PRELIMINARY OFFICIAL STATEMENT DATED MAY 8, 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 the other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds. See "TAX EXEMPTION" herein.

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

New Issue **Rating Application Made: S&P Global Ratings**

INDEPENDENT SCHOOL DISTRICT NO. 740 (MELROSE AREA PUBLIC SCHOOLS), MINNESOTA

(Stearns, Morrison and Todd Counties)

(Minnesota School District Credit Enhancement Program)

$3,690,000* GENERAL OBLIGATION TAX ABATEMENT BONDS, SERIES 2025A

PROPOSAL OPENING: May 19, 2025, 10:30 A.M., C.T. **CONSIDERATION**: May 19, 2025, 6:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $3,690,000* General Obligation Tax Abatement Bonds, Series 2025A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 469 and 475, as amended, including Minnesota Statutes, Section 469.1812 to 469.1815, as amended, by Independent School District No. 740 (Melrose Area Public Schools), Minnesota (the "District"), for the purposes of financing the construction of and improvements to parking lots at sites in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: June 12, 2025

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2026	$480,000	2029	$520,000	2032	$400,000
2027	450,000	2030	545,000	2033	415,000
2028	495,000	2031	385,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2026 and semiannually thereafter.

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

MINIMUM PROPOSAL: $3,690,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $73,800 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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MELROSE AREA PUBLIC SCHOOLS
SCHOOL BOARD

		Term Expires
Eric Seanger	Board Chair	January 2029
Becky Feldewerd	Vice Chair	January 2027
Josh Thieschaefer	Clerk	January 2029
Mark Heidgerken	Treasurer	January 2027
Melissa Poepping	Member	January 2027
Joe Rosenberger	Member	January 2029
Jason Toenyan	Member	January 2029

ADMINISTRATION

Greg Winter, Superintendent of Schools

Stephanie Uittenbogaard, Finance Manager

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. 740 (Melrose Area Public Schools), Minnesota (the "District") and the issuance of its $3,690,000* General Obligation Tax Abatement 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 May 19, 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 June 12, 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 February 1, 2026, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

The District has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). 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

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

*Preliminary, subject to change.

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 469 and 475, as amended, including Minnesota Statutes, Section 469.1812 to 469.1815, as amended, by the District, for the purposes of financing the construction of and improvements to parking lots at sites in the District.

Per Minnesota Statutes, Chapter 469, as amended, in any year, the total amount of property taxes abated by a political subdivision may not succeed (i) ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (ii) $200,000, whichever is greater.

ESTIMATED SOURCES AND USES*

Sources			
	Par Amount of Bonds	$3,690,000	
	Reoffering Premium	111,416	
	Total Sources		**$3,801,416**
Uses			
	Total Underwriter's Discount (1.200%)	$44,280	
	Costs of Issuance	72,034	
	Deposit to Construction Fund	3,685,102	
	Total Uses		**$3,801,416**

*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 anticipates that the debt service on the Bonds will be paid from abating the District's portion of taxes from specific parcels. Receipt of tax abatement revenues will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

Should the tax abatement revenues and/or ad valorem property taxes pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the District is required to pay maturing principal and interest from moneys on hand in any other fund of the District not pledged for another purpose and/or to levy taxes for this purpose upon all the taxable property in the District, without limitation as to rate or amount.

RATING

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from S&P Global Ratings ("S&P"). S&P has a policy which assigns a rating of "AAA" to issuers participating in the MNCEP. The "AAA" rating is based on the State of Minnesota's current "AAA" rating from S&P. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District currently has an "A+"/Stable outlook underlying rating from S&P and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgement 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 September 23, 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.

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.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, 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 Schlenner Wenner & Co., St. Cloud, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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 and tax abatement revenues) 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 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	2022/23	2023/24	2024/25
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 - 0.25%
Industrial/Commercial/Utility[5]	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%

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

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

3 Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2023/24 Economic Market Value[1] $1,944,472,897[2]

2024/25 Assessor's Estimated Market Value

	Stearns County	Morrison County	Todd County	Total
Real Estate	$1,767,188,100	$770,200	$86,173,900	$1,854,132,200
Personal Property	43,615,000	0	484,600	44,099,600
Total Valuation	$1,810,803,100	$770,200	$86,658,500	$1,898,231,800

2024/25 Net Tax Capacity

	Stearns County	Morrison County	Todd County	Total
Real Estate	$14,677,882	$4,323	$861,829	$15,544,034
Personal Property	863,145	0	9,692	872,837
Net Tax Capacity	$15,541,027	$4,323	$871,521	$16,416,871
Less:				
Captured Tax Increment Tax Capacity[3]	(452,129)	0	0	(452,129)
Power Line Adjustment[4]	(59,203)	0	0	(59,203)
Taxable Net Tax Capacity	$15,029,695	$4,323	$871,521	$15,905,539

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

2 According to the Minnesota Department of Revenue, the 2023/24 Assessor's Estimated Market Value (the "AEMV") for the District was about 91.87% of the actual selling prices of property sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in a 2023/24 Economic Market Value ("EMV") for the District of $1,944,472,897.

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

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.

2024/25 NET TAX CAPACITY BY CLASSIFICATION

	2024/25 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$5,385,819	32.81%
Agricultural	5,769,678	35.14%
Commercial/industrial	2,101,242	12.80%
Public utility	188,280	1.15%
Non-homestead residential	897,782	5.47%
Commercial & residential seasonal/rec.	1,201,233	7.32%
Personal property	872,837	5.32%
Total	$16,416,871	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent Increase/Decrease in Estimated Market Value
2020/21	$1,324,175,600	$1,232,913,516	$11,627,231	$11,131,879	3.46%
2021/22	1,383,682,800	1,292,895,883	12,210,388	11,721,152	4.49%
2022/23	1,575,464,800	1,488,767,554	14,035,243	13,546,649	13.86%
2023/24	1,783,615,700	1,695,698,405	15,736,426	15,239,849	13.21%
2024/25	1,898,231,800	1,795,177,673	16,416,871	15,905,539	6.43%

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1 Net Tax Capacity includes tax increment and power line values.

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

LARGEST TAXPAYERS

Taxpayer	Type of Property	2024/25 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Jennie-O Turkey Store, Inc.	Industrial	$402,936	2.45%
Xcel Energy	Utility	295,286	1.80%
Great River Energy	Utility	274,956	1.67%
Western MN Municipal Power Agency	Utility	128,042	0.78%
Spring Water Acres, LLC	Agricultural	118,837	0.72%
Melrose Dairy Proteins, LLC	Agricultural	114,329	0.70%
Centracare Health System	Commercial	93,986	0.57%
Magnifi Financial Credit Union	Commercial	92,762	0.57%
Allete, Inc.	Utility	90,058	0.55%
Nustar Pipeline Operating Partnership	Transportation Pipeline	80,412	0.49%
Total		$1,691,604	10.30%

District's Total 2024/25 Net Tax Capacity $16,416,871

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Stearns, Morrison and Todd Counties.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by tax abatement revenues and state aids[2] (includes the Bonds)*	$3,690,000
Total G.O. debt secured by taxes and state aids[2]	2,095,000
Total General Obligation Debt*	$5,785,000

*Preliminary, subject to change.

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

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

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. The amount of agricultural credit received in the debt service fund for taxes payable 2024 is approximately 19.49% of total annual debt service levies, based on the District's 2023/24 qualifying agricultural land valuation.

BONDED DEBT LIMIT

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

2023/24 Economic Market Value	$1,944,472,897
Multiply by 15%	0.15
Statutory Debt Limit	$291,670,935
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	(2,095,000)
Unused Debt Limit	$289,575,935

Independent School District No. 740 (Melrose Area Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 06/12/2025)

	Tax Abatement Bonds Series 2025A							
Dated	06/12/2025							
Amount	$3,690,000*							
Maturity	02/01							
Fiscal Year Ending	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2026	480,000	114,723	480,000	114,723	594,723	3,210,000	13.01%	**2026**
2027	450,000	156,350	450,000	156,350	606,350	2,760,000	25.20%	**2027**
2028	495,000	133,850	495,000	133,850	628,850	2,265,000	38.62%	**2028**
2029	520,000	109,100	520,000	109,100	629,100	1,745,000	52.71%	**2029**
2030	545,000	83,100	545,000	83,100	628,100	1,200,000	67.48%	**2030**
2031	385,000	55,850	385,000	55,850	440,850	815,000	77.91%	**2031**
2032	400,000	36,600	400,000	36,600	436,600	415,000	88.75%	**2032**
2033	415,000	16,600	415,000	16,600	431,600	0	100.00%	**2033**
	3,690,000	706,173	3,690,000	706,173	4,396,173			

* Preliminary, subject to change.

Independent School District No. 740 (Melrose Area Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 06/12/2025)

	Capital Facilities Bonds Series 2014A		Facilities Maintenance Bonds Series 2016A							
Dated	05/21/2014		10/19/2016							
Amount	$1,375,000		$3,040,000							
Maturity	02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2026	120,000	14,538	210,000	32,713	330,000	47,250	377,250	1,765,000	15.75%	**2026**
2027	125,000	11,238	215,000	28,513	340,000	39,750	379,750	1,425,000	31.98%	**2027**
2028	130,000	7,800	220,000	24,213	350,000	32,013	382,013	1,075,000	48.69%	**2028**
2029	130,000	3,900	225,000	19,813	355,000	23,713	378,713	720,000	65.63%	**2029**
2030			235,000	15,313	235,000	15,313	250,313	485,000	76.85%	**2030**
2031			240,000	10,613	240,000	10,613	250,613	245,000	88.31%	**2031**
2032			245,000	5,513	245,000	5,513	250,513	0	100.00%	**2032**
	505,000	37,475	1,590,000	136,688	2,095,000	174,163	2,269,163			

OVERLAPPING DEBT[1]

Taxing District	2024/25 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Counties of:				
Morrison	$54,852,653	0.0079%	$9,445,000	$746
Stearns	239,466,641	6.2763%	1,485,000	93,203
Todd	42,998,802	2.0268%	710,000	14,390
Cities of:				
Freeport	950,501	100.0000%	4,217,000	4,217,000
Greenwald	169,598	100.0000%	80,141	80,141
Melrose	3,431,028	100.0000%	1,858,000	1,858,000
District's Share of Total Overlapping Debt				$6,263,480

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value $1,944,472,897	Debt/ Per Capita 8,596[1]
Direct G.O. Debt Secured By:			
Tax Abatement Revenues and State Aids*	$3,690,000		
Taxes and State Aids	2,095,000		
Total General Obligation Debt*	$5,785,000		
Less: Agricultural Credit[2]	(1,127,497)		
Tax Supported General Obligation Debt*	$4,657,503	0.24%	$541.82
District's Share of Total Overlapping Debt	$6,263,480	0.32%	$728.65
Total*	$10,920,983	0.56%	$1,270.47

*Preliminary, subject to change.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[3]	Total Collected Following Year	Collected to Date	% Collected
2020/21	$2,496,998	$2,478,546	$2,496,325	99.97%
2021/22	2,528,792	2,511,583	2,525,747	99.88%
2022/23	2,517,938	2,499,295	2,513,747	99.83%
2023/24	2,551,310	2,528,489	2,528,489	99.11%
2024/25	2,727,267	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[4] Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

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1 Estimated 2023 population.

2 Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 19.49% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is $1,127,497.

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

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

TAX CAPACITY RATES[1]

	2020/21	2021/22	2022/23	2023/24	2024/25
I.S.D. No. 740 (Melrose Area Public Schools)	13.938%	12.392%	10.549%	8.887%	8.908%
Morrison County	53.465%	51.655%	47.424%	42.111%	41.964%
Stearns County	48.602%	48.462%	42.945%	40.103%	40.492%
Todd County	63.488%	63.304%	51.587%	45.078%	43.749%
City of Freeport	74.978%	73.364%	68.510%	69.387%	67.917%
City of Greenwald	32.505%	32.547%	27.380%	24.221%	23.585%
City of Meire Grove	30.751%	29.971%	26.509%	22.824%	23.143%
City of Melrose	59.622%	49.553%	47.647%	44.878%	44.593%
City of New Munich	57.172%	56.070%	48.499%	44.850%	43.811%
City of Spring Hill	33.671%	33.213%	28.230%	25.989%	26.174%
City of St. Rosa	28.057%	28.477%	25.052%	24.037%	24.445%
Town of Millwood[2]	23.232%	21.613%	15.972%	14.923%	14.131%
Morrison County HRA	0.109%	0.104%	0.090%	0.134%	0.128%
North Fork/Crow River Watershed District	2.294%	1.840%	1.552%	1.493%	1.358%
Region 5 Dev Comm.	0.127%	0.123%	0.109%	0.084%	0.084%
Regional Rail Authority	0.039%	0.028%	0.025%	0.050%	0.052%
Rural Dev Fin Auth	0.246%	0.246%	0.213%	0.192%	0.182%
Sauk Watershed District (portion applicable to Stearns County)	0.960%	1.053%	0.983%	0.909%	0.758%
Sauk Watershed District (portion applicable to Todd County)	0.931%	1.038%	0.923%	0.847%	0.750%
Stearns County HRA	0.329%	0.316%	0.275%	0.261%	0.374%
Referendum Market Value Rates:					
I.S.D. No. 740 (Melrose Area Public Schools)	0.16209%	0.17154%	0.15300%	0.15063%	0.15689%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Stearns, Morrison and Todd Counties.

