,931	9,561,318	7,604,178	8,175,910	10,284,630
7,568,145	8,581,004	7,470,419	7,698,823	9,453,667	10,372,740
12,456,000	13,875,792	14,210,696	14,533,948	14,580,069	20,195,735
5,613,683	6,202,888	7,672,307	7,479,563	7,284,619	8,483,735
147,735,328	190,550,118	195,902,687	196,562,485	194,608,613	231,913,168
162,364	92,865	8,893	8,666	13,136	27,784
137,917	73,119	107,756	246,131	81,525	60,638
1,626,694	1,135,946	818,609	1,298,206	1,511,085	1,690,153
65,395	26,888	33,435	53,967	56,483	76,419
980,160	1,019,250	1,077,574	1,710,888	2,121,745	2,366,495
13,329	15,947	24,796	16,407	41,875	20,226
456	37	–	–	–	824
175,024	845,096	342,083	155,618	161,864	109,708
4,163,643	3,177,448	425,915	995,391	3,976,148	1,164,379
5,591,249	4,413,619	3,769,625	5,194,568	6,156,550	6,287,209
30,954,119	32,978,126	35,557,385	43,092,603	38,253,650	50,140,668
43,870,350	43,778,341	42,166,071	52,772,445	52,374,061	61,944,503
(103,864,978)	(146,771,777)	(153,736,616)	(143,790,040)	(142,234,552)	(169,968,665)
19,564,694	20,350,000	30,421,718	37,894,437	40,374,034	47,313,438
994,342	1,054,075	1,025,355	1,087,035	1,233,553	1,246,471
–	–	–	–	–	–
22,376,435	22,547,403	26,419,288	21,560,512	20,772,106	21,091,996
101,399,807	108,748,032	112,117,237	116,341,096	118,162,129	124,752,571
1,006,624	1,190,296	899,247	1,120,459	2,925,240	3,195,101
1,616,390	2,421,093	1,348,400	324,181	4,889,807	7,617,586
146,958,292	156,310,899	172,231,245	178,327,720	188,356,869	205,217,163
$ 43,093,314	$ 9,539,122	$ 18,494,629	$ 34,537,680	$ 46,122,317	$ 35,248,498

INDEPENDENT SCHOOL DISTRICT NO. 728

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2015	2016	2017	2018
General Fund				
Nonspendable	$ 732,362	$ 851,793	$ 791,951	$ 682,727
Restricted	5,318,923	6,751,601	5,903,188	4,679,125
Committed	2,741,647	3,379,328	2,923,520	2,406,128
Assigned	4,158,943	8,409,015	10,788,043	8,831,074
Unassigned	10,226,697	8,377,500	7,531,820	9,376,564
Total General Fund	$ 23,178,572	$ 27,769,237	$ 27,938,522	$ 25,975,618
All other governmental funds				
Nonspendable	$ 22,934	$ 17,766	$ 29,113	$ 400
Restricted	114,545,785	74,691,744	32,221,893	29,944,076
Total all other governmental funds	$ 114,568,719	$ 74,709,510	$ 32,251,006	$ 29,944,476

2019	2020	2021	2022	2023	2024
$ 656,961	$ 452,903	$ 551,942	$ 516,896	$ 1,362,583	$ 1,762,179
5,162,336	9,539,450	12,082,762	13,175,111	10,877,648	12,618,063
2,232,217	2,012,855	1,839,829	1,713,171	1,488,242	1,254,821
8,252,244	11,894,762	20,159,049	28,024,445	35,927,195	44,994,805
9,682,728	12,776,504	14,981,342	16,598,325	16,425,601	20,411,796
$ 25,986,486	$ 36,676,474	$ 49,614,924	$ 60,027,948	$ 66,081,269	$ 81,041,664
$ 9,362	$ 5,256	$ 1,750	$ 4,627	$ 2,808	$ 62,532
27,205,060	133,370,146	104,359,259	58,972,218	55,132,095	34,347,085
$ 27,214,422	$ 133,375,402	$ 104,361,009	$ 58,976,845	$ 55,134,903	$ 34,409,617

INDEPENDENT SCHOOL DISTRICT NO. 728

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2015	2016	2017	2018
Revenues				
Local sources				
Taxes	$ 38,862,906	$ 39,268,210	$ 39,894,942	$ 40,589,014
Investment earnings	252,119	697,118	875,336	799,579
Other	12,307,016	12,846,189	13,985,351	14,394,407
State sources	112,544,645	120,580,678	122,255,328	126,276,929
Federal sources	5,509,125	5,509,134	5,336,409	5,349,809
Total revenues	169,475,811	178,901,329	182,347,366	187,409,738
Expenditures				
Current				
Administration	4,744,359	4,691,018	4,972,810	5,057,376
District support services	4,301,929	4,778,935	4,889,632	5,074,443
Elementary and secondary regular instruction	59,657,694	61,523,013	63,839,023	67,687,696
Vocational education instruction	858,866	1,297,044	1,812,325	1,898,045
Special education instruction	26,522,109	27,684,346	28,251,499	29,494,460
Instructional support services	8,434,012	12,555,697	12,174,740	12,377,859
Pupil support services	11,264,569	11,523,309	12,391,422	14,148,885
Sites and buildings	11,461,600	17,064,490	12,174,098	13,909,499
Fiscal and other fixed cost programs	396,000	396,000	415,000	437,863
Food service	5,849,970	6,125,658	6,151,923	6,123,598
Community service	6,130,969	6,498,080	6,577,975	7,376,703
Capital outlay	12,366,619	39,775,504	60,123,517	16,570,115
Debt service				
Principal	14,071,014	15,308,613	16,658,702	16,464,991
Interest and fiscal charges	8,073,175	9,770,651	9,577,798	9,522,377
Total expenditures	174,132,885	218,992,358	240,010,464	206,143,910
Excess of revenues over (under) expenditures	(4,657,074)	(40,091,029)	(57,663,098)	(18,734,172)
Other financing sources (uses)				
Transfers in	7,304,845	–	–	–
Transfers out	(7,143,053)	–	–	–
Refunding debt issued	–	37,785,000	44,885,000	8,820,000
Debt issued	109,510,000	4,646,500	14,520,000	7,025,000
Premium (discount) on bonds issued	4,535,528	4,853,253	8,287,385	818,177
Payments to refunded bond escrow agent	(44,555,000)	(42,500,000)	(52,365,000)	(2,325,000)
Insurance recovery	–	–	–	–
Sale of capital assets	28,327	37,732	46,494	126,561
Total other financing sources (uses)	69,680,647	4,822,485	15,373,879	14,464,738
Net change in fund balances	$ 65,023,573	$ (35,268,544)	$ (42,289,219)	$ (4,269,434)
Debt service as a percentage of noncapital expenditures	13.6%	14.4%	14.5%	13.7%

