PRELIMINARY OFFICIAL STATEMENT DATED MAY 8, 2025

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, the amount of each Rental Payment designated as and comprising interest as set forth on Exhibit B to the Lease and received by the registered owners of the Certificates (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. The amount of each Rental Payment designated as and comprising interest as set forth on Exhibit B to the Lease and received by the registered owners of the Certificates may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. See "TAX CONSIDERATIONS" herein.

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

INDEPENDENT SCHOOL DISTRICT NO. 535
(ROCHESTER PUBLIC SCHOOLS), MINNESOTA
(Olmsted and Wabasha Counties)

(Minnesota School District Credit Enhancement Program)

$6,865,000* FULL TERM CERTIFICATES OF PARTICIPATION, SERIES 2025B

PROPOSAL OPENING: May 20, 2025, 10:30 A.M., C.T. **CONSIDERATION**: May 20, 2025, 5:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $6,865,000* Full Term Certificates of Participation, Series 2025B (the "Certificates") are being issued pursuant to Minnesota Statutes, Section 126C.40, by Independent School District No. 535 (Rochester Public Schools), Minnesota (the "District") for the purpose of financing purchases of technology for instructional use. The Certificates will be issued pursuant to resolutions of the District adopted on March 18, 2025, and May 20, 2025 (the "Resolutions"), and will provide evidence of proportionate ownership in lease payments to be made by the District. The Certificates will be special, limited obligations of the District payable solely from Rental Payments required to be made by the District to Zions Bancorporation, National Association (the "Trustee") pursuant to a Lease-Purchase Agreement (the "Lease") to be entered into between the District and Trustee. The District will pledge the receipt of certain taxes levied pursuant to Minnesota Statutes, Section 126C.40, with the approval of the Commissioner of Education, to the payment of the Rental Payments due under the Lease. In the Resolutions, the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes Section 126C.55 and to use the provisions of that statue pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Certificates when due if the District is unable to make a principal or interest payment. **THE DISTRICT'S OBLIGATION TO MAKE THE RENTAL PAYMENTS IS NOT SUBJECT TO ANNUAL APPROPRIATION.** Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF CERTIFICATES: June 12, 2025

MATURITY: April 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2026	$2,255,000	2027	$2,300,000	2028	$2,310,000

***MATURITY ADJUSTMENTS:** The District reserves the right to increase or decrease the principal amount of the Certificates 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: April 1, 2026 and semiannually thereafter.

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

MINIMUM PROPOSAL: $6,865,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $137,300 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT & TRUSTEE: Zions Bancorporation, National Association.

BOND COUNSEL: Dorsey & Whitney LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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 Certificates 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 Certificates, 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 Certificates and all times subsequent thereto up to and including the time of the delivery of the Certificates, 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 Certificates; (3) a certificate evidencing the due execution of the Certificates, 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 Certificates, (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 Certificates 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 Certificates 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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ROCHESTER PUBLIC SCHOOLS
SCHOOL BOARD

		Term Expires
Cathy Nathan	Board Chair	January 2027
Julie Workman	Vice Chair	January 2027
Jean Marvin	Clerk	January 2027
Justin Cook	Treasurer	January 2027
Don Barlow	Member	January 2029
Karen MacLaughlin	Member	January 2029
Stephanie Whitehorn	Member	January 2029

ADMINISTRATION

Kent Pekel, Superintendent of Schools

John Carlson, Chief Administrative Officer

Andy Krogstad, Director of Finance

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 535 (Rochester Public Schools), Minnesota (the "District") and the issuance of its $6,865,000* Full Term Certificates of Participation, Series 2025B (the "Certificates", the "Series 2025B Certificates" or the "Obligations"). Any descriptions or summaries of the Certificates, 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 Certificates to be included in the resolution authorizing the issuance and sale of the Certificates ("Award Resolution") to be adopted by the School Board on May 20, 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 CERTIFICATES

GENERAL

The Certificates 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 Certificates will mature on April 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on April 1 and October 1 of each year, commencing April 1, 2026, to the registered owners of the Certificates 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 Certificates 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 Certificates 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 Certificates are held under the book-entry system, beneficial ownership interests in the Certificates may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Certificates 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 Certificates shall be payable as provided in the Award Resolution.