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

2 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 214, including 110 non-licensed employees and 104 licensed employees (96 of whom are teachers). The District provides education for 1,266 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Melrose Federation of Teachers AFL CIO Local 1284	June 30, 2025
Melrose Education Paraprofessionals AFL CIO Local 7166	June 30, 2024
International Union of Operating Engineers Local No. 70	June 30, 2026

Status of Contract

The contract that expired on June 30, 2024 is currently in negotiations.

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Audited Financial Statements (Audit) shows a total OPEB liability of $1,917,104 as of June 30, 2024. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent Audit.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2020/21	73	470	718	1,261
2021/22	71	448	751	1,270
2022/23	88	438	736	1,262
2023/24	85	461	734	1,280
2024/25	68	473	725	1,266

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2025/26	65	477	718	1,260
2026/27	75	477	698	1,250
2027/28	72	465	682	1,219

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Melrose Elementary/Middle/High School	1969	1984, 1994, 1996, 1998, 2002

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

FUNDS ON HAND (as of March 31, 2025)

Fund	Total Cash and Investments
General	$4,731,190
Food Service	914,466
Community Service	504,278
Debt Service	40,024
Building/Construction	(236,084)
Trust & Agency	7,895
Internal Service	152,067
Total Funds on Hand	$6,113,836

SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues, 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 JUNE 30				
	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2024-25 Revised Budget
Revenues					
Local property taxes	$1,807,602	$1,707,734	$1,724,522	$1,791,664	$1,944,912
Other local and county revenues	399,339	601,680	781,824	1,123,215	764,119
Revenue from state sources	13,217,360	13,358,866	13,624,776	15,519,030	16,321,303
Revenue from federal sources	1,061,518	1,515,902	1,514,671	437,508	395,998
Sales and other conversion of assets	56,364	167,877	200,988	162,011	189,609
Total Revenues	$16,542,183	$17,352,059	$17,846,781	$19,033,428	$19,615,941
Expenditures					
Current:					
Administration	$995,337	$1,006,157	$1,022,339	$1,048,745	$1,084,554
District support services	425,655	476,027	500,204	488,456	467,732
Elementary and secondary regular instruction	7,216,534	7,765,282	8,272,803	8,864,171	9,186,472
Vocational education instruction	281,382	313,991	183,081	238,544	224,249
Special education instruction	2,675,704	2,981,918	3,107,432	3,365,257	3,649,992
Instructional support services	1,038,066	1,383,578	1,101,089	743,148	843,184
Pupil support services	1,489,550	1,528,182	1,567,138	1,584,133	1,749,806
Sites and buildings	1,407,240	1,423,904	1,692,442	1,576,798	1,951,509
Fiscal and other fixed cost programs	73,784	87,411	134,623	128,339	150,003
Debt service	281,534	324,791	46,745	46,744	0
Capital outlay	543,537	425,124	237,577	455,139	259,526
Total Expenditures	$16,428,323	$17,716,365	$17,865,473	$18,539,474	$19,567,027
Excess of revenues over (under) expenditures	$113,860	($364,306)	($18,692)	$493,954	$48,914
Other Financing Sources (Uses)					
Proceeds from leases	$0	$198,414	$16,210	$0	0
Proceeds from the sale of equipment	0	10,001	1,400	0	0
Insurance proceeds	0	30,497	638	0	0
Transfers in (out)	0	0	0	0	0
Total Other Financing Sources (Uses)	0	238,912	18,248	0	0
Net changes in Fund Balances	$113,860	($125,394)	($444)	$493,954	$48,914
General Fund Balance July 1	$4,527,720	$4,641,580	$4,516,186	$4,515,742	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	$4,641,580	$4,516,186	$4,515,742	$5,009,696	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$126,345	$15,261	$26,585	$38,924	
Restricted	712,667	1,016,081	1,153,807	1,486,534	
Assigned	104,939	89,249	93,245	111,584	
Unassigned	3,697,629	3,395,595	3,242,105	3,372,654	
Total	$4,641,580	$4,516,186	$4,515,742	$5,009,696	

[1] The 2024-25 budget was revised on January 27, 2025.

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 8,596 and a 2023 population estimate of 8,596, and comprising an area of 223 square miles, is located approximately 110 miles northwest of St. Paul, Minnesota.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Jennie-O Turkey Store	Turkey processing	650
Arvig Communication Systems	Computers-Service & Repair	400
CentraCare Health System Melrose	Hospital, nursing home and clinic	280
I.S.D. No. 740 (Melrose Public Schools)	Elementary and secondary education	214
Land O' Lakes, Inc.	Cheese shop and manufacturer	177
Central Minnesota Credit Union	Banking and financial services	65
Leedstone, Inc.	Veterinary equipment and supplies	65
Stearns Electric Association	Electric utility	60
Coborn's	Grocery store	50
Melrose Metalworks, Inc.	Machine shops	47

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

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	8,817
2020 U.S. Census population	8,596
Percent of Change 2010 - 2020	-2.51%
2023 State Demographer Estimate	8,596

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

Income and Age Statistics

	The District	Stearns County	State of Minnesota	United States
2023 per capita income	$38,450	$37,806	$46,957	$43,289
2023 median household income	$75,841	$76,447	$87,556	$78,538
2023 median family income	$95,417	$95,813	$111,492	$96,922
2023 median gross rent	$997	$1,057	$1,235	$1,348
2023 median value owner occupied units	$231,700	$256,500	$305,500	$303,400
2023 median age	39.0 yrs.	35.0 yrs.	38.6 yrs.	38.7 yrs.

	State of Minnesota	United States
District % of 2023 per capita income	81.88%	88.82%
District % of 2023 median family income	85.58%	98.45%

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	Stearns County	Stearns County	State of Minnesota
2021	81,705	4.0%	3.7%
2022	83,411	2.6%	2.5%
2023	84,280	2.9%	2.8%
2024	85,267	3.0%	3.0%
2025, March	85,240	4.1%	3.9%

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 change in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

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

Independent School District No. 740

Melrose, Minnesota

Audited Financial Statements

For the Year Ended June 30, 2024

SCHLENNER WENNER & CO.
CPAs

INDEPENDENT SCHOOL DISTRICT NO. 740
MELROSE, MINNESOTA
TABLE OF CONTENTS

INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 740
BOARD OF EDUCATION AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2024

BOARD OF EDUCATION

Name	Title	Term Expires
Pat Heller	Chairperson	December 31, 2024
Randy Dufner	Vice-Chairperson	December 31, 2024
Mark Heidgerken	Treasurer	December 31, 2026
Becky Feldewerd	Clerk	December 31, 2026
Melissa Poepping	Director	December 31, 2026
Eric Seanger	Director	December 31, 2024
Lee Uphoff	Director	December 31, 2024

ADMINISTRATION

Name	Title
Greg Winter	Superintendent
Stephanie Uittenbogaard	Business Manager
Chad Doetkott	Principal – Grades 9-12
Robert Anderson	Principal – Grades 6-8
Terryl Pearson	Principal – Grades K-5

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 740
Melrose, 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. 740, Melrose, Minnesota (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 Independent School District No. 740, Melrose, Minnesota, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows 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.

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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedule of Changes in District's Net OPEB Liability, Schedule of District OPEB Contributions, Schedule of District's Proportionate Share of Net Pension Liability, and Schedule of District Pension Contributions 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Independent School District No. 740's basic financial statements. The introductory section, combining nonmajor governmental funds financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental funds financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental funds financial statements, Uniform Financial Accounting and Reporting Standards Compliance Table, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2024, on our consideration of Independent School District No. 740's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 740's internal control over financial reporting and compliance.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
November 22, 2024

REQUIRED SUPPLEMENTARY INFORMATION

As management of Independent School District No. 740 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $8,043,953 (net position). The unrestricted portion of net position is negative $8,558,088.

- The District's total net position increased $1,947,640 as a result of current year operations.

- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $6,428,130, an increase of $867,576 in comparison with the prior year. Approximately 46 percent of this amount, $2,975,672, is available for spending at the District's discretion.

- At the end of the current fiscal year, unassigned fund balance for the General Fund is $3,372,654, or 18 percent of total General Fund expenditures.

- The District's total debt decreased by $1,018,614 (24 percent) in the current fiscal year, excluding the change in the net OPEB and net pension liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain, are summarized in the following table. The remainder of the overview section of the Management Discussion and Analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

	Government-Wide	Fund Financial Statements		
		Governmental Funds	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as regular instruction, support services, special education, building maintenance, food service, and community service	Activities the District operates similar to private businesses: Internal Service Funds	Activities for which the District is a fiscal agent.
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses, and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability/deferred outflow/deferred inflow information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; deferred inflows of resources recorded to defer unavailable assets; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term
Type of outflow/inflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All revenue and expenses during the year, regardless of when cash is received or paid

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

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include administration, district support services, regular instruction, vocational instruction, exceptional instruction, community education and services, instructional support services, pupil support services, sites and buildings, fiscal and other fixed cost programs, interest and other fiscal charges, and unallocated depreciation. The District currently does not report any business-type activities.

The government-wide financial statements start on page 21 of this report.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two individual major governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Debt Service Fund, both of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements start on page 23 of this report.

Proprietary Funds

The District maintains one type of proprietary fund. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses Internal Service Funds to account for the financing of dental insurance claims provided to the governmental funds on a cost reimbursement basis. Because these services benefit the governmental functions, they have been included within the *governmental activities* in the government-wide financial statements. The accounting used for proprietary funds is much like that used in the government-wide financial statements.

The basic proprietary fund financial statements start on page 27 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used in the district-wide financial statements.

The basic fiduciary fund financial statements start on page 30 of this report.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 32 of this report.

Supplementary Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplementary information. Combining fund statements start on page 76 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, for a net balance of $8,043,953 at the close of the most recent fiscal year.

A significant portion of the District's net position reflects its investment in capital assets (e.g., land, land improvements, buildings and improvements, equipment, and leased equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position
Table 1

	Governmental Activities		
	2024	2023	Increase (Decrease)
Assets			
Current and Other Assets	$ 11,118,638	$ 10,042,750	$ 1,075,888
Capital Assets	16,436,055	17,272,439	(836,384)
Total Assets	27,554,693	27,315,189	239,504
Deferred Outflows of Resources	2,937,310	3,980,654	(1,043,344)
Liabilities			
Current and Other Liabilities	1,932,322	1,777,195	155,127
Noncurrent Liabilities	16,726,234	18,443,082	(1,716,848)
Total Liabilities	18,658,556	20,220,277	(1,561,721)
Deferred Inflows of Resources	3,789,494	4,979,253	(1,189,759)
Net Position			
Net Investment in Capital Assets	13,214,697	13,025,872	188,825
Restricted	3,387,344	2,539,103	848,241
Unrestricted	(8,558,088)	(9,468,662)	910,574
Total Net Position	$ 8,043,953	$ 6,096,313	$ 1,947,640

An additional portion of the District's net position ($3,387,344) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is negative $8,558,088 at year end.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position
The District's net position increased $1,947,640 during the most recent fiscal year. Key elements of this increase are as follows:

Changes in Net Position
Table 2

	Governmental Activities		
	2024	2023	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services	$ 1,219,112	$ 1,312,900	$ (93,788)
Operating Grants and Contributions	4,856,984	4,567,327	289,657
Capital Grants and Contributions	236,513	220,855	15,658
General Revenues			
Property Taxes	2,605,578	2,665,800	(60,222)
State Aid Not Restricted to Specific Programs	12,715,840	11,557,309	1,158,531
Earnings (Loss) on Investments	283,951	153,707	130,244
Gifts and Donations	49,106	64,440	(15,334)
Gain (Loss) on Sale of Assets	-	2,900	(2,900)
Insurance Proceeds	-	638	(638)
Miscellaneous	559,219	474,082	85,137
Total Revenues	22,526,303	21,019,958	1,506,345
Expenses			
Administration	1,006,150	877,439	128,711
District Support Services	584,953	611,189	(26,236)
Regular Instruction	8,354,397	6,732,678	1,621,719
Vocational Instruction	230,205	143,253	86,952
Exceptional Instruction	3,260,255	2,703,951	556,304
Community Education and Services	768,434	661,048	107,386
Instructional Support Services	784,747	1,096,112	(311,365)
Pupil Support Services	2,673,650	2,545,929	127,721
Sites and Buildings	2,340,987	2,497,570	(156,583)
Fiscal and Other Fixed Cost Programs	128,339	134,623	(6,284)
Interest and Other Fiscal Charges	74,037	89,744	(15,707)
Unallocated Depreciation	372,509	379,315	(6,806)
Total Expenses	20,578,663	18,472,851	2,105,812
Change in Net Position	1,947,640	2,547,107	(599,467)
Net Position - Beginning of Year	6,096,313	3,549,206	2,547,107
Net Position - End of Year	$ 8,043,953	$ 6,096,313	$ 1,947,640

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Some significant items to note include the following:

- The current year increase in net position was $1,947,640, compared to an increase of $2,547,107 in the prior year. This is a result of a 7.2 percent increase in revenues and a 11.4 percent increase in expenses during fiscal year 2024.
- State Aid Not Restricted to Specific Programs increased $1,158,531. State Aid is subject to fluctuation based on the number of pupils served by the District and changes in State legislation.
- Operating Grants and Contributions increased $289,657, primarily due to additional State Aid for student meals and an increase in special education expenditures that resulted in additional aid.
- Expenses related to Regular Instruction increased $1,621,719, primarily due to current year pension activity.

Total and Net Cost of Governmental Activities

The net cost of governmental activities is their total costs less program revenues applicable to each category. The following table presents these total and net costs.