2019	2020	2021	2022	2023	2024
$ 42,971,822	$ 43,904,042	$ 57,876,025	$ 60,520,031	$ 62,277,934	$ 69,524,193
1,480,856	2,309,234	1,333,628	319,673	4,492,931	7,053,496
14,825,886	12,040,813	7,850,606	11,966,589	17,014,314	14,857,297
131,254,573	134,730,079	134,048,793	140,747,562	145,138,626	165,504,292
5,369,194	6,125,658	13,017,859	17,869,662	10,681,255	8,916,938
195,902,331	199,109,826	214,126,911	231,423,517	239,605,060	265,856,216
5,340,819	5,350,441	5,725,163	6,189,334	6,589,965	6,614,434
5,366,476	5,421,217	6,073,108	6,607,630	7,081,335	6,689,123
67,742,129	65,281,284	67,388,581	73,251,778	77,752,026	83,097,335
2,408,895	2,440,281	2,543,802	2,741,057	3,005,656	3,385,037
30,345,152	30,690,379	32,568,504	34,752,071	36,084,019	39,725,493
12,928,374	10,681,974	14,359,335	15,410,768	14,132,143	13,847,410
15,076,154	15,195,997	15,993,540	17,859,935	20,096,892	21,482,036
15,762,726	12,758,703	13,554,527	20,386,083	24,747,669	27,183,904
400,000	571,410	689,345	1,062,504	1,150,362	1,292,749
6,279,478	5,774,262	4,832,091	7,590,681	7,737,828	9,385,351
8,037,288	8,463,355	7,628,579	8,257,398	9,533,437	10,319,431
15,861,852	10,223,106	46,971,508	47,947,922	18,517,918	23,491,111
15,250,435	16,614,734	18,316,284	15,055,344	14,826,740	15,808,636
8,487,050	7,940,078	10,106,668	9,492,467	8,952,690	9,917,625
209,286,828	197,407,221	246,751,035	266,604,972	250,208,680	272,239,675
(13,384,497)	1,702,605	(32,624,124)	(35,181,455)	(10,603,620)	(6,383,459)
–	1,540,451	–	–	–	66,141
–	(1,540,451)	–	–	–	(66,141)
1,336,894	–	–	–	–	87,300,000
16,415,000	112,435,000	16,350,000	–	11,190,215	–
805,651	1,426,565	145,412	–	1,593,447	8,196,929
(8,024,010)	–	–	–	–	(95,020,000)
–	–	–	22,171	–	–
131,776	783,073	52,769	188,144	31,337	141,639
10,665,311	114,644,638	16,548,181	210,315	12,814,999	618,568
$ (2,719,186)	$ 116,347,243	$ (16,075,943)	$ (34,971,140)	$ 2,211,379	$ (5,764,891)
12.5%	13.1%	14.3%	11.7%	10.7%	11.0%

INDEPENDENT SCHOOL DISTRICT NO. 728

Governmental Activities Tax Revenues by Source and Levy Type
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Property Tax				
Fiscal Year	General Purposes	Community Service	Facility Improvement	Debt Service	Total
2015	$ 11,670,128	$ 887,094	$ 7,004,845	$ 19,193,320	$ 38,755,387
2016	15,687,941	939,407	–	22,522,066	39,149,414
2017	15,892,638	922,043	–	22,603,880	39,418,561
2018	17,248,167	972,724	–	22,024,355	40,245,246
2019	19,564,694	994,342	–	22,376,435	42,935,471
2020	20,350,000	1,054,075	–	22,547,403	43,951,478
2021	30,421,718	1,025,355	–	26,419,288	57,866,361
2022	37,894,437	1,087,035	–	21,560,512	60,541,984
2023	40,374,034	1,233,553	–	20,772,106	62,379,693
2024	47,313,438	1,246,471	–	21,091,996	69,651,905

INDEPENDENT SCHOOL DISTRICT NO. 728

General Governmental Tax Revenues by Source and Levy Type
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Property Tax				
Fiscal Year	General Purposes	Community Service	Facility Improvement	Debt Service	Total
2015	$ 11,715,679	$ 889,364	$ 7,004,845	$ 19,253,018	$ 38,862,906
2016	15,759,038	941,452	–	22,567,720	39,268,210
2017	16,121,952	932,102	–	22,840,888	39,894,942
2018	17,400,625	980,283	–	22,208,106	40,589,014
2019	19,580,403	995,207	–	22,396,212	42,971,822
2020	20,327,280	1,052,782	–	22,523,980	43,904,042
2021	30,415,305	1,026,489	–	26,434,231	57,876,025
2022	37,863,374	1,086,985	–	21,569,672	60,520,031
2023	40,296,133	1,211,628	–	20,770,173	62,277,934
2024	47,218,631	1,215,565	–	21,089,997	69,524,193

INDEPENDENT SCHOOL DISTRICT NO. 728

Tax Capacity and Estimated Market Value of Property
Last Ten Fiscal Years

	Tax Capacity (1)				
				Tax Rate Determining Value Subtotal	
Tax Collection Calendar Year	Real and Personal Property	Fiscal Disparities Contribution	Tax Increment	Amount	Percent Increase (Decrease)
2015	$ 67,609,867	$ (4,165,752)	$ (622,491)	$ 62,821,624	8.0 %
2016	72,925,115	(4,290,299)	(604,014)	68,030,802	8.3
2017	77,494,751	(4,770,812)	(639,253)	72,084,686	6.0
2018	83,414,827	(4,667,760)	(778,180)	77,968,887	8.2
2019	90,240,059	(5,153,789)	(762,229)	84,324,041	8.2
2020	97,821,572	(5,266,246)	(1,000,497)	91,554,829	8.6
2021	105,325,902	(5,670,473)	(1,379,965)	98,275,464	7.3
2022	113,951,520	(6,302,741)	(1,593,223)	106,055,556	7.9
2023	140,165,723	(6,639,685)	(2,124,160)	131,401,878	23.9
2024	160,163,040	(7,740,856)	(2,605,330)	149,816,854	14.0

(1) Tax capacity is calculated by applying class rates (for specific property classifications such as residential, commercial, etc.) to the assessed market value. Class rates are periodically changed by the state.