The District has selected Zions Bancorporation Trust Company, National Association, Chicago, Illinois, to act as paying agent (the "Paying Agent") and Trustee (the "Trustee"). The District will pay the charges for Paying Agent and Trustee services. The District reserves the right to remove the Paying Agent and/or Trustee to appoint a successor.

OPTIONAL REDEMPTION

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

*Preliminary, subject to change.

EXTRAORDINARY REDEMPTION

The District may elect to prepay the Certificates, in whole or in part, at a price of par plus accrued interest on any date in certain cases of damage or destruction or condemnation of the Equipment.

AUTHORITY; PURPOSE

The Certificates are being issued by the District pursuant to Minnesota Statutes, Section 126C.40, a resolution adopted by the District for this issue on March 18, 2025 and the Award Resolution (collectively, the "Resolution"), and a Trust Agreement (the "Trust Agreement") dated as of June 12, 2025 between the District and Zions Bancorporation, National Association (the "Trustee").

The Certificates are being issued to finance the purchase of technology for instructional use. The Certificates will provide evidence of proportionate ownership in lease payments to be made by the District. The Certificates are special, limited obligations of the District payable solely from Rental Payments required to be made by the District to the Trustee pursuant to a Lease-Purchase Agreement (the "Lease") to be entered into between the District and the Trustee. The District will pledge receipt of certain taxes levied and with the approval of the Commissioner of Education, to the payment of the Rental Payments due under the Lease.

Brief descriptions of the Trustee, the District, the Project, the Lease, and the Trust Agreement are included below. Such descriptions do not purport to be comprehensive or definitive.

> ***The Trustee*** has the authority to lease property, to acquire and lease the Project to the District pursuant to the Lease and to receive and pledge the revenues from the Project, in accordance with the terms of the Lease and as provided in the Trust Agreement. The Trustee is authorized to enter into the Trust Agreement and the Lease.
>
> ***The District*** is a body politic and corporate, organized under and pursuant to the Constitution and laws of the State of Minnesota. The District has the right and lawful authority to lease the Project from the Trustee and to make rental payments therefor as set forth in the Lease.
>
> ***The Project*** consists of the purchase of technology equipment for instructional use.
>
> ***The Lease*** Lease payments are to be made by the District in amounts sufficient to pay the principal of and interest on the Certificates when due.
>
> ***The Trust Agreement*** The District will issue the Certificates pursuant to the Trust Agreement, and the Trust Agreement sets forth the rights and obligations of the District, the Trustee and the Certificate holders with respect thereto.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Certificates	$6,865,000	
Reoffering Premium	170,315	
Total Sources		**$7,035,315**
Uses		
Total Underwriter's Discount (1.000%)	$68,650	
Costs of Issuance	96,350	
Deposit to Construction Fund	6,870,315	
Total Uses		**$7,035,315**

*Preliminary, subject to change.

SECURITY

The Certificates are special, limited obligations of the District payable solely from the Rental Payments. The District will pledge the receipt of certain taxes levied pursuant to Minnesota Statutes, Section 126C.40, with the approval of the Commissioner of Education, to the payment of the Rental Payments due under the Lease, which shall be in an amount sufficient to pay the principal of and interest on the Certificates when due. The District made its first levy in 2024 for collection in 2025. Each year's tax collections, if collected in full, will be sufficient to pay 100% of the principal and interest payment due on April 1 and the interest payment due on October 1 of each year.

The primary security for the Certificates is the obligation of the District to levy taxes in amounts sufficient to make the Rental Payments in full when due. No assurance can be given that any remedies, other than enforcement of the obligations to make Rental Payments, will be available or would provide sufficient funds for timely payment of amounts due on the Certificates.