Total and Net Costs of Services
Table 3

	Total Cost of Services			Net Cost of Services		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Administration	$ 1,006,150	$ 877,439	$ 128,711	$ 1,006,150	$ 877,439	$ 128,711
District Support Services	584,953	611,189	(26,236)	584,953	611,189	(26,236)
Regular Instruction	8,354,397	6,732,678	1,621,719	7,556,028	6,140,051	1,415,977
Vocational Instruction	230,205	143,253	86,952	216,222	134,975	81,247
Exceptional Instruction	3,260,255	2,703,951	556,304	519,706	528,700	(8,994)
Community Education and Services	768,434	661,048	107,386	135,637	9,048	126,589
Instructional Support Services	784,747	1,096,112	(311,365)	740,292	97,382	642,910
Pupil Support Services	2,673,650	2,545,929	127,721	1,000,050	1,229,344	(229,294)
Sites and Buildings	2,340,987	2,497,570	(156,583)	1,932,131	2,139,959	(207,828)
Fiscal and Other Fixed Cost Programs	128,339	134,623	(6,284)	128,339	134,623	(6,284)
Interest and Other Fiscal Charges	74,037	89,744	(15,707)	74,037	89,744	(15,707)
Unallocated Depreciation	372,509	379,315	(6,806)	372,509	379,315	(6,806)
Totals	$ 20,578,663	$ 18,472,851	$ 2,105,812	$ 14,266,054	$ 12,371,769	$ 1,894,285

Some significant items to note include the following:

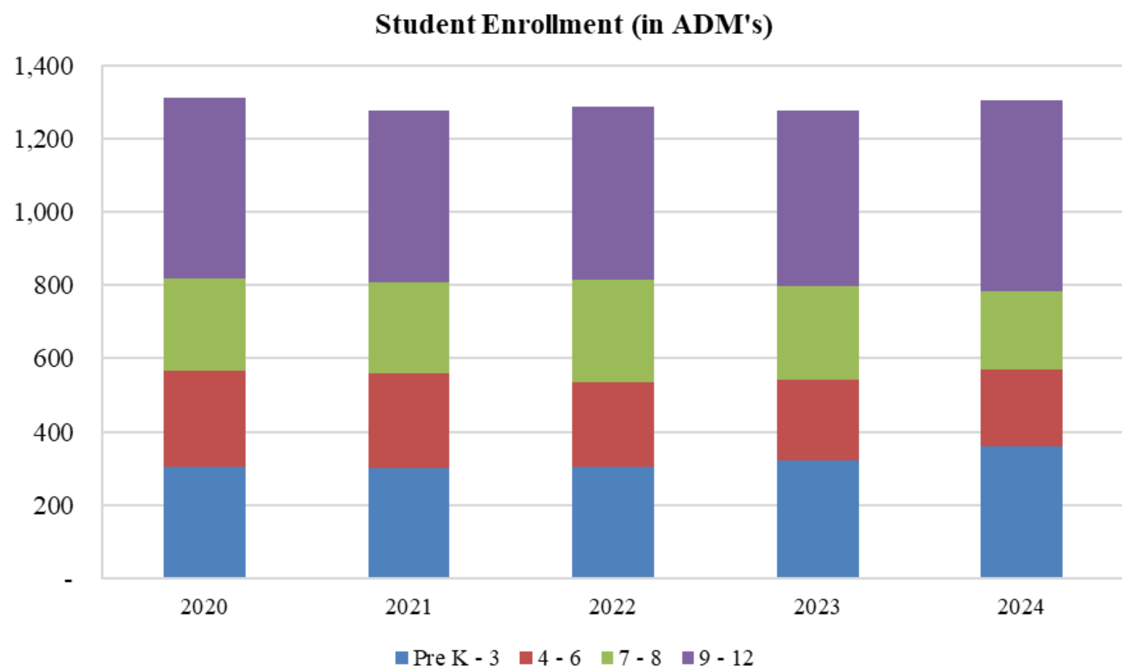
- The net costs of Regular Instruction increased $1,415,977 (23.1 percent), primarily due to matters discussed in the previous section.
- The net costs of Instructional Support Services increased $642,910 (660.2 percent), primarily due to the District receiving Federal Aid from the Education Stabilization Fund to cover Instructional Support costs in the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The majority of the financial aid received by the District is determined based on the number of students enrolled during the year. Therefore, fluctuations in enrollment have a significant impact on the financial health of the District. The following graphs show the trend in student enrollment counts over the past five years:

Student Enrollment (Average Daily Membership)

	2020	2021	2022	2023	2024
Pre K - 3	303	299	304	320	360
4 - 6	264	260	230	221	211
7 - 8	250	249	280	258	211
9 - 12	493	469	472	478	523
Total Student for Aid	1,310	1,277	1,286	1,277	1,305
Percentage Change	-1.80%	-2.52%	0.70%	-0.70%	2.19%



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

Governmental Funds

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

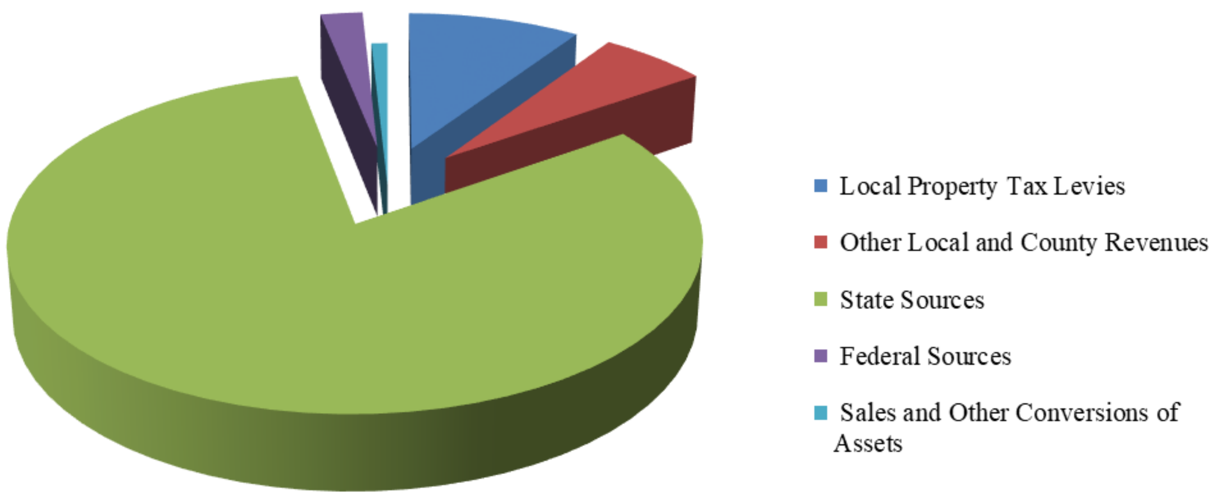
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $6,428,130, an increase of $867,576 in comparison with the prior year. The following is a summary of the District's major funds:

	Fund Balance June 30,		
Major Funds	2024	2023	Increase (Decrease)
General	$ 5,009,696	$ 4,515,742	$ 493,954

The fund balance of the General Fund increased by $493,954 (10.94 percent). Revenues increased approximately 6.65 percent from the prior year, while expenditures increased approximately 3.77 percent.

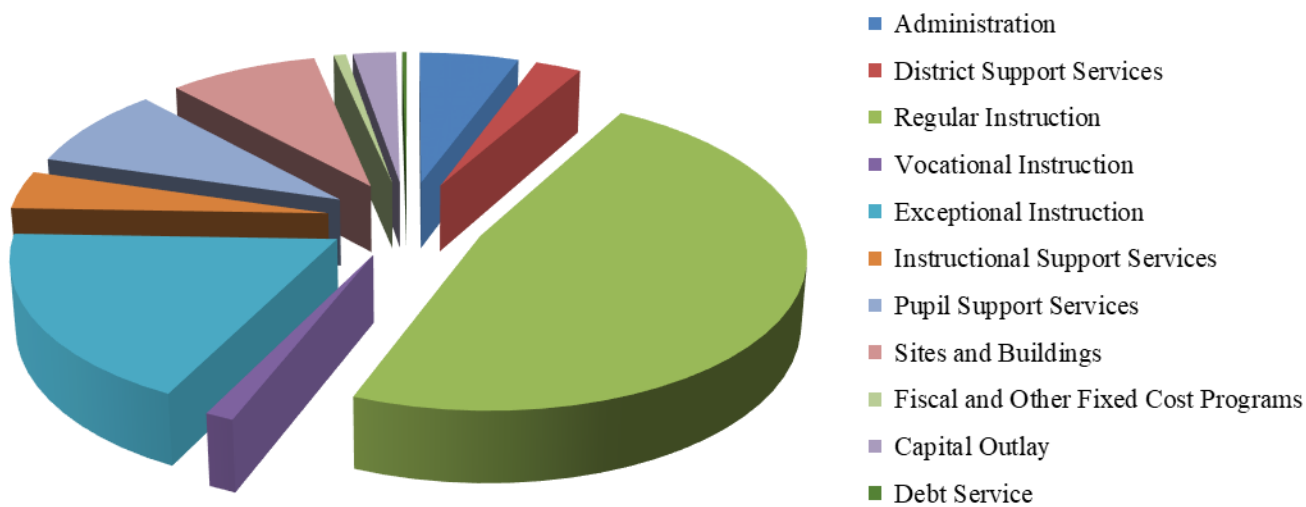
General Fund Revenues



The District receives the vast majority of its funding in the General Fund from the State of Minnesota (82 percent), which is subject to fluctuation based on the number of pupils served by the District and changes in State legislation. In addition, the District receives approximately 9 percent of its General Fund revenues from local property tax levies and 6 percent from Other Local and County Sources.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund Expenditures



A significant portion of the District's General Fund expenditures are used for regular, vocational, and exceptional instruction (67 percent). Expenditures for various support services total 15 percent, and the remaining 18 percent consists of expenditures for administration, sites and buildings, and other items.

Major Funds	Fund Balance June 30, 2024	Fund Balance June 30, 2023	Increase (Decrease)
Debt Service	$ 123,873	$ 206,412	$ (82,539)

The Debt Service Fund balance decreased $82,539 (39.99 percent) during the year. The primary reason for the decrease was payments made on outstanding debt were in excess of levied property tax revenues and state aid recognized during the year.

Proprietary Funds
The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Internal Service Fund at the end of the year amounts to $155,868. This is an increase of $19,927.

General Fund Budgetary Highlights
The District's General Fund budget was amended during the year. The revenues budget, including other financing sources, was increased by $800,715, and the expenditures budget was changed in several functions for an overall increase of $454,244 from original to final. The final budget called for expenditures of $18,432,992 and an increase in fund balance of $330,396. Actual revenues recognized during the year were more than those budgeted amounts by $270,040. Expenditures exceeded budgeted amounts by $106,482.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2024, amounts to $16,436,055 (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, equipment, and leased equipment. The total decrease in the District's investment in capital assets for the current fiscal year was approximately 4.84 percent.

Major capital asset events during the current fiscal year included the following:

- The District had various additions, including the purchase of two vehicles, new windows, and athletic equipment.
- The District finished the ALC Remodel project and capitalized the project.

Capital Assets Net of Depreciation and Amortization
Table 4

	Governmental Activities		
	2024	2023	Increase (Decrease)
Land	$ 97,449	$ 97,449	$ -
Construction in Progress	-	54,837	(54,837)
Land Improvements	372,298	341,434	30,864
Buildings and Improvements	15,021,720	15,775,490	(753,770)
Equipment	855,497	871,213	(15,716)
Leased Equipment	89,091	132,016	(42,925)
Total	$ 16,436,055	$ 17,272,439	$ (836,384)

Additional information on the District's capital assets can be found in Note 2.B. on page 42 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $3,259,585, excluding the District's long-term net OPEB liability of $1,917,104 and net pension liability of $11,549,545. A summary of long-term debt activity for the year ended June 30, 2024 follows:

Long-Term Debt
Table 5

	Governmental Activities		
	2024	2023	Increase (Decrease)
General Obligation Bonds	$ 3,080,000	$ 4,055,000	$ (975,000)
Unamortized Bond Premium	47,877	55,301	(7,424)
Lease Liabilities	93,481	136,266	(42,785)
Compensated Absences Payable	38,227	31,632	6,595
Total	$ 3,259,585	$ 4,278,199	$ (1,018,614)

The District's total debt decreased by $1,018,614 (24 percent) during the current fiscal year. Additional information on the District's long-term debt can be found in Note 2.C. on page 43 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's appointed and elected officials considered many factors when setting the fiscal year 2025 budget. These factors included the following:

- The District is expecting a slight increase in enrollment in the next couple of years.
- Budgets included normal inflationary increases in salaries and expenditures based on District growth in enrollment and student needs.
- All bargaining units will be involved in their respective negotiating cycles.