Source: State of Minnesota School Tax Report

		Referendum Market Value	
Fiscal Disparities Distribution	Net Tax Capacity	Amount	Percent Increase (Decrease)
$ 1,096,396	$ 64,527,812	$ 5,785,021,550	8.0 %
1,723,408	69,754,210	6,233,475,910	7.8
1,849,202	73,933,888	6,626,384,872	6.3
1,957,105	79,925,992	7,142,158,499	7.8
2,135,003	86,459,044	7,767,231,977	8.8
2,339,793	100,615,257	8,418,039,564	8.4
2,414,959	100,690,423	9,045,428,845	7.5
2,532,370	108,587,926	9,808,678,758	8.4
2,503,310	133,905,188	12,028,458,719	22.6
2,546,757	152,363,611	13,631,136,297	13.3

INDEPENDENT SCHOOL DISTRICT NO. 728

Property Tax Rates
Direct and Overlapping (1) Governments
Last Ten Fiscal Years

Rate	Year Collectible	Independent School District No. 728 (f) General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total
Tax capacity rate	2015	5.976	1.462	35.045	42.483
Market value rate	2015	0.194	–	–	0.194
Tax capacity rate	2016	4.775	1.353	33.139	39.267
Market value rate	2016	0.194	–	–	0.194
Tax capacity rate	2017	5.860	1.333	30.004	37.197
Market value rate	2017	0.194	–	–	0.194
Tax capacity rate	2018	6.752	1.250	28.135	36.137
Market value rate	2018	0.194	–	–	0.194
Tax capacity rate	2019	5.383	1.227	26.255	32.865
Market value rate	2019	0.194	–	–	0.194
Tax capacity rate	2020	4.842	1.104	28.425	34.371
Market value rate	2020	0.300	–	–	0.300
Tax capacity rate	2021	9.163	1.082	21.472	31.717
Market value rate	2021	0.306	–	–	0.306
Tax capacity rate	2022	10.539	1.121	19.229	30.889
Market value rate	2022	0.287	–	–	0.287
Tax capacity rate	2023	9.777	0.916	15.912	26.605
Market value rate	2023	0.274	–	–	0.274
Tax capacity rate	2024	8.941	0.737	14.246	23.924
Market value rate	2024	0.258	–	–	0.258

N/A – Not Available

(1) Overlapping rates are those of local and county governments that apply to property owners within the District. Not all overlapping rates apply to all the District's property owners.

Sources:
(a) Wright County Auditor
(b) Sherburne County Auditor
(c) Anoka County Auditor
(d) Hennepin County Auditor
(e) Isanti County Auditor
(f) State of Minnesota School Tax Report

(continued)

Overlapping Rates (continued)						
City of						
Albertville (a)	Dayton (a)	Elk River (b)	Nowthen (c)	Otsego (a)	Ramsey (c)	Rogers (d)
51.396	57.029	47.190	26.104	41.202	42.257	40.377
–	–	–	–	–	–	–
52.370	57.150	46.170	28.749	37.921	43.316	37.879
–	–	–	–	–	–	–
51.586	55.467	46.193	26.417	37.852	42.454	38.308
–	–	–	–	–	–	–
49.158	55.664	46.011	27.151	36.556	41.730	36.810
–	–	–	–	–	–	–
47.294	55.212	45.907	24.165	36.060	40.355	35.917
–	–	–	–	–	–	–
47.067	54.139	46.241	24.288	35.099	39.592	35.859
–	–	–	–	–	–	–
46.801	51.378	44.556	24.680	34.653	39.251	33.396
–	–	–	–	–	–	–
46.355	47.733	43.967	22.238	34.545	42.239	28.689
–	–	–	–	–	–	–
41.793	35.109	38.630	20.728	29.571	40.429	33.557
–	–	–	–	–	–	–
41.954	35.653	37.817	20.809	23.109	41.430	35.599
–	–	–	–	–	–	–

(continued)

Property Tax Rates
Direct and Overlapping (1) Governments (continued)
Last Ten Fiscal Years

Overlapping Rates (continued)					
City of (continued)					Township of
St. Michael (a)	Zimmerman (b)	Big Lake (b)	Baldwin (b)	Hassan (d)	Livonia (b)
38.657	45.044	14.159	21.184	N/A	29.511
–	–	–	–	–	–
37.772	49.933	19.004	19.774	N/A	27.124
–	–	–	–	–	–
37.496	47.469	20.540	20.201	N/A	26.573
–	–	–	–	–	–
37.060	45.656	N/A	24.405	N/A	24.674
–	–	–	–	–	–
36.939	44.578	N/A	21.226	N/A	21.971
–	–	–	–	–	–
36.691	41.239	22.801	21.026	N/A	22.522
–	–	–	–	–	–
35.817	41.624	23.668	19.019	N/A	24.665
–	–	–	–	–	–
33.909	42.697	20.803	16.590	N/A	22.113
–	–	–	–	–	–
27.131	38.603	20.051	12.936	N/A	17.344
–	–	–	–	–	–
25.715	36.083	20.187	13.874	N/A	17.118
–	–	–	–	–	–

(continued)

Orrock (b)	Stanford (e)
15.283	26.302
–	–
25.916	22.178
–	–
29.701	22.511
–	–
27.609	21.831
–	–
26.992	20.428
–	–
24.635	18.050
–	–
24.041	16.792
–	–
22.187	16.101
–	–
18.442	13.304
–	–
17.644	13.318
–	–

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Taxes Collectible Calendar Year 2024 Net Tax Capacity	2024 Rank	2024 Percent of Taxable Net Tax Capacity	2015 Net Tax Capacity	2015 Rank	2015 Percent of Taxable Net Tax Capacity
Duke Realty, LP	$ 1,312,946	1	0.8 %	–	–	– %
CPG Partners, LP	1,020,076	2	0.6	1,097,256	2	1.6
Diamond Lake Rd Ind Own LLC	689,150	3	0.4	–	–	–
Graco Minnesota, Inc.	665,610	4	0.4	–	–	–
Minnegasco	647,158	5	0.4	445,398	4	0.7
Great River Energy	566,653	6	0.4	1,191,472	1	1.8
Centerpoint Energy	552,194	7	0.3	–	–	–
WPT Industrial Reit	550,130	8	0.3	–	–	–
FedEx Ground, Inc.	548,590	9	0.3	–	–	–
Timberland Pts XXXIV Eta	525,875	10	0.3	–	–	–
Target Corporation	–	–	–	641,372	3	0.9
Stag GI Rogers, LLC	–	–	–	441,090	5	0.7
Liberty Property Ltd. Partnership	–	–	–	394,420	6	0.6
JRM Capital Corporation	–	–	–	379,972	7	0.6
RT Diamond Lake, LLC	–	–	–	343,650	8	0.5
Medline Industries, Inc.	–	–	–	317,490	9	0.5
South Diamond Lake Rd Invest.	–	–	–	287,340	10	0.4
Total	$ 7,078,382		4.4 %	$ 5,539,460		8.2 %