CONCURRENT FINANCING

By means of a separate Preliminary Official Statement, the District will be offering for sale its General Obligation Facilities Maintenance Bonds, Series 2025A (the "Concurrent Obligations" or the "Series 2025A Bonds"), which are scheduled to close on June 12, 2025.

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 a "AA"/Stable outlook underlying rating from S&P and a "Aa2" underlying rating from Moody's Investors Service and will be requesting an underlying rating from S&P on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Certificates, 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 Certificates 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 the Resolution, the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, 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 Certificates, to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the District shall agree to provide certain information to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system, or any system that may be prescribed in the future.

In the Award Resolution, the District will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule (the "Disclosure Undertaking"). The details and terms of the Disclosure Undertaking for the District are set forth in Appendix D. Such Disclosure Undertaking will be in substantially the form attached hereto.

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

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

LEGAL OPINION

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

TAX CONSIDERATIONS

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

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

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

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

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

Tax Exempt Interest

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

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

Original Issue Discount

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

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

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

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

Market Discount

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

Certificate Premium

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

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take the amount of each Rental Payment designated as and comprising interest as set forth on Exhibit B to the Lease and received by the registered owners of the Certificates into account in determining the taxability of such benefits.

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

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

Sale or Other Disposition

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

Information Reporting and Backup Withholding

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2024 have been audited by BerganKDV, Ltd., St. Cloud, Minnesota,, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

Following is a description of possible risks to holders of the Certificates 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.

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 Certificates 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 Certificates may fall for purposes of resale. Noncompliance following the issuance of the Certificates with certain requirements of the Code and covenants of the bond resolution may result in the inclusion of interest on the Certificates 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 Certificates, or for an increase in the interest rate on the Certificates, in the event that interest on the Certificates becomes subject to United States or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the District to comply with the Disclosure Undertaking for continuing disclosure (see "CONTINUING DISCLOSURE") will not constitute an event of default on the Certificates. 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 Certificates in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Certificates and their market price.

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 Certificates to the accounts of the Beneficial Owners of the Certificates 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 Certificates.

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 Certificates in the secondary market.

Secondary Market for the Certificates: No assurance can be given that a secondary market will develop for the purchase and sale of the Certificates or, if a secondary market exists, that such Certificates can be sold for any particular price. The underwriters are not obligated to engage in secondary market trading or to repurchase any of the Certificates at the request of the owners thereof. Prices of the Certificates 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 Certificates. 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 Certificates 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 Certificates. 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 $1,890,000 - 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]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $3,500,000 - 0.50% [2] Over $3,500,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City[4] - 1.25% Affordable Rental: First $174,000 - .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 – .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] $23,500,846,189[2]

2024/25 Assessor's Estimated Market Value

	Olmsted County	Wabasha County	Total
Real Estate	$22,379,481,400	$83,922,800	$22,463,404,200
Personal Property	124,076,100	0	124,076,100
Total Valuation	$22,503,557,500	$83,922,800	$22,587,480,300

2024/25 Net Tax Capacity

	Olmsted County	Wabasha County	Total
Real Estate	$257,494,475	$650,267	$258,144,742
Personal Property	2,453,942	0	2,453,942
Net Tax Capacity	$259,948,417	$650,267	$260,598,684
Less:			
Captured Tax Increment Tax Capacity[3]	(9,925,080)	0	(9,925,080)
Power Line Adjustment[4]	(12,633)	0	(12,633)
Taxable Net Tax Capacity	$250,010,704	$650,267	$250,660,971

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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 92.02% 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 $23,500,846,189.