REQUESTS FOR INFORMATION

This financial report 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, please contact the District's business office at: Independent School District No. 740, 546 5th Avenue NE, Melrose, MN 56352.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 740
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Cash and Temporary Investments	$ 7,415,194
Restricted Cash and Investments	375
Property Taxes Receivable	1,388,082
Accounts Receivable	14,952
Due from Other Minnesota School Districts	95,522
Due from Minnesota Department of Education	1,952,349
Due from Federal Government through Minnesota Department of Education	167,486
Due from Federal Government Received Directly	12,323
Due from Other Governments	(1,716)
Inventory	45,460
Prepaids	28,611
Capital Assets not Being Depreciated or Amortized	97,449
Capital Assets Being Depreciated or Amortized (Net)	16,338,606
TOTAL ASSETS	27,554,693
DEFERRED OUTFLOWS OF RESOURCES	
OPEB	299,558
Pensions	2,637,752
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,937,310
LIABILITIES	
Accounts Payable	260,368
Due to Other Governments	407
Salaries Payable	756,151
Payroll Deductions and Employer Contributions	829,449
Accrued Interest Payable	26,190
Unearned Revenue	59,757
Noncurrent Liabilities:	
Amount Due Within One Year	1,029,262
Amount Due After One Year	2,230,323
Net OPEB Liability	1,917,104
Net Pension Liability	11,549,545
TOTAL LIABILITIES	18,658,556
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Years	2,593,497
OPEB	264,978
Pensions	931,019
TOTAL DEFERRED INFLOWS OF RESOURCES	3,789,494
NET POSITION	
Net Investment in Capital Assets	13,214,697
Restricted:	
General Fund Operating Capital	240,660
General Fund State-Mandated Restrictions	1,245,874
Debt Service	97,683
Food Service	879,066
Community Service	924,061
Unrestricted	(8,558,088)
TOTAL NET POSITION	$ 8,043,953

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 740
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense)/ Revenue
Governmental Activities:					
Administration	$ 1,006,150	$ -	$ -	$ -	$ (1,006,150)
District Support Services	584,953	-	-	-	(584,953)
Regular Instruction	8,354,397	250,409	547,960	-	(7,556,028)
Vocational Instruction	230,205	1,693	12,290	-	(216,222)
Exceptional Instruction	3,260,255	157,708	2,582,841	-	(519,706)
Community Education and Services	768,434	458,406	174,391	-	(135,637)
Instructional Support Services	784,747	2,727	41,728	-	(740,292)
Pupil Support Services	2,673,650	175,826	1,497,774	-	(1,000,050)
Sites and Buildings	2,340,987	172,343	-	236,513	(1,932,131)
Fiscal and Other Fixed Cost Programs	128,339	-	-	-	(128,339)
Interest and Other Fiscal Charges	74,037	-	-	-	(74,037)
Unallocated Depreciation	372,509	-	-	-	(372,509)
Total Governmental Activities	$ 20,578,663	$ 1,219,112	$ 4,856,984	$ 236,513	(14,266,054)
General Revenues:					
Property Taxes					2,605,578
State Aid Not Restricted to Specific Programs					12,715,840
Earnings (Loss) on Investments					283,951
Gifts and Donations					49,106
Miscellaneous					559,219
Total General Revenues					16,213,694
CHANGE IN NET POSITION					1,947,640
NET POSITION - BEGINNING OF YEAR					6,096,313
NET POSITION - END OF YEAR					$ 8,043,953

INDEPENDENT SCHOOL DISTRICT NO. 740
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2024

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Temporary Investments	$ 5,376,435	$ 411,456	$ 1,471,435	$ 7,259,326
Restricted Cash and Investments	-	375	-	375
Property Taxes Receivable:				
Current	868,638	433,955	50,478	1,353,071
Delinquent	22,476	11,229	1,306	35,011
Accounts Receivable	7,690	-	7,262	14,952
Due from Other Minnesota School Districts	95,192	-	330	95,522
Due from Minnesota Department of Education	1,886,178	41,800	24,371	1,952,349
Due from Federal Government through Minnesota Department of Education	161,473	-	6,013	167,486
Due from Federal Government Received Directly	12,323	-	-	12,323
Due from Other Governments	(1,716)	-	-	(1,716)
Inventory	10,313	-	35,147	45,460
Prepaids	28,611	-	-	28,611
TOTAL ASSETS	$ 8,467,613	$ 898,815	$ 1,596,342	$ 10,962,770
LIABILITIES				
Accounts Payable	$ 256,909	$ -	$ 3,459	$ 260,368
Due to Other Governments	(19)	-	426	407
Salaries Payable	700,262	-	55,889	756,151
Payroll Deductions and Employer Contributions	757,457	-	71,992	829,449
Unearned Revenue	-	-	59,757	59,757
Total Liabilities	1,714,609	-	191,523	1,906,132
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue:				
Delinquent Property Taxes	22,476	11,229	1,306	35,011
Property Taxes Levied for Subsequent Years	1,720,832	763,713	108,952	2,593,497
Total Deferred Inflows of Resources	1,743,308	774,942	110,258	2,628,508
FUND BALANCES				
Nonspendable	38,924	-	35,147	74,071
Restricted	1,486,534	123,873	1,767,980	3,378,387
Assigned	111,584	-	-	111,584
Unassigned	3,372,654	-	(508,566)	2,864,088
Total Fund Balances	5,009,696	123,873	1,294,561	6,428,130
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 8,467,613	$ 898,815	$ 1,596,342	$ 10,962,770

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 740
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total Fund Balances - Governmental Funds		$ 6,428,130
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:		
Capital Assets	$ 39,700,210	
Accumulated Depreciation and Amortization	(23,264,155)	
Capital Assets (Net)		16,436,055
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:		
Bond Principal Payable	(3,080,000)	
Bond Premium, Net of Accumulated Amortization	(47,877)	
Lease Liabilities	(93,481)	
Compensated Absences Payable	(38,227)	
		(3,259,585)
Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:		(26,190)
The net OPEB liability represents the present value of projected unfunded future postemployment benefits other than pensions, as determined by an actuary as of the most recent measurement date. Such liability and related balances do not represent the impending use of current financial resources and, therefore, are not reported in the governmental funds:		
Net OPEB Liability	(1,917,104)	
Deferred Outflows - OPEB	299,558	
Deferred Inflows - OPEB	(264,978)	
		(1,882,524)
The net pension liability and related deferred outflows/inflows represent the allocation of the pension obligations of the statewide plans to the District. Such balances are not reported in the governmental funds:		
Net Pension Liability	(11,549,545)	
Deferred Outflows - Pensions	2,637,752	
Deferred Inflows - Pensions	(931,019)	
		(9,842,812)
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds:		35,011
Internal Service funds are used by management to manage dental insurance claims. The net position of these funds is reported in the governmental activities in the Statement of Activities, but is not reported in the governmental funds:		155,868
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 8,043,953

INDEPENDENT SCHOOL DISTRICT NO. 740
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Local Property Tax Levies	$ 1,791,664	$ 530,277	$ 278,783	$ 2,600,724
Other Local and County Revenues	1,123,215	25,973	518,341	1,667,529
State Sources	15,519,030	420,162	757,711	16,696,903
Federal Sources	437,508	-	580,913	1,018,421
Sales and Other Conversions of Assets	162,011	-	175,826	337,837
TOTAL REVENUES	19,033,428	976,412	2,311,574	22,321,414
EXPENDITURES				
Current:				
Administration	1,048,745	-	-	1,048,745
District Support Services	488,456	-	-	488,456
Regular Instruction	8,864,171	-	-	8,864,171
Vocational Instruction	238,544	-	-	238,544
Exceptional Instruction	3,365,257	-	-	3,365,257
Community Education and Services	-	-	791,555	791,555
Instructional Support Services	743,148	-	-	743,148
Pupil Support Services	1,584,133	-	1,063,858	2,647,991
Sites and Buildings	1,576,798	-	-	1,576,798
Fiscal and Other Fixed Cost Programs	128,339	-	-	128,339
Capital Outlay	455,139	-	-	455,139
Debt Service:				
Principal	42,785	975,000	-	1,017,785
Interest and Other Charges	3,959	83,951	-	87,910
TOTAL EXPENDITURES	18,539,474	1,058,951	1,855,413	21,453,838
NET CHANGE IN FUND BALANCES	493,954	(82,539)	456,161	867,576
FUND BALANCES - BEGINNING	4,515,742	206,412	838,400	5,560,554
FUND BALANCES - ENDING	$ 5,009,696	$ 123,873	$ 1,294,561	$ 6,428,130

INDEPENDENT SCHOOL DISTRICT NO. 740
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

Net Change in Fund Balances - Governmental Funds		$ 867,576
Amounts reported for governmental activities in the Statement of Activities are different due to the following:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation and amortization expense:		
Capital Outlay Capitalized	$ 413,340	
Depreciation and Amortization Expense	(1,249,724)	
		(836,384)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long-term debt and related items:		
Bond Principal Repayments	975,000	
Amortization of Bond Premium	7,424	
Lease Liabilities Principal Repayments	42,785	
		1,025,209
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:		6,449
Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues in the governmental funds and are instead reported as deferred tax inflows. They are, however, recorded as revenues in the Statement of Activities:		4,854
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Compensated Absences Payable		(6,595)
Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:		
Net OPEB Liability and Deferred Outflows/Inflows of Resources	65,524	
Net Pension Liability and Deferred Outflows/Inflows of Resources	801,080	
		866,604
Internal Service funds are used by management to manage dental insurance claims. The net revenue (expense) of these funds is reported in the governmental activities in the Statement of Net Position but is not reported in the governmental funds:		19,927
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 1,947,640

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 740
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2024

	Internal Service Fund
ASSETS	
Cash and Temporary Investments	$ 155,868
NET POSITION	
Unrestricted	$ 155,868

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 740
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Internal Service Fund
OPERATING REVENUES	
Employee Contributions	$ 99,550
OPERATING EXPENSES	
Benefit Payments	86,095
NET OPERATING INCOME	13,455
NONOPERATING INCOME	
Interest Income	6,472
CHANGE IN NET POSITION	19,927
NET POSITION - BEGINNING	135,941
NET POSITION - ENDING	$ 155,868

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 740
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Employee Contributions	$ 99,550
Benefit Payments	(86,095)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	13,455
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	6,472
Net Change in Cash and Temporary Investments	19,927
Cash and Temporary Investments - Beginning of Year	135,941
Cash and Temporary Investments - End of Year	$ 155,868

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 740
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2024

	Custodial Fund
	Scholarship Fund
ASSETS	
Cash	$ 19,145
Investments	25,225
TOTAL ASSETS	44,370
LIABILITIES	
Accounts Payable	2,950
FIDUCIARY NET POSITION	
Restricted for Scholarships	$ 41,420

INDEPENDENT SCHOOL DISTRICT NO. 740
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Custodial Fund
	Scholarship Fund
ADDITIONS	
Investment Income (Loss)	$ 591
Donations	23,291
TOTAL ADDITIONS	23,882
DEDUCTIONS	
Scholarships Awarded	16,760
CHANGE IN FIDUCIARY NET POSITION	7,122
FIDUCIARY NET POSITION - BEGINNING	34,298
FIDUCIARY NET POSITION - ENDING	$ 41,420

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. FINANCIAL REPORTING ENTITY

Independent School District No. 740 (the District) is an educational entity established by the State of Minnesota. The government of the District is directed by an elected seven-member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the District. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on these criteria, there are currently no entities considered to be component units of the District.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. However, the Board does have administrative control over student activity funds, as well as responsibility for establishing broad policies and ensuring that appropriate financial records are maintained for student activities. Accordingly, the student activity accounts are included in the basic financial statements as part of the General Fund.

Joint Ventures

West Central Education District

The West Central Education District (WCED) is a consortium of four school districts collaborating to provide certain low incidence and at-risk services that would likely be difficult to obtain on an individual basis. Through a Joint Powers agreement executed by the districts of Albany, Melrose, Paynesville, and Sauk Centre, the WCED uses a combination of local, state, and federal funding to provide teachers, specialists, administrative assistance, and support personnel. In addition, collaborative funding is used to ensure access to joint staff development opportunities and various data management systems.

During the year ended June 30, 2024, the District incurred expenditures of $629,425 for services rendered by the WCED, of which $147,348 was still due from the District at year-end. Additionally, the District recognized revenues for flow-through Federal aids, rent, and cost reimbursements from the WCED in the amount of $448,456, of which $81,463 was still due to the District at year-end.

1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. For the most part, interfund activities have been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of Independent School District No. 740 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accountin*g, as are the fiduciary fund and proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are classified by function for governmental activities.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character	Current (further classified by function)
	Capital Outlay
	Debt Service

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

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

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

The District reports the following major governmental funds:

The G*eneral Fund* is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The District reports the following nonmajor governmental funds:

The *Food Service Fund* accounts for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for food service.

The *Community Service Fund* accounts for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for community service.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The District reports the following proprietary fund:

The *Internal Service Fund* accounts for financing of dental insurance claims provided to the governmental funds on a cost reimbursement basis.

The District reports the following fiduciary fund:

The *Scholarship Fund* is used to account for resources received and held by the District to be used as scholarship awards.

1.D BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. The appropriated budget is prepared by fund, function, and department. Independent School District No. 740's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the District because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

1.E. 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 of assets, deferred outflows, liabilities, and deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Deposits and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable participation by each of the funds. Temporary cash investments are stated at cost which approximates fair value. Investments in external investment pools are valued at the pool's share price.

For purpose of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

See Note 2.A. for additional information related to Deposits and Investments.

Property Taxes Receivable

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

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.

Property tax levies are certified to the County 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 an enforceable lien on property on the following January 1. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

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 deferred in the fund financial statements because it is not known to be available to finance the operation of the District in the current year. For government-wide financial statements, no allowance for uncollectible taxes is considered necessary.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary.

Due from Other Governments

Amounts due from the Minnesota Department of Education, from the Federal government through the Department of Education and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution and may result in differing amounts actually being received. Any such differences will be absorbed into operations as of the subsequent period.

Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the Federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

Prepaids

Prepaid expenditures/expenses consist of amounts paid during the year ended June 30, 2024 which will benefit future periods. Included in this amount are supplies purchased for use in subsequent periods and insurance premiums applicable to future accounting periods.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. The system for accumulation of fixed asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Capital assets are recorded in the district-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated or amortized using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation and amortization purposes. Useful lives vary from twenty to fifty years for land improvements and buildings, five to fifteen years for equipment, and five years for leased equipment.

Capital assets not being depreciated or amortized include land and construction in progress, if any.

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

Accrued Payroll Liabilities

Salaries pertaining to the school year ended June 30, 2024, which are payable in July and August 2024, are accrued as of June 30, 2024, and are shown as a liability on the accompanying financial statements. Liabilities for payroll taxes, amounts withheld from payroll checks and benefits accrued are also included.

Unearned Revenue

Unearned revenue consists of local revenue received but not yet earned. Such amounts typically consist of grants and entitlements received before eligibility requirements are met and prepaid pupil lunch balances.

Compensated Absences Payable

Vacation Pay – The District permits some employees to accumulate varying amounts of vacation pay as determined by their contract. All vacation pay eligible for payout has been accrued in the government-wide financial statements.

Sick Pay – The District's regular employees and teachers are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment; however; unused sick leave does enter into the calculation of an employee's severance pay upon termination for certain employees, as described in the following paragraph.

District paraprofessionals and support staff who have completed 15 years of service with the District, are at least 55 years of age, and have met certain other requirements are eligible for severance pay. For paraprofessionals, severance pay is based on the average number of hours worked per year for the past 15 years prior to retirement. For support staff, severance pay is based upon half of the accumulated sick days at the time of retirement, multiplied by a flat rate of $60 per day. The liability for severance has been accrued in the government-wide financial statements.

Long-Term Obligations

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Postemployment Benefits Other Than Pensions (OPEB)

Under the provisions of the various employee and union contracts, the District provides health insurance coverage for varying lengths of time if certain age and minimum years of service requirements are met.

Pensions

The net pension liability represents the District's allocation of its pro-rata share of the Statewide Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) net pension liabilities.

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

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

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

Interfund Transactions and Balances

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. If short-term in nature or incurred through goods and service type transactions, such interfund balances are reported as "due to/from other funds." Long-term interfund loans are reported as "advances to/from other funds." Interfund transactions and balances between governmental funds are eliminated in the Statement of Net Position.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods and, therefore, will not be recognized as an outflow of resources (expense) until that time. The District reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods and, therefore, will not be recognized as an inflow of resources (revenue) until that time. The District reports property taxes levied for subsequent years as deferred inflows of resources in both the government-wide and governmental fund financial statements. The District reports delinquent property tax receivables as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the District reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for OPEB and pension activities, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)

Fund Balance

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact. The nonspendable fund balances at June 30, 2024 consist of inventory and prepaid expenditures.

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

Committed – Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution. The District has no committed fund balances at June 30, 2024.

Assigned – Amounts that are neither restricted nor committed but are constrained by the District's intent to be used for specific purposes. The Board currently has delegated the authority to assign fund balances to the Board Budget Committee.

Unassigned – The residual classification for the General Fund and also negative residual amounts in other funds, if any. The District has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance equal to or greater than three months of operating expenditures.

When both restricted and unrestricted resources are available for use, it is the District's practice to first use restricted resources, and then use unrestricted resources as they are needed. If resources from more than one fund balance classification could be spent, the District will spend the resources from fund balance classifications in the following order: committed, assigned, and unassigned, in accordance with District policy.

See Note. 2.D. for additional disclosures.

Net Position

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of 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 and amortization, reduced by any outstanding debt attributable to acquiring the capital assets.

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

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

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

2.A. DEPOSITS AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits in financial institutions designated by the School Board. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100 percent if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The District complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

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

At June 30, 2024, the District's deposits were not exposed to custodial credit risk. The District's deposits were sufficiently covered by federal depository insurance or by collateral held by the District’s agent in the District's name.

Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 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 guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District does not have any investment policies that would further limit investment choices.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

Investment balances at June 30, 2024 are as follows:

Investment Type	S & P's Credit Rating	Fair Value Level	Fair Value
Pooled Investments:			
Minnesota School District Liquid Asset Fund	N/A	N/A	$ 4,946,855
MNTrust Investment Shares Portfolio	N/A	N/A	47,718
MNTrust Limited Term Duration	N/A	N/A	1,135,701
Non-Pooled Investments:			
MNTrust Certificates of Deposit	N/A	Level 2	500,000
Totals			$ 6,630,274

The investments of the District are subject to the following risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the District's investments.

- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.

- Concentration of Credit Risk is the risk associated with the magnitude of the District's investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District has no formal policy limiting the amounts that may be invested in any one issuer. At June 30, 2024, the District does not have a significant concentration of credit risk.

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no formal policy to address interest rate risk.

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; Level 3 inputs are significant unobservable inputs.

The MNTrust Investment Shares Portfolio, MNTrust Limited Term Duration Funds, and the Minnesota School District Liquid Asset Fund (MSDLAF) are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pools is the same as the value of the pool shares. The investments in the MNTrust and MSDLAF pooled funds are not subject to the credit risk classifications as noted in GASB Statement No. 72 and, therefore, are not subject to the fair value measurements noted in the previous paragraph.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. DEPOSITS AND INVESTMENTS (Continued)

Deposits and Temporary Investments Summary

The following is a summary of total deposits and temporary investments:

Carrying Amount of Deposits	$	784,920
Investments		6,630,274
Total	$	7,415,194

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, not Being Depreciated or Amortized					
Land	$ 97,449	$ -	$ -	$ -	$ 97,449
Construction in Progress	54,837	218,726	-	(273,563)	-
Total Capital Assets Not Being Depreciated or Amortized	152,286	218,726	-	(273,563)	97,449
Capital Assets, Being Depreciated and Amortized					
Land Improvements	1,527,054	58,577	-	-	1,585,631
Buildings and Improvements	34,828,331	8,532	-	273,563	35,110,426
Equipment	2,564,575	127,505	-	-	2,692,080
Leased Equipment	214,624	-	-	-	214,624
Total Capital Assets Being Depreciated and Amortized	39,134,584	194,614	-	273,563	39,602,761
Less Accumulated Depreciation for					
Land Improvements	(1,185,620)	(27,713)	-	-	(1,213,333)
Buildings and Improvements	(19,052,841)	(1,035,865)	-	-	(20,088,706)
Equipment	(1,693,362)	(143,221)	-	-	(1,836,583)
Less Accumulated Amortization for					
Leased Equipment	(82,608)	(42,925)	-	-	(125,533)
Total Accumulated Depreciation and Amortization	(22,014,431)	(1,249,724)	-	-	(23,264,155)
Total Capital Assets Being Depreciated and Amortized, Net	17,120,153	(1,055,110)	-	273,563	16,338,606
Governmental Activities Capital Assets, Net	$ 17,272,439	$ (836,384)	$ -	$ -	$ 16,436,055

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. CAPITAL ASSETS (Continued)

Depreciation and amortization expense was charged to functions of the District as follows:

Governmental Activities	
Administration	$ 1,554
District Support Services	3,242
Regular Instruction	15,382
Vocational Instruction	493
Exceptional Instruction	25,522
Instructional Support Services	33,391
Pupil Support Services	21,495
Sites and Buildings	776,136
Unallocated Depreciation	372,509
Total Depreciation and Amortization Expense - Governmental Activities	$ 1,249,724

2.C. NONCURRENT LIABILITIES

General Obligation (G.O.) Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

The interest rates are fixed rates that may increase a predetermined amount each year. District-wide interest and other fiscal charges for the year ended June 30, 2024 total $74,037 on the Statement of Activities. Fund financial statement interest and other charges for the year ended June 30, 2024 total $87,910. Interest expenses included in government-wide direct program expenses total $0; all bond interest and fees are included in interest and other charges.

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

Description	Original Issue Amount	Interest Rates	Final Maturity Date	Balance Outstanding
Governmental Activities				
G.O. Bonds				
G.O. Alternative Facilities Bonds, Series 2010A	$ 7,335,000	1.18%	1/15/2025	$ 630,000
G.O. Capital Facilities Bonds, Series 2010B	465,000	1.18%	1/15/2025	35,000
G.O. Capital Facilities Bonds, Series 2014A	1,375,000	2.00 - 3.00%	2/1/2029	620,000
G.O. Facilities Maintenance Bonds, Series 2016A	3,040,000	2.00 - 2.25%	2/1/2032	1,795,000
	$ 12,215,000			$ 3,080,000

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

Lease Liabilities

The District currently has lease agreements for the rental of the District's copiers and printers, as well as the District's postage machine. Because of the nature of the terms of these leases, these assets are considered right of use assets, with corresponding lease liabilities. Terms of these leases are detailed below. As of June 30, 2024, lease liabilities of the District's governmental activities consist of the following:

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
Governmental Activities				
Lease Liabilities				
Copiers/Printers Lease	$ 198,414	3.50%	6/1/2026	$ 83,481
Postage Machine Lease	16,210	2.84%	6/30/2027	10,000
	$ 214,624			$ 93,481

Debt Service Requirements

At June 30, 2024, estimated annual debt service requirements to maturity for the general obligation bonds are as follows:

	Governmental Activities		
Years Ending	G.O. Bonds		
June 30,	Principal	Interest	Total
2025	$ 985,000	$ 62,072	$ 1,047,072
2026	330,000	47,250	377,250
2027	340,000	39,750	379,750
2028	350,000	32,013	382,013
2029	355,000	23,713	378,713
2030-2032	720,000	31,437	751,437
Total	$ 3,080,000	$ 236,235	$ 3,316,235

At June 30, 2024, estimated annual debt service requirements to maturity for the lease liabilities are as follows:

	Governmental Activities		
Years Ending	Lease Liabilities		
June 30,	Principal	Interest	Total
2025	$ 44,262	$ 2,482	$ 46,744
2026	45,790	953	46,743
2027	3,429	60	3,489
Total	$ 93,481	$ 3,495	$ 96,976

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

Noncurrent liability activity (excluding the net OPEB liability and net pension liability) for the year ended June 30, 2024 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 4,055,000	$ -	$ (975,000)	$ 3,080,000	$ 985,000
Unamortized Premium	55,301	-	(7,424)	47,877	-
Lease Liabilities	136,266	-	(42,785)	93,481	44,262
Compensated Absences Payable	31,632	6,595	-	38,227	-
Long-Term Liabilities	$ 4,278,199	$ 6,595	$ (1,025,209)	$ 3,259,585	$ 1,029,262

Bonds payable are typically funded through the Debt Service Fund. Lease liabilities are typically funded through the General Fund. Compensated absences are funded through the funds to which the respective employees' wages are allocated.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. FUND BALANCE CLASSIFICATIONS

At June 30, 2024, governmental fund equity includes the following:

	Nonspendable	Restricted	Assigned	Unassigned
General Fund				
Nonspendable - Inventory	$ 10,313	$ -	$ -	$ -
Nonspendable - Prepaids	28,611	-	-	-
Restricted for Student Activities	-	314,168	-	-
Restricted for Staff Development	-	266,962	-	-
Restricted for Literacy Incentive Aid	-	42,057	-	-
Restricted for Operating Capital	-	240,660	-	-
Restricted for Basic Skills Programs	-	20,159	-	-
Restricted for School Library Aid	-	40,000	-	-
Restricted for Safe Schools Levy	-	116,627	-	-
Restricted for Long-Term Facility Maintenance	-	231,498	-	-
Restricted for Student Support Personnel	-	40,000	-	-
Restricted for Medical Assistance	-	174,403	-	-
Assigned for Separation/Retirement Benefits	-	-	38,227	-
Assigned for Wellness	-	-	14,403	-
Assigned for Fundraising	-	-	58,954	-
Unassigned	-	-	-	3,390,060
Deficit UFARS Restrictions:				
Assigned for Building Equipment	-	-	-	(17,406)
Total General Fund Balance	$ 38,924	$ 1,486,534	$ 111,584	$ 3,372,654
Debt Service Fund				
Restricted for Debt Service	$ -	$ 123,873	$ -	$ -
Nonmajor Governmental Funds				
Nonspendable - Inventory	$ 35,147	$ -	$ -	$ -
Restricted for Food Service	-	843,919	-	-
Restricted for Community Education	-	219,637	-	-
Restricted for Early Childhood and Family Education	-	695,521	-	-
Restricted for Community Service	-	8,903	-	-
Deficit UFARS Restrictions:				
School Readiness	-	-	-	(508,566)
Total Nonmajor Governmental Funds Balance	$ 35,147	$ 1,767,980	$ -	$ (508,566)

Restricted for Student Activities - This amount represents resources available for extracurricular student activities, from funds raised by students.

Restricted for Staff Development - This amount represents available resources restricted for professional growth of instructional staff members during service to the school district.

Restricted for Literacy Incentive Aid - This amount represents funds to be used to support implementation of evidence-based reading instruction.

Restricted for Operating Capital - This amount represents funds to be used for the purchase, lease and maintenance of school facilities and equipment.

NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. FUND BALANCE CLASSIFICATIONS (Continued)

Restricted for Basic Skills Programs**-** This amount represents resources available for basic skills uses.

Restricted for School Library Aid **-** This amount represents resources available for school library aid uses.

Restricted for Safe Schools Levy **-** This amount represents restricted resources for funding programs designed to increase school safety and awareness. This amount also represents resources restricted to pay for the salaries of student counselors, security, and other personnel employed for the purpose of providing early responses to problems.

Restricted for Long-Term Facility Maintenance **-** This amount represents restricted resources for long-term facility maintenance stipulated by the District's long-term facility maintenance plan.