Source: Sherburne County Auditor/Treasurer, Wright County Auditor/Treasurer, Anoka County Auditor/Treasurer

INDEPENDENT SCHOOL DISTRICT NO. 728

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year		Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount (2)	Percentage of Levy		Amount	Percentage of Levy
2015		$ 38,982,448	$ 38,696,525	99.27 %	$ 265,688	$ 38,962,213	99.95 %
2016		39,871,802	39,718,370	99.62	152,700	39,871,070	100.00
2017		40,318,333	40,135,182	99.55	181,859	40,317,041	100.00
2018		43,113,114	42,484,891	98.54	582,073	43,066,964	99.89
2019		43,824,662	41,946,368	95.71	1,795,613	43,741,981	99.81
2020		57,710,221	55,752,055	96.61	1,884,621	57,636,676	99.87
2021		58,847,621	58,135,228	98.79	628,362	58,763,590	99.86
2022		62,292,902	61,363,191	98.51	797,108	62,160,299	99.79
2023		69,240,010	68,860,047	99.45	56,155	68,916,202	99.53
2024	(1)	72,110,697	36,412,500	50.50	–	36,412,500	50.50

(1) Only a portion of the calendar year 2024 taxes are collected by June 30, 2024.

(2) A portion of the total levy is paid through various property tax credits for residential homestead properties, which are paid through state aids.

Sources: State of Minnesota School Tax Report (levies) and
State Auditor Form 51 – Tax Receivable Report (collections)

INDEPENDENT SCHOOL DISTRICT NO. 728

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Unamortized Net Premiums (Discounts)	Certificates of Participation	Financed Purchases	Technology Subscriptions	Total
2015	$ 249,595,000	$ 7,948,096	$ 800,000	$ 1,997,973	$ –	$ 260,341,069
2016	229,915,000	10,573,792	615,000	6,485,860	–	247,589,652
2017	220,925,000	16,793,831	420,000	6,052,158	–	244,190,989
2018	211,600,000	15,306,065	7,240,000	5,612,167	–	239,758,232
2019	207,155,000	13,489,771	6,595,000	5,179,616	–	232,419,387
2020	303,850,000	12,207,794	6,210,000	4,689,872	–	326,957,666
2021	302,775,000	10,205,198	5,815,000	4,193,588	–	322,988,786
2022	288,640,000	8,416,134	5,405,000	3,683,244	–	306,144,378
2023	285,730,000	8,335,225	4,985,000	3,158,435	548,732	302,757,392
2024	263,240,000	15,167,102	4,550,000	2,618,743	484,788	286,060,633

N/A – Not Available

Note: Details regarding the District's outstanding debt can be found in the notes to basic financial statements.

(1) See the Schedule of Demographic and Economic Statistics for Sherburne County's personal income and the District's population data.

Percentage of Personal Income (1)	Per Capita (1)
6.8 %	$ 3,804
6.1	3,532
5.7	3,483
5.3	3,360
5.0	3,236
6.5	4,378
5.9	4,158
5.3	3,130
N/A	2,962
N/A	2,754

INDEPENDENT SCHOOL DISTRICT NO. 728

Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less Amounts Available in Debt Service Fund	Net Bonded Debt	Tax Capacity Value	Percent Net Debt to Tax Capacity Value
2015	$ 257,543,096	$ 3,972,219	$ 253,570,877	$ 64,527,812	393.0 %
2016	240,488,792	3,282,275	237,206,517	69,754,210	340.1
2017	237,718,831	3,975,352	233,743,479	73,933,888	316.2
2018	226,906,065	9,880,039	217,026,026	79,925,992	271.5
2019	220,644,771	4,959,306	215,685,465	86,459,044	249.5
2020	316,057,794	5,106,342	310,951,452	100,615,257	309.1
2021	312,980,198	5,570,334	307,409,864	100,690,423	305.3
2022	297,056,134	4,804,865	292,251,269	108,587,926	269.1
2023	294,065,225	5,173,785	288,891,440	133,905,188	215.7
2024	278,407,102	5,453,104	272,953,998	152,363,611	179.1

(1) See the Schedule of Demographic and Economic Statistics for the District’s population data.

Population (1)	Net Debt per Capita
68,446	$ 3,705
70,094	3,384
70,106	3,334
71,367	3,041
71,815	3,003
74,687	4,163
77,674	3,958
97,800	2,988
102,206	2,827
103,872	2,628

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INDEPENDENT SCHOOL DISTRICT NO. 728

Direct and Overlapping Debt
as of June 30, 2024

Taxing Unit (a)	Taxable Net Tax Capacity	General Obligation Bonded Debt		Debt Applicable to Tax Capacity in ISD No. 728 Percent (d)	Amount
Direct debt					
ISD No. 728	$ 152,363,611	$ 263,240,000		100.000%	$ 263,240,000
Overlapping debt					
Counties					
Anoka	574,148,457	26,490,000		1.415%	374,886
Hennepin	2,672,668,521	1,071,970,000	(b)	1.212%	12,991,204
Isanti	53,620,550	4,685,000		0.016%	759
Sherburne	151,312,617	35,785,000		39.159%	14,012,869
Wright	239,018,528	75,065,000		14.279%	10,718,231
Cities					
Albertville	11,402,902	12,087,000		29.229%	3,532,958
Big Lake	13,133,914	260,000		31.276%	81,316
Dayton	18,266,461	18,282,000		7.243%	1,324,220
Elk River	38,022,099	16,305,000		100.000%	16,305,000
Nowthen	8,822,281	2,940,000		39.808%	1,170,358
Otsego	31,550,432	2,595,000		87.163%	2,261,888
Ramsey	44,873,946	40,975,000		10.273%	4,209,239
Rogers	33,796,779	13,050,000		92.194%	12,031,330
St. Francis	11,150,120	17,625,000		0.034%	5,993
St. Michael	29,536,481	9,810,000		10.846%	1,064,022
Zimmerman	6,531,043	3,595,000		100.000%	3,595,000
Townships					
Livonia	9,563,107	2,777,000		100.000%	2,777,000
Special districts					
Three Rivers Park District	1,911,697,254	51,405,000		1.694%	870,955
Metropolitan Council	5,878,109,833	238,225,000	(c)	0.689%	1,642,085
Total overlapping debt					88,969,313
Total direct and overlapping debt					$ 352,209,313

(a) Only those taxing units with general obligation debt outstanding are included in this section. Does not include nongeneral obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

(b) Hennepin County also has general obligation solid waste revenue bonds outstanding, which are payable entirely from the county's Solid Waste Enterprise Fund; general obligation bonds (Century Plaza Debt), which are expected to be paid from building rental fees from county departments and noncounty tenants; and General Obligation Ice Arena Revenue Bonds, which are expected to be paid from building rental payments from Augsburg College. These issues have not been included in the overlapping debt or debt ratios.