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	$126,158,914	48.41%
Agricultural	6,453,075	2.48%
Commercial/industrial	76,270,064	29.27%
Public utility	89,999	0.03%
Railroad operating property	161,560	0.06%
Non-homestead residential	48,656,821	18.67%
Commercial & residential seasonal/rec.	354,309	0.14%
Personal property	2,453,942	0.94%
Total	$260,598,684	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	$16,721,729,400	$16,041,047,700	$196,939,441	$190,412,407	7.30%
2021/22	17,529,230,000	16,913,206,700	205,149,025	197,858,121	4.83%
2022/23	20,155,046,900	19,638,183,700	236,673,604	227,206,019	14.98%
2023/24	21,624,533,700	21,124,759,200	253,638,552	243,698,404	7.29%
2024/25	22,587,480,300	21,827,401,137	260,598,684	250,660,971	4.45%

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
Mayo Properties Association	Medical/Commercial	$17,365,879	6.66%
Knickerbocker Berkman LLC	Apartments/Commercial	1,603,001	0.62%
Minnesota Energy Resources	Utility	1,592,896	0.61%
Apache Mall LLC	Commercial	953,852	0.37%
Regency Consolidated Residential	Apartments	853,983	0.33%
Legacy Fund I LLC	Commercial	852,984	0.33%
Rochester West Campus	Industrial/Agricultural	702,391	0.27%
Conrad Farms LLC	Agricultural	53,304	0.02%
Western Walls Inc.	Agricultural	25,394	0.01%
Individual	Agricultural	20,693	0.01%
Total		$24,024,377	9.22%

District's Total 2024/25 Net Tax Capacity $260,598,684

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2] (includes the Series 2025A Bonds)* $311,160,000

*Preliminary, subject to change.

1 Outstanding debt is as of the dated date of the Obligations and the Concurrent Obligations.

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

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations[1]	$4,730,000

Special Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations[1] (includes the Series 2025B Certificates)*	$14,685,000

*Preliminary, subject to change.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

In addition to the Concurrent Obligations, the District has plans to issue an estimated $41,595,000 General Obligation Facilities Maintenance Bonds 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.

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

Some school districts will also receive aid for debt service payments through the state School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). For taxes payable in 2023, and thereafter, the reimbursement percentage for each qualifying property is 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under Minnesota Statutes, Section 275.08, subdivision 1b. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. Although the District expects to receive a small amount of Agricultural Credit in its debt service fund, Ehlers has not attempted to estimate the portion of debt service payments that would be financed by state aid.

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	$23,500,846,189
Multiply by 15%	0.15
Statutory Debt Limit	$3,525,126,928
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Series 2025A Bonds)*	(311,160,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	(4,730,000)
Unused Debt Limit*	$3,209,236,928

*Preliminary, subject to change.

Independent School District No. 535 (Rochester Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 06/12/2025)

	Alternative Facilities Bonds Series 2013A		Alternative Facilities Bonds Series 2015A		School Building Refunding Bonds Series 2015B		Alternative Facilities Bonds Series 2016A		Facilities Maintenance Bonds Series 2016C	
Dated	03/28/2013		05/13/2015		05/13/2015		03/17/2016		08/11/2016	
Amount	$14,870,000		$4,180,000		$9,755,000		$11,295,000		$13,605,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2026	2,060,000	164,550	200,000	77,513	1,090,000	112,750	570,000	218,850	670,000	287,700
2027	2,105,000	115,625	205,000	71,513	1,135,000	69,150	585,000	201,750	695,000	260,900
2028	2,100,000	63,000	210,000	65,363	1,170,000	35,100	605,000	184,200	725,000	233,100
2029			215,000	59,063			625,000	166,050	740,000	214,975
2030			220,000	52,613			640,000	147,300	755,000	196,475
2031			225,000	46,013			660,000	128,100	780,000	177,600
2032			235,000	39,263			680,000	108,300	795,000	157,125
2033			240,000	32,213			700,000	87,900	820,000	135,263
2034			250,000	24,713			720,000	66,900	845,000	111,688
2035			255,000	16,900			745,000	45,300	870,000	86,338
2036			265,000	8,613			765,000	22,950	895,000	59,150
2037									925,000	30,063
2038										
2039										
2040										
2041										
2042										
	6,265,000	343,175	2,520,000	493,775	3,395,000	217,000	7,295,000	1,377,600	9,515,000	1,950,375