Restricted for Student Support Personnel **-** This amount represents the resources available for student support personnel that are in addition to current staff levels.

Restricted for Medical Assistance **-** This amount represents the unspent resources available from medical assistance.

Restricted for Debt Service **-** This amount represents restricted resources for debt service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Food Service **-** This amount represents restricted resources for food service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for Community Education **-** This amount represents available resources for community education classes. Revenues are derived from tax levies and state aids and expenditures are for salaries, benefits and supplies. Any deficits can be eliminated by future revenues.

Restricted for Early Childhood and Family Education (ECFE) **-** This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits and supplies. Any deficits can be eliminated by future tax levies, state aids and program revenues.

Restricted for Community Service **-** This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for School Readiness - This amount represents the resources available to provide for services for school readiness programs, which includes aids, fees, grants and all other revenues received by the District for the program. Any deficits can be eliminated through state aids and program revenues.

Assigned for Separation/Retirement Benefits **-** This amount represents the resources segregated by the District for future severance benefits.

Assigned for Wellness **-** This amount represents resources segregated by the District for the employee wellness program.

Assigned for Fundraising **-** This amount represents resources segregated by the District for fundraising amounts raised by students.

Assigned for Building Equipment **-** This amount represents resources segregated by the District for building equipment purchases.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The District administers a single-employer retiree benefit healthcare plan (the Plan), through which the District provides postemployment benefits to eligible retirees and their families. As of the most recent actuarial valuation date, there were 192 active employees electing coverage and 24 retirees electing coverage. The Plan does not issue a publicly available financial report.

Benefits Provided

The District offers continuing group health and dental insurance coverage after retirement for qualifying District employees. Benefits and eligibility provisions have been established through negotiations between the District and the union representing the District's teachers and are renegotiated every two-year bargaining period.

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, regardless of 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 arises from 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.

Contributions

The District has historically funded these liabilities on a pay-as-you-go basis, in amounts contractually required to satisfy the benefit terms discussed above. For the year ended June 30, 2024, the District contributed $150,521, which includes an implicit subsidy of $53,911 resulting from the arrangement described above.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources

At June 30, 2024, the District reported a net OPEB liability of $1,917,104 for the District's plan. The net OPEB liability was measured as of July 1, 2023, as determined by an actuarial valuation of July 1, 2023.

For the year ended June 30, 2024, the District recognized OPEB expense of $176,277. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 64,991	$ 80,875
Changes in actuarial assumptions	84,046	184,103
District's contributions subsequent to the measurement date	150,521	-
Total Deferred Outflows/Inflows	$ 299,558	$ 264,978

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Deferred outflows and inflows of resources related to the Plan will be recognized in the District's OPEB expense as follows:

Year Ended June 30,	Pension Expense	
2025	$	(10,735)
2026	$	(10,735)
2027	$	(10,735)
2028	$	(10,735)
2029	$	(11,412)
2030-2032	$	(61,589)

Changes in the Net OPEB Liability

The following table summarizes changes in the net OPEB liability for the year ended June 30, 2024:

Changes in Total OPEB Liability (TOL)		
Balance at July 1st	$	2,002,381
Service Cost		108,105
Interest Cost		76,702
Changes in Assumptions		4,473
Plan Changes		2,204
Differences between Expected and Actual Experience		(90,984)
Benefit Payments		(185,777)
Net OPEB Liability (Asset) - June 30th	$	1,917,104
Covered Payroll	$	9,868,615
Net OPEB Liability / Covered Payroll		19.4%

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions

The following is a summary of pertinent actuarial assumptions and methods utilized, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information:	
Valuation Date	July 1, 2023
Measurement Date	July 1, 2023
Actuarial Cost Method	Entry Age, level percentage of pay
Actuarial Assets	None
Amortization of Deferred Resource Flows	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Economic Assumptions:	
Discount Rate	3.90%
20-Year Municipal Bond Yield	3.90%
Inflation Rate	2.50%
Salary Increases	Service graded table (3.00% used to roll pay forward to the valuation date)
Pre-Age 65 Medical Trend Rate	6.50% in 2023 grading to 5.00% over 6 years and then to 4.00% over the next 48 years
Pots-Age 65 Medical Trend Rate	4.50%
Dental Trend Rate	4.00%

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted mortality tables (General, Teachers) with MP-2021 Generational Improvement Scale.

Changes in actuarial assumptions, benefit terms, and other inputs since the prior measurement date are as follows:

- The post-employment medical subsidy for the Superintendent increased to $600 per month from $325 per month.
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (Generals, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The discount rate was changed from 3.80 percent to 3.90 percent.

Net OPEB Liability Sensitivity

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

Sensitivity of Net OPEB Liability at Current Single Discount Rate

	Rates	Amounts
1% Increase in Discount Rate	4.90%	$1,788,313
Current Discount Rate	3.90%	$1,917,104
1% Decrease in Discount Rate	2.90%	$2,054,983

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The following presents the net OPEB liability, calculated using the healthcare cost trend rates disclosed in the preceding section, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Sensitivity of Net OPEB Liability at Current Healthcare Trend Rates

	Amounts
1% Increase in Healthcare Trend Rates	$2,014,810
Current Healthcare Trend Rates	$1,917,104
1% Decrease in Healthcare Trend Rates	$1,833,308

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

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

Benefits Provided

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

General Employees Plan Benefits
General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 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 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statue delaying increases for members retiring before full retirement age.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Contributions

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

General Employees Fund 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 the Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024 were $227,670. The District's contributions were equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs
At June 30, 2024, the District reported a liability of $2,046,631 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity, and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $56,405.

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0366 percent at the end of the measurement period and 0.0376 percent for the beginning of the period.

District's proportionate share of the net pension liability	$2,046,631
State of Minnesota's proportionate share of the net pension liability associated with the District	56,405
Total	$2,103,036

For the year ended June 30, 2024, the District recognized pension expense of $34,104 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $253 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

At June 30, 2024, the District reported its proportionate share of the General Employees Plan'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	$ 67,653	$ 14,292
Changes in actuarial assumptions	336,028	560,963
Differences between projected and actual investment earnings	-	61,950
Changes in proportion	10,676	84,881
District's contributions subsequent to the measurement date	227,670	-
Total Deferred Outflows/Inflows	$ 642,027	$ 722,086

The $227,670 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2025	$ 20,203
2026	$ (318,681)
2027	$ 35,147
2028	$ (44,398)

Total Pension Expense

The total pension expense for all PERA plans recognized by the District for the year ended June 30, 2024, including amortization of deferred outflows and inflows of resources, was $103,036.

Long-Term Expected Return on Investment

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 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 General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

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

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

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

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Discount Rate

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 General Employees Fund 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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Pension Liability Sensitivity

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

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	Rates	Amounts
1% Lower	6.00%	$3,620,655
Current Discount Rate	7.00%	$2,046,631
1% Higher	8.00%	$ 751,937

Pension Plan Fiduciary Net Position

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

4.B. TEACHERS RETIREMENT ASSOCIATION

Plan Description

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

Educators employed in Minnesota's public elementary and secondary 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 schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Plan (DCR) administered by the State of Minnesota.

Benefits Provided

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

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Tier I Benefits

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

With these provisions:

(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) 3 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).

Or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.70 percent per year for coordinated members and 2.70 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.90 percent per year for coordinated members and 2.70 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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.

Contribution Rate

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

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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

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

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

Actuarial Assumptions

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:	
Valuation date	July 1, 2023
Measurement Date	June 30, 2023
Experience study	June 28, 2019 (demographic and economic assumptions) *
Actuarial cost method	Entry Age Normal
Actuarial Assumptions:	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028
Cost of living adjustment	1.00% for January 2019 through January 2023, then increasing by 0.10% each year up to 1.50% annually
Mortality Assumptions:	
Pre-retirement:	RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

**The assumptions prescribed above are based on an experience study dated June 28, 2019. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.*

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100%	

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Changes in actuarial assumptions since the 2022 valuation:

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

- The employer contribution rate will increase from 8.75 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 Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75 percent employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:

- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- TRA's amortization date will remain the same at 2048.

Discount Rate

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 (SEIR).

Net Pension Liability

At June 30, 2024, the District reported a liability of $9,502,914 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.1151 percent at the end of the measurement period and 0.1147 percent for the beginning of the period.

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

District's proportionate share of net pension liability	$9,502,914
State's proportionate share of the net pension liability associated with the District	$665,868

For the year ended June 30, 2024, the District recognized pension expense of $1,427,334. It also recognized $93,759 as an increase to pension expense for the support provided by direct aid.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 92,042	$ 137,726
Changes in actuarial assumptions	1,091,606	-
Differences between projected and actual investment earnings	-	17,074
Changes in proportion	131,890	54,133
District's contributions subsequent to the measurement date	680,187	-
Total Deferred Outflows/Inflows	$ 1,995,725	$ 208,933

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2025	$ 128,809
2026	$ (18,973)
2027	$ 1,111,192
2028	$ (102,368)
2029	$ (12,055)

Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate

1 percent decrease (6.00%)	Current (7.00%)	1 percent increase (8.00%)
$15,156,449	$9,502,914	$4,874,807

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

Pension Plan Fiduciary Net Position

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

NOTE 5 OTHER INFORMATION

5.A. COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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

5.B. RISK MANAGEMENT

Claims and Judgements

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the District purchases commercial insurance. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years. The District is also self-insured for state reemployment compensation insurance.

5.C. OTHER EMPLOYEE BENEFITS

Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). The District has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The District's Board of Education acts as the plan administrator, but the District is not involved with the investment decisions for plan assets. Contributions are invested in tax deferred annuities selected and owned by Plan participants. Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. The District's contributions to the plan total $153,405 for the year ended June 30, 2024.

5.D. NEW ACCOUNTING STANDARD

In June 2022, the Government Accounting Standards Board (GASB) issued Statement No. 101, *Compensated Absences.* GASB Statement No. 101 (GASB 101) increases the usefulness of governmental financial statements by updating the recognition and measurement guidance for compensated absences. GASB 101 will be effective for the District's fiscal year ended June 30, 2025. The effect on net position may be significant.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 740
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local Property Tax Levies	$ 1,803,658	$ 1,730,774	$ 1,791,664	$ 60,890
Other Local and County Revenues	678,887	1,183,819	1,123,215	(60,604)
State Sources	14,480,167	15,222,114	15,519,030	296,916
Federal Sources	798,914	464,670	437,508	(27,162)
Sales and Other Conversions of Assets	199,009	162,011	162,011	-
TOTAL REVENUES	17,960,635	18,763,388	19,033,428	270,040
EXPENDITURES				
Current:				
Administration	1,018,393	1,054,091	1,048,745	(5,346)
District Support Services	452,258	480,198	488,456	8,258
Regular Instruction	7,983,394	8,718,144	8,864,171	146,027
Vocational Instruction	184,925	236,905	238,544	1,639
Exceptional Instruction	3,191,401	3,368,503	3,365,257	(3,246)
Instructional Support Services	879,707	759,893	743,148	(16,745)
Pupil Support Services	1,641,070	1,591,232	1,584,133	(7,099)
Sites and Buildings	2,015,106	1,569,115	1,576,798	7,683
Fiscal and Other Fixed Cost Programs	143,474	147,360	128,339	(19,021)
Capital Outlay	421,746	457,202	455,139	(2,063)
Debt Service:				
Principal	42,223	45,987	42,785	(3,202)
Interest and Other Charges	5,051	4,362	3,959	(403)
TOTAL EXPENDITURES	17,978,748	18,432,992	18,539,474	106,482
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(18,113)	330,396	493,954	163,558
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	1,400	-	-	-
Insurance Proceeds	638	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	2,038	-	-	-
NET CHANGE IN FUND BALANCE	$ (16,075)	$ 330,396	493,954	$ 163,558
FUND BALANCE - BEGINNING			4,515,742	
FUND BALANCE - ENDING			$ 5,009,696	

INDEPENDENT SCHOOL DISTRICT NO. 740
SCHEDULE OF CHANGES IN DISTRICT'S NET OPEB LIABILITY
LAST TEN YEARS (Presented Prospectively)

	Measurement Period Ending June 30,						
	2023	2022	2021	2020	2019	2018	2017
Changes in Total OPEB Liability (TOL)							
Balance at July 1st	$ 2,002,381	$ 2,241,837	$ 2,168,256	$ 2,137,554	$ 2,201,346	$ 2,270,906	$ 2,381,283
Service Cost	108,105	103,940	135,079	128,448	110,679	98,994	96,111
Interest Cost	76,702	47,267	52,600	66,508	74,216	76,446	79,412
Assumption Changes	4,473	(199,782)	54,442	78,796	(64,613)	-	-
Plan Changes	2,204	-	5,798	-	5,823	-	-
Differences Between Expected and Actual Experience	(90,984)	-	50,346	-	70,710	-	-
Benefit Payments	(185,777)	(190,881)	(224,684)	(243,050)	(260,607)	(245,000)	(285,900)
Net OPEB Liability - June 30th	$ 1,917,104	$ 2,002,381	$ 2,241,837	$ 2,168,256	$ 2,137,554	$ 2,201,346	$ 2,270,906
Covered Payroll for Active Members	$ 9,868,615	$ 9,122,073	$ 8,856,382	$ 8,971,336	$ 8,710,035	$ 8,028,031	$ 7,794,205
Net OPEB Liability / Covered Payroll	19.4%	22.0%	25.3%	24.2%	24.5%	27.4%	29.1%