(c) The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Metropolitan Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding, all of which are supported entirely by revenues and have not been included in the overlapping debt or debt ratios.

(d) The percentage of overlapping debt applicable is estimated using taxable net tax capacity values. Applicable percentages were estimated by determining the portion of the overlapping entity's taxable net tax capacity value that is within the District's boundaries and dividing it by the overlapping government's total taxable net tax capacity value.

Source: Counties' 2023 ACFR, Three Rivers Park District and Metropolitan Council 2022 ACFR, Minnesota Department of Revenue Tax Capacity Numbers, Ehlers Inc.

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
Debt limit	$ 867,753,233	$ 935,021,387	$ 993,957,731	$ 1,071,323,775
Total net debt applicable to the limit	245,622,781	226,632,725	217,369,648	217,026,026
Legal debt margin	$ 622,130,452	$ 708,388,662	$ 776,588,083	$ 854,297,749
Total net debt applicable to the limit as a percentage of debt limit	28.31%	24.24%	21.87%	20.26%

2019	2020	2021	2022	2023	2024
$ 1,165,084,797	$ 1,262,705,935	$ 1,356,814,327	$ 1,471,252,542	$ 1,804,268,808	$ 2,044,670,445
215,685,465	310,951,452	307,409,864	292,251,269	288,891,440	272,953,998
$ 949,399,331	$ 951,754,483	$ 1,049,404,463	$ 1,179,001,273	$ 1,515,377,368	$ 1,771,716,447
18.51%	24.63%	22.66%	19.86%	16.01%	13.35%

Legal Debt Margin Calculation for Fiscal Year 2024	
Estimated market value – 2024	$13,631,136,297
Debt limit (15% of market value)	2,044,670,445
Debt applicable to limit	
General obligation bonds	278,407,102
Less amount set aside for repayment of general obligation debt	5,453,104
Total net debt applicable to the limit	272,953,998
Legal debt margin	$ 1,771,716,447

INDEPENDENT SCHOOL DISTRICT NO. 728

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	ISD No. 728 Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Unemployment Rate (3)
2015	68,446	$ 3,804,126	$ 41,482	3.30
2016	70,094	4,027,966	43,067	3.60
2017	70,106	4,270,498	45,157	5.70
2018	71,367	4,516,630	47,031	4.80
2019	71,815	4,639,466	47,712	3.30
2020	74,687	5,010,700	50,710	7.80
2021	77,674	5,482,889	55,341	4.20
2022	97,800	5,757,220	57,102	2.60
2023	102,206	N/A	N/A	3.50
2024	103,872	N/A	N/A	4.20

N/A – Not Available

Data sources:

(1) District population is based upon an annual school district census; Ehlers Inc. 2024 population estimate based off Sherburne County projected growth of 1.63 percent

(2) U.S. Department of Commerce: Bureau of Economic Analysis – Sherburne County

(3) Minnesota Department of Employment and Economic Development

INDEPENDENT SCHOOL DISTRICT NO. 728

Principal Employers
Current Year and Nine Years Ago

Employer	2024 Employees	2024 Rank	2024 Percentage of Total County Employment	2015 Employees	2015 Rank	2015 Percentage of Total County Employment
ISD No. 728, Elk River (1)	2,615	1	4.90 %	2,429	1	5.17 %
Accurate Home Care	1,247	2	2.34	–	–	–
Sherburne County	700	3	1.31	618	2	1.32
Graco	619	4	1.16	300	7	0.64
Cretex, Inc.	500	5	0.94	–	–	–
Albertville Premium Outlets	500	5	0.94	–	–	–
Sportech Inc.	420	7	0.79	–	–	–
Archway Marketing Services	350	8	0.66	350	5	0.75
Crestliner, Inc.	350	8	0.66	–	–	–
Guardian Angels of Elk River	340	10	0.64	375	3	0.80
Veit & Company, Inc.	–	–	–	375	3	0.80
Walmart	–	–	–	350	5	0.75
Cabela’s	–	–	–	300	7	0.64
Target Corporation	–	–	–	300	7	0.64
City of Elk River	–	–	–	224	10	0.48
Total	7,641		14.32 %	5,621		11.97 %

Note: Total Sherburne County workforce was estimated to be 53,376 for 2024 and 46,955 for 2015.

(1) Number of W-2s issued for 2023 and 2014 calendar years, respectively.

Source: Minnesota Department of Employment and Economic Development; Sherburne County, Ehlers

Employees by Classification (1)
Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018 (3)
Administrators/principals (2)	40	41	40	46
Supervisors/special staff	12	16	11	4
Teachers/nurses	787	820	846	867
Clerical	93	96	95	98
Building chiefs and custodians	73	77	78	80
Food service	55	54	53	58
Nonlicensed specialists	392	390	386	422
Total	1,450	1,496	1,510	1,575

(1) This schedule is full-time equivalency based on assignment. All nonteaching assignments are based on 2,080 hours.

(2) District office cabinet, principals, secondary school building assistant principals, and principals on special assignment.

(3) IT specialist classification changed from supervisors/special staff to nonlicensed specialists in 2018.