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Independent School District No. 535 (Rochester Public Schools), Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 06/12/2025)

	Facilities Maintenance Bonds Series 2017B		Facilities Maintenance Bonds Series 2018A		School Building Bonds Series 2020A		Facilities Maintenance & Refunding Bonds Series 2020B		Facilities Maintenance Bonds Series 2022A	
Dated	08/30/2017		12/19/2018		01/30/2020		11/05/2020		05/12/2022	
Amount	$4,110,000		$24,130,000		$170,410,000		$46,950,000		$49,120,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2026	280,000	92,381	1,175,000	757,606	6,300,000	4,037,406	2,585,000	879,694	0	2,005,688
2027	295,000	78,381	1,410,000	698,856	6,885,000	3,785,406	1,870,000	802,144	2,025,000	2,005,688
2028	305,000	63,631	1,355,000	628,356	8,100,000	3,510,006	1,960,000	746,044	2,050,000	1,904,438
2029	325,000	48,381	1,140,000	560,606	8,195,000	3,186,006	3,130,000	687,244	2,765,000	1,801,938
2030	330,000	39,850	1,705,000	503,606	8,500,000	2,858,206	3,225,000	593,344	2,645,000	1,663,688
2031	340,000	30,775	1,905,000	435,406	8,840,000	2,518,206	2,025,000	496,594	2,960,000	1,531,438
2032	345,000	21,000	2,160,000	375,875	9,200,000	2,164,606	2,025,000	468,750	3,480,000	1,383,438
2033	355,000	10,650	2,340,000	302,975	9,410,000	1,980,606	2,085,000	438,375	3,720,000	1,244,238
2034			3,530,000	224,000	9,600,000	1,792,406	1,665,000	404,494	3,850,000	1,095,438
2035			2,870,000	100,450	9,775,000	1,588,406	2,505,000	375,356	4,395,000	970,313
2036					10,065,000	1,295,156	2,875,000	331,519	4,355,000	821,981
2037					10,310,000	1,056,113	3,350,000	277,613	4,960,000	675,000
2038					10,550,000	811,250	3,435,000	214,800	5,955,000	476,600
2039					10,815,000	547,500	3,625,000	146,100	5,960,000	238,400
2040					11,085,000	277,125	3,680,000	73,600		
2041										
2042										
	2,575,000	385,050	19,590,000	4,587,738	137,630,000	31,408,406	40,040,000	6,935,669	49,120,000	17,818,281

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Independent School District No. 535 (Rochester Public Schools), Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 06/12/2025)

	Facilities Maintenance Bonds Series 2025A								
Dated	06/12/2025								
Amount	$33,215,000*								
Maturity	02/01								
Fiscal Year Ending	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2026	0	944,997	14,930,000	9,579,135	24,509,135	296,230,000	4.80%	**2026**
2027	910,000	1,485,585	18,120,000	9,574,998	27,694,998	278,110,000	10.62%	**2027**
2028	1,200,000	1,440,085	19,780,000	8,873,323	28,653,323	258,330,000	16.98%	**2028**
2029	1,390,000	1,380,085	18,525,000	8,104,348	26,629,348	239,805,000	22.93%	**2029**
2030	1,495,000	1,310,585	19,515,000	7,365,666	26,880,666	220,290,000	29.20%	**2030**
2031	1,500,000	1,235,835	19,235,000	6,599,966	25,834,966	201,055,000	35.39%	**2031**
2032	1,570,000	1,160,835	20,490,000	5,879,191	26,369,191	180,565,000	41.97%	**2032**
2033	1,655,000	1,082,335	21,325,000	5,314,554	26,639,554	159,240,000	48.82%	**2033**
2034	1,760,000	999,585	22,220,000	4,719,223	26,939,223	137,020,000	55.96%	**2034**
2035	1,870,000	911,585	23,285,000	4,094,648	27,379,648	113,735,000	63.45%	**2035**
2036	1,975,000	818,085	21,195,000	3,357,454	24,552,454	92,540,000	70.26%	**2036**
2037	2,075,000	719,335	21,620,000	2,758,123	24,378,123	70,920,000	77.21%	**2037**
2038	2,460,000	636,335	22,400,000	2,138,985	24,538,985	48,520,000	84.41%	**2038**
2039	2,570,000	537,935	22,970,000	1,469,935	24,439,935	25,550,000	91.79%	**2039**
2040	3,460,000	435,135	18,225,000	785,860	19,010,860	7,325,000	97.65%	**2040**
2041	3,590,000	296,735	3,590,000	296,735	3,886,735	3,735,000	98.80%	**2041**
2042	3,735,000	153,135	3,735,000	153,135	3,888,135	0	100.00%	**2042**
	33,215,000	15,548,207	311,160,000	81,065,276	392,225,276			