Note: The schedule above is provided prospectively beginning with the District's fiscal year ended June 30, 2018 (June 30, 2017 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 740
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	$ 150,521	$ 150,521	$ -	$ 10,047,652	1.50%
2023	$ 185,777	$ 185,777	$ -	$ 9,868,615	1.88%
2022	$ 190,881	$ 190,881	$ -	$ 9,122,073	2.09%
2021	$ 224,684	$ 224,684	$ -	$ 8,856,382	2.54%
2020	$ 243,050	$ 243,050	$ -	$ 8,971,336	2.71%
2019	$ 260,607	$ 260,607	$ -	$ 8,710,035	2.99%
2018	$ 245,000	$ 245,000	$ -	$ 8,028,031	3.10%

Note: The schedule above is provided prospectively beginning with the District's fiscal year ended June 30, 2018 and is intended to show a ten year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 740
SCHEDULE OF DISTRICT'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Public Employees Retirement Association							
2023	0.0366%	$ 2,046,631	$ 56,405	$ 2,103,036	$ 2,900,600	72.50%	83.10%
2022	0.0376%	$ 2,977,932	$ 87,299	$ 3,065,231	$ 2,862,533	107.08%	76.70%
2021	0.0371%	$ 1,584,336	$ 48,341	$ 1,632,677	$ 2,691,013	60.67%	87.00%
2020	0.0388%	$ 2,326,237	$ 71,739	$ 2,397,976	$ 2,770,000	86.57%	79.06%
2019	0.0348%	$ 1,924,014	$ 59,801	$ 1,983,815	$ 2,471,293	80.27%	80.23%
2018	0.0355%	$ 1,969,394	$ 64,599	$ 2,033,993	$ 2,346,613	86.68%	79.50%
2017	0.0364%	$ 2,323,752	$ 29,240	$ 2,352,992	$ 2,347,760	100.22%	75.90%
2016	0.0376%	$ 3,052,934	$ 39,882	$ 3,092,816	$ 2,330,027	132.74%	68.90%
2015	0.0375%	$ 1,943,445	$ -	$ 1,943,445	$ 2,210,617	87.91%	78.20%
2014	0.0380%	$ 1,785,050	$ -	$ 1,785,050	$ 1,994,984	89.48%	78.70%
Teachers Retirement Association							
2023	0.1151%	$ 9,502,914	$ 665,868	$ 10,168,782	$ 7,394,772	137.51%	76.42%
2022	0.1147%	$ 9,184,570	$ 681,084	$ 9,865,654	$ 7,131,499	138.34%	76.17%
2021	0.1135%	$ 4,967,100	$ 419,013	$ 5,386,113	$ 6,869,852	78.40%	86.63%
2020	0.1116%	$ 8,245,158	$ 691,240	$ 8,936,398	$ 6,499,167	137.50%	75.48%
2019	0.1140%	$ 7,266,384	$ 643,112	$ 7,909,496	$ 6,513,323	121.44%	78.21%
2018	0.1143%	$ 7,177,764	$ 674,288	$ 7,852,052	$ 6,114,797	128.41%	78.10%
2017	0.1136%	$ 22,676,621	$ 2,192,404	$ 24,869,025	$ 6,138,000	405.16%	51.60%
2016	0.1141%	$ 27,215,572	$ 2,732,763	$ 29,948,335	$ 5,950,773	503.27%	44.90%
2015	0.1139%	$ 7,045,841	$ 864,436	$ 7,910,277	$ 5,796,429	136.47%	76.80%
2014	0.1266%	$ 5,833,637	$ 410,370	$ 6,244,007	$ 5,772,283	108.17%	81.50%

INDEPENDENT SCHOOL DISTRICT NO. 740
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
Public Employees Retirement Association					
2024	$ 227,670	$ 227,670	$ -	$ 3,035,600	7.50%
2023	$ 217,545	$ 217,545	$ -	$ 2,900,600	7.50%
2022	$ 214,690	$ 214,690	$ -	$ 2,862,533	7.50%
2021	$ 201,826	$ 201,826	$ -	$ 2,691,013	7.50%
2020	$ 207,750	$ 207,750	$ -	$ 2,770,000	7.50%
2019	$ 185,347	$ 185,347	$ -	$ 2,471,293	7.50%
2018	$ 175,996	$ 175,996	$ -	$ 2,346,613	7.50%
2017	$ 176,082	$ 176,082	$ -	$ 2,347,760	7.50%
2016	$ 174,752	$ 174,752	$ -	$ 2,330,027	7.50%
2015	$ 163,018	$ 163,018	$ -	$ 2,210,617	7.37%
2014	$ 145,255	$ 145,255	$ -	$ 1,994,984	7.28%
Teachers Retirement Association					
2024	$ 680,187	$ 680,187	$ -	$ 7,773,566	8.75%
2023	$ 632,253	$ 632,253	$ -	$ 7,394,772	8.55%
2022	$ 594,767	$ 594,767	$ -	$ 7,131,499	8.34%
2021	$ 558,519	$ 558,519	$ -	$ 6,869,852	8.13%
2020	$ 514,734	$ 514,734	$ -	$ 6,499,167	7.92%
2019	$ 502,177	$ 502,177	$ -	$ 6,513,323	7.71%
2018	$ 458,610	$ 458,610	$ -	$ 6,114,797	7.50%
2017	$ 460,350	$ 460,350	$ -	$ 6,138,000	7.50%
2016	$ 446,308	$ 446,308	$ -	$ 5,950,773	7.50%
2015	$ 434,875	$ 434,875	$ -	$ 5,796,429	7.50%
2014	$ 378,914	$ 378,914	$ -	$ 5,772,283	6.56%

NOTE 1 EXPENDITURES IN EXCESS OF BUDGET

Actual expenditures in the General Fund of $18,539,474 exceeded the final budgeted expenditures by $106,482 for the current year end. This is primarily due to unbudgeted regular instruction expenditures.

NOTE 2 OTHER POSTEMPLOYMENT BENEFIT PLAN

2023 Changes

<u>Changes in Actuarial Assumptions</u>

- The discount rate was changed from 3.80 percent to 3.90 percent.
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (Generals, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

<u>Changes in Plan Provisions</u>

- The post-employment medical subsidy for the Superintendent increased to $600 per month from $325 per month.

2022 Changes

<u>Changes in Actuarial Assumptions</u>

- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.10 percent to 3.80 percent.

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

2021 Changes

<u>Changes in Actuarial Assumptions</u>

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

<u>Changes in Plan Provisions</u>

- The new curriculum director does not have a post-employment medical subsidy.
- A post-employment medical subsidy of $325 per month, payable to the earlier of 60 months or Medicare eligibility, was added for the superintendent.

2020 Changes

<u>Changes in Actuarial Assumptions</u>

- The discount rate was changed from 3.10 percent to 2.40 percent.

<u>Changes in Plan Provisions</u>

- There have been no changes since the prior valuation.

NOTE 2 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)

2019 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contact group.
- The discount rate was changed from 3.40 percent to 3.10 percent.

Changes in Plan Provisions

- The benefit for the Curriculum Director was changed from a maximum of $600 per month for 5 years to a maximum of $700 per month for 6 years. This change increased the liability $5,823.

2018 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2000 Combined Healthy Mortality Tables projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale. The discount rate was changed from 4.00 percent to 3.40 percent.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 3 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – GENERAL EMPLOYEES FUND

2023 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

NOTE 3 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – GENERAL EMPLOYEES FUND (Continued)

2022 Changes

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

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

2021 Changes

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

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

2020 Changes

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 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

NOTE 3 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – GENERAL EMPLOYEES FUND (Continued)

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual 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.

2017 Changes

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 non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed annual 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.

Changes in Plan Provisions

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

NOTE 3 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – GENERAL EMPLOYEES FUND (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The assumed annual 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.

Changes in Plan Provisions

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

2015 Changes

Changes in Actuarial Assumptions

- The assumed annual 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.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6 million, which meets the special funding situation definition, was due September 2015.

NOTE 4 TEACHERS RETIREMENT ASSOCIATION

2023 Changes

Changes in Actuarial Assumptions

- 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 Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75 percent employer contribution rate increase.
- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- TRA's amortization date will remain the same at 2048.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2022 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 4 TEACHERS RETIREMENT ASSOCIATION (Continued)

2021 Changes

Changes in Actuarial Assumptions

- For GASB Valuation:
  - The investment return assumption was changed from 7.50 percent to 7.00 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The 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 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 6 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 4 TEACHERS RETIREMENT ASSOCIATION (Continued)

2017 Changes

Changes in Actuarial Assumptions

- The Cost of Living Adjustment (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 combined service annuity loads. The active load was reduced from 1.40 percent to 0.00 percent, the vested inactive load increased from 4.00 percent to 7.00 percent and the non-vested inactive load increased from 4.00 percent to 9.00 percent.
- 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 ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2.00 percent for all future years.
- The price inflation assumption was lowered from 3.00 percent to 2.75 percent.
- The general wage growth and payroll growth assumptions were lowered from 3.75 percent to 3.50 percent.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

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.

Changes in Plan Provisions

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

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 740
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2024

	Special Revenue Funds		
	Food Service Fund	Community Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Temporary Investments	$ 896,135	$ 575,300	$ 1,471,435
Property Taxes Receivable:			
Current	-	50,478	50,478
Delinquent	-	1,306	1,306
Accounts Receivable	-	7,262	7,262
Due from Other Minnesota School Districts	-	330	330
Due from Minnesota Department of Education	6,458	17,913	24,371
Due from Federal Government through Minnesota Department of Education	6,013	-	6,013
Inventory	35,147	-	35,147
TOTAL ASSETS	$ 943,753	$ 652,589	$ 1,596,342
LIABILITIES			
Accounts Payable	$ 1,837	$ 1,622	$ 3,459
Due to Other Governments	9	417	426
Salaries Payable	2,061	53,828	55,889
Payroll Deductions and Employer Contributions	31,742	40,250	71,992
Unearned Revenue	29,038	30,719	59,757
Total Liabilities	64,687	126,836	191,523
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue:			
Delinquent Property Taxes	-	1,306	1,306
Property Taxes Levied for Subsequent Years	-	108,952	108,952
Total Deferred Inflows of Resources	-	110,258	110,258
FUND BALANCES			
Nonspendable:			
Inventory	35,147	-	35,147
Restricted:			
Food Service	843,919	-	843,919
Community Education	-	219,637	219,637
Early Childhood and Family Education	-	695,521	695,521
Community Service	-	8,903	8,903
Unassigned	-	(508,566)	(508,566)
Total Fund Balances	879,066	415,495	1,294,561
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 943,753	$ 652,589	$ 1,596,342

INDEPENDENT SCHOOL DISTRICT NO. 740
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

	Special Revenue Funds		
	Food Service Fund	Community Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Local Property Tax Levies	$ -	$ 278,783	$ 278,783
Other Local and County Revenues	28,893	489,448	518,341
State Sources	579,445	178,266	757,711
Federal Sources	580,913	-	580,913
Sales and Other Conversions of Assets	175,826	-	175,826
TOTAL REVENUES	1,365,077	946,497	2,311,574
EXPENDITURES			
Current:			
Community Education and Services	-	791,555	791,555
Pupil Support Services	1,063,858	-	1,063,858
TOTAL EXPENDITURES	1,063,858	791,555	1,855,413
NET CHANGE IN FUND BALANCES	301,219	154,942	456,161
FUND BALANCES - BEGINNING	577,847	260,553	838,400
FUND BALANCES - ENDING	$ 879,066	$ 415,495	$ 1,294,561

INDEPENDENT SCHOOL DISTRICT NO. 740
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2024

01 GENERAL FUND	Audited	UFARS	Difference
Total Revenue	19,033,428	19,033,426	2
Total Expenditures	18,539,474	18,539,476	(2)
Non Spendable:			
460 Non Spendable Fund Balance	38,924	38,924	-
Restricted/Reserve:			
401 Student Activities	314,168	314,168	-
402 Scholarships	-	-	-
403 Staff Development	266,962	266,962	-
407 Capital Projects Levy	-	-	-
408 Cooperative Revenue	-	-	-
412 Literacy Incentive Aid	42,057	42,057	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
424 Operating Capital	240,660	240,660	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 St. Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
439 English Learner	-	-	-
440 Teacher Development & Eval	-	-	-
441 Basic Skills Programs	20,159	20,159	-
443 School Library Aid	40,000	40,000	-
448 Achievement & Integration	-	-	-
449 Safe Schools Levy	116,627	116,627	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not in Trust	-	-	-
453 Unfunded Sev. & Retirement	-	-	-
459 Basic Skills Ext Time	-	-	-
467 LTFM	231,498	231,498	-
471 Student Support Personnel	40,000	40,000	-
472 Medical Assistance	174,403	174,403	-
Restricted:			
464 Restricted Fund Balance	-	-	-
475 Title VII - Impact Aid	-	-	-
476 PILT	-	-	-
Committed:			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
Assigned:			
462 Assigned Fund Balance	94,178	94,178	-
Unassigned:			
422 Unassigned Fund Balance	3,390,060	3,390,057	3

02 FOOD SERVICE			
Total Revenue	1,365,077	1,365,077	-
Total Expenditures	1,063,858	1,063,858	-
Non Spendable:			
460 Non Spendable Fund Balance	35,147	35,147	-
Restricted/Reserve:			
452 OPEB Liab. Not in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	843,919	843,920	(1)
Unassigned:			
463 Unassigned Fund Balance	-	-	-