Source: Minnesota Department of Education Star Report

2019	2020	2021	2022	2023	2024
53	58	59	63	62	61
6	10	9	11	9	9
871	857	826	850	954	950
89	93	91	105	101	101
86	82	80	94	85	83
52	74	79	97	104	99
427	438	546	665	767	821
1,585	1,611	1,690	1,885	2,082	2,124

INDEPENDENT SCHOOL DISTRICT NO. 728
Operating Indicators
Standardized Testing, Attendance, and Graduation Rates
Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
Standardized tests				
LOCAL reading (1)				
Grade 3	57.00 %	61.00 %	65.00 %	68.00 %
Grade 4	57.00 %	61.00 %	64.00 %	69.00 %
Grade 5	56.00 %	56.00 %	69.00 %	71.00 %
Grade 6	62.00 %	N/A	66.00 %	74.00 %
Grade 7	62.00 %	N/A	N/A	N/A
Grade 8	N/A	N/A	N/A	N/A
LOCAL math (1)				
Grade 3	54.00 %	67.00 %	63.00 %	57.00 %
Grade 4	57.00 %	59.00 %	70.00 %	70.00 %
Grade 5	59.00 %	51.00 %	65.00 %	63.00 %
Grade 6	63.00 %	N/A	70.00 %	71.00 %
Grade 7	61.00 %	N/A	N/A	N/A
Grade 8	N/A	N/A	N/A	N/A
MCA reading (2)				
Grade 3	72.00 %	67.00 %	70.00 %	65.00 %
Grade 4	67.00 %	70.00 %	67.00 %	68.00 %
Grade 5	74.00 %	77.00 %	77.00 %	77.00 %
Grade 6	70.00 %	74.00 %	68.00 %	74.00 %
Grade 7	60.00 %	73.00 %	67.00 %	65.00 %
Grade 8	61.00 %	69.00 %	69.00 %	71.00 %
Grade 10	66.00 %	67.00 %	63.00 %	67.00 %
MCA math (2)				
Grade 3	82.00 %	79.00 %	82.00 %	76.00 %
Grade 4	81.00 %	79.00 %	81.00 %	81.00 %
Grade 5	69.00 %	68.00 %	68.00 %	66.00 %
Grade 6	72.00 %	77.00 %	72.00 %	70.00 %
Grade 7	68.00 %	81.00 %	72.00 %	74.00 %
Grade 8	79.00 %	81.00 %	80.00 %	77.00 %
Grade 11	63.00 %	59.00 %	61.00 %	57.00 %
ACT (5)				
Average composite score	23.20	21.90	21.90	21.80
National Merit Scholars				
Commended	–	7	7	6
Finalists and semifinalists	3	2	3	2

2019	2020	2021	2022	2023	2024
68.00 %	62.00 %	68.00 %	69.00 %	75.00 %	68.00 %
64.00 %	69.00 %	75.00 %	72.00 %	67.00 %	67.00 %
66.00 %	63.00 %	70.00 %	71.00 %	71.00 %	63.00 %
69.00 %	66.00 %	80.00 %	76.00 %	71.00 %	73.00 %
N/A	N/A	73.00 %	75.00 %	64.00 %	63.00 %
N/A	N/A	62.00 %	64.00 %	62.00 %	59.00 %
67.00 %	64.00 %	77.00 %	79.00 %	77.00 %	80.00 %
67.00 %	70.00 %	69.00 %	71.00 %	73.00 %	78.00 %
65.00 %	67.00 %	68.00 %	72.00 %	75.00 %	74.00 %
68.00 %	75.00 %	81.00 %	79.00 %	75.00 %	77.00 %
N/A	N/A	79.00 %	78.00 %	72.00 %	80.00 %
N/A	N/A	76.00 %	75.00 %	69.00 %	69.00 %
71.00 %	N/A	61.00 %	58.00 %	63.00 %	62.00 %
64.00 %	N/A	59.00 %	62.00 %	58.00 %	62.00 %
77.00 %	N/A	71.00 %	69.00 %	71.00 %	68.00 %
73.00 %	N/A	60.00 %	62.00 %	62.00 %	64.00 %
68.00 %	N/A	56.00 %	51.00 %	53.00 %	54.00 %
66.00 %	N/A	54.00 %	53.00 %	50.00 %	53.00 %
70.00 %	N/A	60.00 %	62.00 %	54.00 %	60.00 %
79.00 %	N/A	66.00 %	71.00 %	75.00 %	75.00 %
78.00 %	N/A	66.00 %	70.00 %	72.00 %	73.00 %
64.00 %	N/A	51.00 %	52.00 %	58.00 %	58.00 %
67.00 %	N/A	45.00 %	55.00 %	55.00 %	59.00 %
71.00 %	N/A	51.00 %	50.00 %	58.00 %	57.00 %
76.00 %	N/A	52.00 %	60.00 %	58.00 %	58.00 %
64.00 %	N/A	60.00 %	54.00 %	53.00 %	51.00 %
21.40	21.80	21.50	20.90	20.60	20.60
8	5	2	4	3	2
6	7	3	–	2	2

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 728
Operating Indicators
Standardized Testing, Attendance, and Graduation Rates (continued)
Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
Attendance Rate (3)				
Kindergarten	94.90 %	95.50 %	95.57 %	95.01 %
1st grade	95.00 %	95.66 %	95.61 %	95.18 %
2nd grade	95.30 %	96.17 %	95.92 %	95.51 %
3rd grade	95.40 %	96.10 %	95.83 %	95.49 %
4th grade	95.50 %	96.06 %	95.63 %	95.34 %
5th grade	95.30 %	95.95 %	95.78 %	95.31 %
6th grade	95.90 %	95.80 %	95.77 %	95.37 %
7th grade	95.50 %	95.30 %	94.84 %	94.53 %
8th grade	95.00 %	95.21 %	94.80 %	94.24 %
9th grade	95.80 %	95.13 %	94.56 %	93.83 %
10th grade	95.50 %	94.01 %	93.53 %	93.61 %
11th grade	93.00 %	94.41 %	93.23 %	92.86 %
12th grade	92.50 %	92.67 %	90.36 %	90.80 %
All grades	**94.50** %	**95.23** %	**94.73** %	**94.39** %
Four-Year Graduation Rate (4)				
District graduation rates	89.50 %	88.90 %	91.00 %	91.00 %
State graduation rate	81.90 %	82.20 %	82.70 %	83.20 %

N/A – Not Available or Not Applicable

(1) Average percentile: for NWEA MAP (2013–2015) and FAST for 2016–2022
(2) Percent of students scoring at or above proficiency on the Minnesota Comprehensive Assessments
(3) Attendance is based on average daily attendance according to the MARSS
(4) Graduation data for 2024 is not finalized until the spring of 2025
(5) ACT results are for the graduating class in each year

2019	2020	2021	2022	2023	2024
94.98 %	95.90 %	96.00 %	92.10 %	92.20 %	93.40 %
95.37 %	96.30 %	96.00 %	92.30 %	93.40 %	93.60 %
95.34 %	96.30 %	96.30 %	92.60 %	93.60 %	93.50 %
95.57 %	96.40 %	96.20 %	92.70 %	93.60 %	93.60 %
95.37 %	96.30 %	95.60 %	92.50 %	93.70 %	93.60 %
95.40 %	96.30 %	95.70 %	91.90 %	93.70 %	93.60 %
95.29 %	96.90 %	92.70 %	92.80 %	94.20 %	94.20 %
94.94 %	96.40 %	91.90 %	92.40 %	93.50 %	93.60 %
94.35 %	96.60 %	90.90 %	92.10 %	93.10 %	93.00 %
94.02 %	96.20 %	90.80 %	91.60 %	93.10 %	93.20 %
93.16 %	95.60 %	90.30 %	90.80 %	91.20 %	92.10 %
93.03 %	95.10 %	89.20 %	89.70 %	90.50 %	91.10 %
90.75 %	95.10 %	88.60 %	89.10 %	89.30 %	89.30 %
94.43 %	**96.10** %	**93.09** %	**91.10** %	**92.10** %	**92.30** %
91.40 %	92.70 %	86.30 %	89.10 %	90.5 %	N/A
83.70 %	83.80 %	83.30 %	83.60 %	83.3 %	N/A

INDEPENDENT SCHOOL DISTRICT NO. 728

Expenditures per Student (Average Daily Membership)
Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
Administration	$ 370	$ 364	$ 384	$ 384
District support services	336	371	378	386
Elementary and secondary regular instruction	4,656	4,779	4,936	5,146
Vocational education instruction	67	101	140	144
Special education instruction	2,070	2,150	2,184	2,242
Instructional support services	658	975	941	941
Pupil support services	879	895	958	1,076
Sites and buildings	895	1,325	941	1,057
Fiscal and other fixed cost programs	31	31	32	33
Food service	457	476	476	466
Community service	479	505	509	561
Capital outlay	965	3,090	4,649	1,260
Debt service	1,728	1,948	2,029	1,976
Total expenditures	$ 13,590	$ 17,010	$ 18,557	$ 15,671
Average daily membership	12,813	12,874	12,934	13,154

Note: Includes all governmental fund expenditures.

Source: The Minnesota Department of Education School ADM Report

2019	2020	2021	2022	2023	2024
$ 400	$ 394	$ 435	$ 454	$ 475	$ 470
402	400	461	485	510	476
5,070	4,812	5,115	5,372	5,603	5,909
180	180	193	201	217	241
2,271	2,262	2,472	2,549	2,601	2,825
968	787	1,090	1,130	1,018	985
1,128	1,120	1,214	1,310	1,448	1,528
1,180	940	1,029	1,495	1,784	1,933
30	42	52	78	83	92
470	426	367	557	558	667
601	624	579	606	687	734
1,187	753	3,566	3,516	1,335	1,671
1,776	1,810	2,158	1,800	1,714	1,830
$ 15,663	$ 14,550	$ 18,730	$ 19,552	$ 18,032	$ 19,360
13,362	13,568	13,174	13,636	13,876	14,062

School Facilities
as of June 30, 2024

Facility	Use	Constructed	Acres
Elementary schools			
Hassan	School	2005	28.60
Lincoln	School	1956	12.00
Meadowvale	School	1992	39.50
Online 728	School	2021	N/A
Otsego	School	1995	52.40
Parker	School	1973	10.50
Rogers	School	1968	18.00
Twin Lakes	School	2007	21.60
Westwood	School	2003	26.80
Zimmerman	School	1956	24.40
Prairie View	School	2017	34.94
Middle schools			
Online 728	School	2021	N/A
Rogers	School	1998	41.30
Salk	School	1979	39.00
VandenBerge	School	1961	37.00
Prairie View	School	2022	40.94
Middle/High school			
Zimmerman (3)	School	1998	48.75
High schools			
Elk River	School	1970	44.00
Ivan Sand	School	1998	4.00
Rogers	School	2003	71.90
Online 728	School	2016	N/A
District Office	Office/COMPASS	2011	3.77
Handke	ECFE/ECSE	1930	6.90
Educational Technology Center	Office	1976	3.00
District Service Center	Warehouse	1996	5.00

N/A – Not Available or Not Applicable

(1) All rooms dedicated for instructional purposes, including regular classrooms, portable classrooms, computer labs, art rooms, band/choir/music rooms, special services rooms, science rooms, FACS rooms, and industrial technology rooms.

(2) Enrollment is defined as the adjusted ADMs served, excluding resident students tuitioned out to other Minnesota school districts. Students served by the school of environmental studies are included in the students' home high school.

(3) Joint middle school and high school site.

Classrooms (1)	Square Footage	Capacity	Enrollment (2)
37	96,250	700	663
39	87,750	700	557
31	78,988	625	551
N/A	N/A	N/A	19
36	81,468	700	555
33	69,630	600	525
36	90,929	700	657
39	98,200	775	719
25	80,989	650	541
38	81,362	700	528
50	167,387	1,158	755
N/A	N/A	N/A	27
55	142,500	1,071	1,037
40	146,534	969	671
44	165,130	892	535
43	169,000	1,097	859
50	229,732	1,402	1,181
111	350,987	1,836	1,487
9	16,221	153	118
75	353,957	1,912	1,614
N/A	N/A	66	229
2	30,804	20	27
22	76,150	200	200
N/A	9,006	N/A	N/A
N/A	34,294	N/A	N/A
Total	2,657,268	16,926	14,055

INDEPENDENT SCHOOL DISTRICT NO. 728

Students – Average Daily Membership (ADM)
Last Ten Fiscal Years

Year Ended June 30,	ADM (for Students Served or Tuition Paid)					
	Pre- Kindergarten	Kindergarten and Kindergarten – Handicapped	Elementary	Secondary	Total	
					Number	Percent Increase (Decrease)
2015	112.53	878.78	6,015.95	5,805.58	12,812.84	(0.1) %
2016	128.18	889.24	6,019.88	5,836.84	12,874.14	0.5
2017	145.65	920.13	5,918.07	5,950.07	12,933.92	0.5
2018	150.90	988.36	6,029.18	5,985.96	13,154.40	1.7
2019	166.63	1,020.90	6,144.84	6,029.90	13,362.27	1.6
2020	156.22	1,056.29	6,218.86	6,136.14	13,567.51	1.5
2021	132.70	974.55	5,950.70	6,115.82	13,173.77	(2.9)
2022	151.36	1,051.43	6,234.97	6,198.19	13,635.95	3.5
2023	190.89	1,051.46	6,425.81	6,207.60	13,875.76	1.8
2024	196.29	1,073.11	6,589.25	6,203.08	14,061.73	1.3