04 COMMUNITY SERVICE			
Total Revenue	946,497	946,497	-
Total Expenditures	791,555	791,556	(1)
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
426 $25 Taconite	-	-	-
431 Community Education	219,637	219,637	-
432 E.C.F.E.	695,521	695,521	-
440 Teacher Development & Eval	-	-	-
444 School Readiness	(508,566)	(508,566)	-
447 Adult Basic Education	-	-	-
452 OPEB Liab. Not in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	8,903	8,904	(1)
Unassigned:			
463 Unassigned Fund Balance	-	-	-

06 BUILDING CONSTRUCTION			
Total Revenue	-	-	-
Total Expenditures	-	-	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
407 Capital Projects Levy	-	-	-
413 Projects Funded by COP/FP	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

07 DEBT SERVICE			
Total Revenue	976,412	976,412	-
Total Expenditures	1,058,951	1,058,951	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
425 Bond Refundings	-	-	-
433 Max Effort Loan	-	-	-
451 QZAB Payments	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	123,873	123,873	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

08 TRUST			
Total Revenue	-	-	-
Total Expenditures	-	-	-
401 Student Activities	-	-	-
402 Scholarships	-	-	-
422 Net Assets	-	-	-

18 CUSTODIAL FUND			
Total Revenue	23,882	23,881	1
Total Expenditures	16,760	16,759	1
401 Student Activities	-	-	-
402 Scholarships	41,420	41,419	1
448 Achievement & Integration	-	-	-
464 Restricted Fund Balance	-	-	-

20 INTERNAL SERVICE			
Total Revenue	106,022	106,022	-
Total Expenditures	86,095	86,095	-
422 Net Assets	155,868	155,868	-

25 OPEB REVOCABLE TRUST FUND			
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-

45 OPEB IRREVOCABLE TRUST FUND			
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-

47 OPEB DEBT SERVICE FUND			
Total Revenue	-	-	-
Total Expenditures	-	-	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted:			
425 Bond Refundings	-	-	-
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

INDEPENDENT SCHOOL DISTRICT NO. 740
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal ALN	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Child Nutrition Cluster:		
Pass-through Programs from Minnesota Department of Education		
School Breakfast Program	10.553	
Cash Assistance		$ 92,203
National School Lunch Program	10.555	
Cash Assistance		389,634
Non-Cash Assistance (Commodities)		99,076
		488,710
Child Nutrition Cluster Subtotal - 10.553, 10.555		580,913
Total U.S. DEPARTMENT OF AGRICULTURE		$ 580,913
U.S. DEPARTMENT OF EDUCATION		
Pass-through Programs from Minnesota Department of Education		
Title I, Part A - Grants to Local Educational Agencies	84.010	$ 168,791
Title II, Part A - Supporting Effective Instruction State Grants	84.367	25,671
Title III, Part A - English Language Acquisition State Grants	84.365	16,936
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	11,819
Education Stabilization Fund:		
Pass-through Programs from Minnesota Department of Education		
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	106,699
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief – Homeless Children and Youth	84.425W	4,686
Education Stabilization Fund Subtotal		111,385
Special Education Cluster:		
Pass-through Programs from West Central Education District		
Special Education - Grants to States (IDEA, Part B)	84.027	67,853
Pass-through Programs from West Central Education District		
Special Education - Preschool Grants (IDEA Preschool)	84.173	13,610
Special Education Cluster Subtotal - 84.027, 84.173		81,463
Pass-through Programs from Wright Technical Center		
Career and Technical Education - Basic Grants to States (Perkins V)	84.048	12,290
Total U.S. DEPARTMENT OF EDUCATION		$ 428,355
U.S. DEPARTMENT OF THE TREASURY		
Pass-through Programs from Minnesota Department of Education		
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	$ 9,153
TOTAL FEDERAL EXPENDITURES		$ 1,018,421

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Independent School District No. 740 (the District) under programs of the federal government for the year ended June 30, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Independent School District No. 740, it is not intended to and does not present the financial position or changes in financial position of Independent School District No. 740.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: SUBRECIPIENTS

The District did not pass through any federal funds to subrecipients during the year ended June 30, 2024.

NOTE 5: PASS-THROUGH IDENTIFIER

The District's pass-through identifier is unknown.

NOTE 6: INVENTORY

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed for the USDA National School Lunch Program Commodities (ALN 10.555). Revenues and expenditures are recorded when commodities are received.

OTHER REQUIRED
REPORTS AND SCHEDULES

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

Members of the Board of Education
Independent School District No. 740
Melrose, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 740 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Independent School District No. 740's basic financial statements, and have issued our report thereon dated November 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 740's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs,* we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item 2024-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as item 2024-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that Independent School District No. 740 failed to comply with provisions of the depositories of public funds and public investments section of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the *Schedule of Findings and Questioned Costs* as item 2024-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Independent School District No. 740's Response to Findings

Governmental Auditing Standards requires the auditor to perform limited procedures on Independent School District No. 740's response to the findings identified in our audit and described in the accompanying *Schedule of Findings and Questioned Costs* and *Corrective Action Plans*. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
November 22, 2024

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

Members of the Board of Education
Independent School District No. 740
Melrose, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Independent School District No. 740's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

In our opinion, Independent School District No. 740 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Independent School District No. 740 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Independent School District No. 740's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Independent School District No. 740's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

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

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

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

Report on Internal Control over Compliance

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

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

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

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

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
November 22, 2024

INDEPENDENT SCHOOL DISTRICT NO. 740
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
* Material weakness(es) identified?	X	Yes		No
* Significant deficiencies identified that are not considered to be material weaknesses?	X	Yes		No
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified?		Yes	X	No
* Significant deficiencies identified that are not considered to be material weakness(es)?		Yes	X	No
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?		Yes	X	No

Identification of major programs:

ALN (s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Program

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding 2024-001 Limited Segregation of Duties

Condition: During our audit we reviewed procedures over cash receipts, cash disbursements, payroll and financial reporting and found the District to have limited segregation of duties over those transaction cycles.

Criteria: Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties. In other words, no one person had control over two or more of these responsibilities.

Cause: Limited number of staff members.

Effect: The existence of limited segregation of duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendation: Although the number of staff members may not be large enough to eliminate this deficiency, we recommend that the District evaluate current procedures and segregate where possible and implement compensating controls. It is important that the Board is aware of this condition and monitor all financial information.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with our recommendation. See corresponding Corrective Action Plan.

Finding 2024-002 Financial Statement Preparation

Condition: Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the District. It is management's responsibility to provide for the preparation of financial statements and the auditor's responsibility to determine the fairness of the presentation. This deficiency could result in a misstatement that could have been prevented or detected by management.

Criteria: Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

Cause: The District's staff does not possess the expertise to prepare financial statements internally. This is not unusual for an organization of your size.

Effect: The inability to internally prepare the District's financial statements can result in undetected errors in financial reporting.

Recommendation: We recommend that management review a draft of the financial statements in detail for accuracy. During review we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the District should agree the financial statement numbers to their accounting software. The District may not have the ability to eliminate this finding.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with our recommendation. See corresponding Corrective Action Plan.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None.

SECTION IV: MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2024-003 Broker Acknowledgement Certification

Condition:	The District did not obtain a Broker Acknowledgement Certification from each investment broker in accordance with Minnesota Statutes.
Criteria:	Minnesota Statute §118A.04, subd. 9 requires that governmental entities provide a written statement of investment restrictions to each broker and obtain a certification that the broker acknowledged receipt of the investment restrictions.
Cause:	The District failed to obtain certification before completing an initial investment transaction with their broker.
Effect:	The failure to obtain such certification resulted in the District's noncompliance with Minnesota Statutes.
Recommendation:	We recommend management ensures that all Broker Acknowledgement Certifications are obtained from each broker on an annual basis, as required by Minnesota Statutes.
Views of Responsible Officials And Planned Corrective Actions:	Management agrees with the recommendation. See corresponding Corrective Action Plan.

Melrose Area Public Schools
*"Strength in Diversity,
Diverse in Opportunity"*

DISTRICT ADMINISTRATION

Gregory A. Winter
Superintendent

Stephanie Uittenbogaard
Business Manager

Makayla Weichmann
Payroll/Benefits Manager

Cheryl Enneking
MARSS Coordinator

Steve Schulzetenberg
Technology Coordinator

CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2024

FINANCIAL STATEMENT FINDINGS

Finding 2024-001 Limited Segregation of Duties

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District currently has the following procedures in place:
   - The Board of Education reviews the monthly invoices and approves the expenditures.
   - The District utilizes purchase orders which are approved by the Superintendent.

   The District will review current procedures and implement additional controls where possible.

3. Official Responsible
   Mr. Greg Winter, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

Finding 2024-002 Financial Statement Preparation

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District will continue to have the auditor prepare the financial statements; however, the District will implement an internal control policy to document the annual review of the financial statements and related footnote disclosures.

3. Official Responsible
   Mr. Greg Winter, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

DISTRICT ADMINISTRATION

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Superintendent

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Business Manager

Makayla Weichmann
Payroll/Benefits Manager

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MARSS Coordinator

Steve Schulzetenberg
Technology Coordinator

CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2024

MINNESOTA LEGAL COMPLIANCE FINDINGS

Finding 2024-003 Broker Acknowledgement Certification

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   The District will ensure all Broker Acknowledgement Certifications are obtained from each broker on an annual basis, as required by Minnesota Statutes. This has already been completed for fiscal year 2025.

3. Official Responsible
   Mr. Greg Winter, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2025.

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

Melrose Area Public Schools

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Diverse in Opportunity"

DISTRICT ADMINISTRATION

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MARSS Coordinator

Steve Schulzetenberg
Technology Coordinator

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Financial statement findings in accordance with *Government Auditing Standards* that were reported in the prior year have been reported again in the current year as findings 2024-001 and 2024-002.

Financial statement finding 2023-003 reported in accordance with *Government Auditing Standards* in the prior year has been resolved in the current year.

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

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

$________
INDEPENDENT SCHOOL DISTRICT NO. 740
(MELROSE AREA PUBLIC SCHOOLS)
STEARNS, MORRISON AND TODD COUNTIES, MINNESOTA
GENERAL OBLIGATION TAX ABATEMENT BONDS
SERIES 2025A

We have acted as bond counsel to Independent School District No. 740 (Melrose Area Public Schools), Stearns, Morrison and Todd Counties, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation Tax Abatement Bonds, Series 2025A (the "Bonds"), originally dated June ___, 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 tax abatement revenues, but if necessary for the payment thereof, 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 September 23, 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. 740
(MELROSE AREA PUBLIC SCHOOLS)
STEARNS, MORRISON AND TODD COUNTIES, MINNESOTA
GENERAL OBLIGATION TAX ABATEMENT BONDS
SERIES 2025A

CONTINUING DISCLOSURE CERTIFICATE

June ___, 2025

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 740 (Melrose Area Public Schools), Stearns, Morrison and Todd Counties, Minnesota (the "District"), in connection with the issuance of its General Obligation Tax Abatement 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 the District's Audited Financial Statements.

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

"Bonds" means the General Obligation Tax Abatement 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. 740 (Melrose Area Public Schools), Stearns, Morrison and Todd 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 4(a) of this Disclosure Certificate.

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

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

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

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

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

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

Section 3. Provision of Annual Report.

(a) The District shall provide the Annual Report to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2023. The Annual Report 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.

The Annual Report may be submitted as a single document or as separate documents comprising a package.

Section 4. Reporting of Material Events.

(a) This Section 4 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 5. 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 6. 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 7. 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 8. 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 9. 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 10. 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 11. 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. 740 (MELROSE AREA PUBLIC SCHOOLS), STEARNS, MORRISON AND TODD COUNTIES, MINNESOTA

____
Board Chair

____
Clerk

APPENDIX E

TERMS OF PROPOSAL

$3,690,000* GENERAL OBLIGATION TAX ABATEMENT BONDS, SERIES 2025A INDEPENDENT SCHOOL DISTRICT NO. 740 (MELROSE AREA PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of $3,690,000* General Obligation Tax Abatement Bonds, Series 2025A (the "Bonds") of Independent School District No. 740 (Melrose Area Public Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, municipal advisors to the District, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M. Central Time, on May 19, 2025, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 6:30 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, Chapters 469 and 475, as amended, including Minnesota Statutes, Section 469.1812 to 469.1815, as amended, by the District, for the purposes of financing the construction of and improvements to parking lots at sites in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated June 12, 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	$480,000	2029	$520,000	2032	400,000
2027	450,000	2030	545,000	2033	415,000
2028	495,000	2031	385,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2026, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

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

DELIVERY

On or about June 12, 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 $3,690,000 plus accrued interest on the principal sum of $3,690,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

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

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

A good faith deposit ("Deposit") in the amount of $73,800 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.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

(1) The District shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;

(2) all bidders shall have an equal opportunity to bid;

(3) the District may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

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

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

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

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

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

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

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

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

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

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

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

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

PRELIMINARY OFFICIAL STATEMENT

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

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the School Board

Independent School District No. 740
(Melrose Area Public Schools), Minnesota

PROPOSAL FORM

The School Board **May 19, 2025**
Independent School District No. 740 (Melrose Area Public Schools), Minnesota (the "District")

RE: $3,690,000* General Obligation Tax Abatement Bonds, Series 2025A (the "Bonds")
DATED: June 12, 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 $3,690,000) 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	2029	________	% due	2032
________	% due	2027	________	% due	2030	________	% due	2033
________	% due	2028	________	% due	2031			

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

All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $73,800 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about June 12, 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 June 12, 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. 740 (Melrose Area Public Schools), Minnesota, on May 19, 2025.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________