Note 1: Enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

	Pre- Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary	Secondary
All years presented	1.000	0.550	1.000	1.000	1.200

Source: The Minnesota Department of Education School ADM Report

Total Pupil Units	
Number	Percent Increase (Decrease)
13,973.97	(5.3) %
14,041.44	0.5
14,123.94	0.6
14,351.60	1.6
14,568.26	1.5
14,794.74	1.5
14,396.91	(2.7)
14,875.57	3.3
15,109.10	1.6
15,302.34	1.3

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APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

Kennedy & Graven
CHARTERED

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

$_______
INDEPENDENT SCHOOL DISTRICT NO. 728
(ELK RIVER AREA SCHOOLS)
SHERBURNE, ANOKA, HENNEPIN, ISANTI AND WRIGHT COUNTIES, MINNESOTA
GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS
SERIES 2025A

We have acted as bond counsel to Independent School District No. 728 (Elk River Area Schools), Sherburne, Anoka, Hennepin, Isanti and Wright Counties, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation Facilities Maintenance Bonds, Series 2025A (the "Bonds"), originally dated February ___, 2025, and issued in the original aggregate principal amount of $_______. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

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

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

5. The resolution adopted by the School Board of the Issuer on June 24, 2024, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropriated and available funds to pay the obligations of the State thereunder.

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

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

Dated __________________, 2025, at Minneapolis, Minnesota.

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 CERTIFICATE

(See following pages)

$__________
INDEPENDENT SCHOOL DISTRICT NO. 728
(ELK RIVER AREA SCHOOLS)
SHERBURNE, ANOKA, HENNEPIN, ISANTI AND WRIGHT COUNTIES, MINNESOTA
GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS
SERIES 2025A

CONTINUING DISCLOSURE CERTIFICATE

__________, 2025

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 728 (Elk River Area Schools), Sherburne, Anoka, Hennepin, Isanti and Wright Counties, Minnesota (the "District"), in connection with the issuance of its General Obligation Facilities Maintenance Bonds, Series 2025A (the "Bonds"), in the original aggregate principal amount of $__________. The Bonds are being issued pursuant to a resolution adopted by the School Board of the District (the "Resolution"). The Bonds are being delivered to ____________[, as syndicate manager] (the "Purchaser"), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

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

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

"Bonds" means the General Obligation Facilities Maintenance Bonds, Series 2025A, issued by the District in the original aggregate principal amount of $__________.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"District" means Independent School District No. 728 (Elk River Area Schools), Sherburne, Anoka, Hennepin, Isanti and Wright Counties, Minnesota, which is the obligated person with respect to the Bonds.

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

"Final Official Statement" means the Final Official Statement, dated __________, 2025, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

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

"Fiscal Year" means the fiscal year of the District.

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

"GASB" means the Governmental Accounting Standards Board.

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

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

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

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

"Purchaser" means ____________[, as syndicate manager].

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

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

"SEC" means Securities and Exchange Commission, and any successor thereto.

Section 3. <u>Provision of Annual Financial Information and Audited Financial Statements</u>.

(a) The District shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2025, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate, provided that the Audited Financial Statements of the District may be submitted separately from the balance of the Annual Report.

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

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

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

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

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

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

Section 5. Reporting of Material Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701–TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;

15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 728 (ELK RIVER AREA SCHOOLS), SHERBURNE, ANOKA, HENNEPIN, ISANTI AND WRIGHT COUNTIES, MINNESOTA

____
Board Chair

____
Clerk

APPENDIX E

TERMS OF PROPOSAL

$32,545,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2025A INDEPENDENT SCHOOL DISTRICT NO. 728 (ELK RIVER AREA SCHOOLS), MINNESOTA

Proposals for the purchase of $32,545,000* General Obligation Facilities Maintenance Bonds, Series 2025A (the "Bonds") of Independent School District No. 728 (Elk River Area 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 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via bondsale@ehlers-inc.com or **PARITY**, in the manner described below, until 10:30 A.M., Central Time, on January 27, 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 5:30 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 Section 123B.595, as amended, by the District, to provide funds for facility maintenance projects included in the District's ten-year facilities plan approved by the Commissioner of Education. 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 20, 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	$60,000	2032	$1,055,000	2038	$1,065,000
2027	1,040,000	2033	1,155,000	2039	2,465,000
2028	1,020,000	2034	1,065,000	2040	2,580,000
2029	1,075,000	2035	1,055,000	2041	7,300,000
2030	1,040,000	2036	1,075,000	2042	7,355,000
2031	1,025,000	2037	1,115,000		

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. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2034 shall be subject to optional redemption prior to maturity on February 1, 2033 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

DELIVERY

On or about February 20, 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 as to the validity of the Bonds and the exemption from taxation of the interest thereon will be furnished by Kennedy & Graven, Chartered, Minneapolis, Minnesota, Bond Counsel to the District ("Bond Counsel"), and will be available at the time of delivery of the Bonds. The legal opinion will state that the Bonds are valid and binding general obligations of the District; provided that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles (which may be applied in either a legal or equitable proceeding). See "FORM OF LEGAL OPINION" found in Appendix B.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $32,545,000 plus accrued interest on the principal sum of $32,545,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

1) Electronically to bondsale@ehlers-inc.com; or

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

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

A good faith deposit ("Deposit") in the amount of $650,900 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.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

(1) The District shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;

(2) all bidders shall have an equal opportunity to bid;

(3) the District may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

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

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the School Board

Independent School District No. 728
(Elk River Area Schools), Minnesota

PROPOSAL FORM

The School Board **January 27, 2025**
Independent School District No. 728 (Elk River Area Schools), Minnesota (the "District")

RE: $32,545,000* General Obligation Facilities Maintenance Bonds, Series 2025A (the "Bonds")
DATED: February 20, 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 $32,545,000) 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	2032	________	% due	2038
________	% due	2027	________	% due	2033	________	% due	2039
________	% due	2028	________	% due	2034	________	% due	2040
________	% due	2029	________	% due	2035	________	% due	2041
________	% due	2030	________	% due	2036	________	% due	2042
________	% due	2031	________	% due	2037			

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2026 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $650,900 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 20, 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 20, 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. 728 (Elk River Area Schools), Minnesota, on January 27, 2025.

By: ______________________ By: ______________________

Title: ______________________ Title: ______________________