* Preliminary, subject to change.

Independent School District No. 535 (Rochester Public Schools), Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 06/12/2025)

	Certificates of Participation Series 2017A								
Dated	08/30/2017								
Amount	$7,945,000								
Maturity	02/01								
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2026	530,000	141,900	530,000	141,900	671,900	4,200,000	11.21%	**2026**
2027	550,000	126,000	550,000	126,000	676,000	3,650,000	22.83%	**2027**
2028	565,000	109,500	565,000	109,500	674,500	3,085,000	34.78%	**2028**
2029	580,000	92,550	580,000	92,550	672,550	2,505,000	47.04%	**2029**
2030	600,000	75,150	600,000	75,150	675,150	1,905,000	59.73%	**2030**
2031	615,000	57,150	615,000	57,150	672,150	1,290,000	72.73%	**2031**
2032	635,000	38,700	635,000	38,700	673,700	655,000	86.15%	**2032**
2033	655,000	19,650	655,000	19,650	674,650	0	100.00%	**2033**
	4,730,000	660,600	4,730,000	660,600	5,390,600			

Independent School District No. 535 (Rochester Public Schools), Minnesota
Schedule of Bonded Indebtedness
Special Obligation Debt Secured by Tax Levy for Rental Payments
(As of 06/12/2025)

	Full Term Certificates of Participation Series 2012B		Full Term Certificates of Participation Series 2014A		Full Term Certificates of Participation Series 2025B							
Dated	12/03/2012		03/19/2014		06/12/2025							
Amount	$16,455,000		$6,560,000		$6,865,000*							
Maturity	02/01		02/01		04/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2026	1,190,000	124,219	340,000	118,908	2,255,000	275,553	3,785,000	518,680	4,303,680	10,900,000	25.77%	**2026**
2027	1,240,000	88,519	345,000	108,708	2,300,000	230,500	3,885,000	427,726	4,312,726	7,015,000	52.23%	**2027**
2028	1,275,000	51,319	355,000	97,495	2,310,000	115,500	3,940,000	264,314	4,204,314	3,075,000	79.06%	**2028**
2029	680,000	17,850	365,000	85,958			1,045,000	103,808	1,148,808	2,030,000	86.18%	**2029**
2030			370,000	74,095			370,000	74,095	444,095	1,660,000	88.70%	**2030**
2031			395,000	60,590			395,000	60,590	455,590	1,265,000	91.39%	**2031**
2032			410,000	46,173			410,000	46,173	456,173	855,000	94.18%	**2032**
2033			415,000	31,208			415,000	31,208	446,208	440,000	97.00%	**2033**
2034			440,000	16,060			440,000	16,060	456,060	0	100.00%	**2034**
	4,385,000	281,906	3,435,000	639,193	6,865,000	621,553	14,685,000	1,542,652	16,227,652			

* Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2024/25 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Counties of:				
Olmsted	$307,741,364	81.2405%	$103,500,000	$84,083,918
Wabasha	45,067,516	1.4429%	3,675,000	53,027
Cities of:				
Oronoco	3,156,371	70.9031%	12,311,359	8,729,135
Pine Island	1,278,777	0.3884%	6,585,000	25,576
Rochester	214,367,352	99.3952%	64,060,000	63,672,565
Towns of:				
Cascade	6,823,219	91.5811%	240,325	220,092
Oronoco	6,006,027	86.1676%	200,817	173,039
District's Share of Total Overlapping Debt				$156,957,352

1 Overlapping debt is as of the dated date of the Obligations and the Concurrent Obligations. 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 $23,500,846,189	Debt/ Per Capita 137,594[1]
Direct G.O. Debt Being Paid From Taxes and State Aids*	$311,160,000	1.32%	$2,261.44
District's Share of Total Overlapping Debt	$156,957,352	0.67%	$1,140.73
Total*	$468,117,352	1.99%	$3,402.16

*Preliminary, subject to change.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[2]	Total Collected Following Year	Collected to Date	% Collected
2020/21	$69,025,225	$68,435,047	$69,025,225	100.000%
2021/22	69,876,856	69,541,167	69,876,242	99.999%
2022/23	73,047,887	72,607,067	72,936,698	99.848%
2023/24	75,855,426	75,383,435	75,427,776	99.436%
2024/25	99,066,094	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[3] 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 This reflects the Final Levy Certification of the District after all adjustments have been made.

3 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. 535 (Rochester Public Schools)	20.375%	20.387%	18.104%	17.206%	18.237%
Olmsted County	46.961%	49.008%	44.671%	43.152%	44.422%
Wabasha County	50.486%	48.453%	42.922%	39.131%	39.600%
City of Hammond	64.187%	57.883%	46.112%	47.960%	45.748%
City of Oronoco	37.213%	37.574%	37.440%	41.593%	44.775%
City of Pine Island	84.914%	86.731%	81.321%	80.972%	81.762%
City of Rochester	48.242%	49.624%	46.406%	47.842%	51.230%
Town of Cascade[2]	22.351%	22.018%	19.878%	20.539%	21.900%
W 1/2	3.113%	3.223%	2.965%	2.811%	3.031%
SE 1/4	2.954%	3.079%	2.709%	2.443%	2.384%
NE 1/4	1.580%	1.578%	1.586%	1.340%	1.574%
Haverhill Ambulance	2.640%	1.154%	0.856%	0.730%	N/A
Olmsted County HRA	1.687%	1.688%	1.693%	1.676%	1.722%
Wabasha County HRA	0.349%	0.329%	0.295%	0.312%	0.464%
Referendum Market Value Rates:					
I.S.D. No. 535 (Rochester Public Schools)	0.19043%	0.17744%	0.16756%	0.16674%	0.24915%
City of Rochester	0.01436%	0.01369%	0.01193%	0.01122%	0.01085%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Olmsted and Wabasha Counties.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 2,777, including 1,263 non-licensed employees and 1,514 licensed employees (1,454 of whom are teachers). The District provides education for 17,323 students in grades kindergarten through twelve.

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

2 Representative town rate.

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
Teachers	June 30, 2025
Education Support Professionals	June 30, 2026
Food Service	June 30, 2026
Clerical	June 30, 2026
Maintenance	June 30, 2026
Principals	June 30, 2025
Administrators	June 30, 2025

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 74/75 (GASB 74/75). The District 's most recent actuarial study shows a total OPEB liability of $16,761,582 as of June 30, 2025. The District had been funding these obligations on a pay-as-you-go basis, but in June of 2015, the District created an irrevocable OPEB trust. As of June 30, 2025, the net position of the trust will be $21,5551,464. Future OPEB costs will be paid partially from the trust and partially from operating funds.

Source: The District's most recent actuarial study.

STUDENT BODY

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

Year	Pre-K-5	Grades 6-8	Grades 9-12	Total
2020/21	8,025	3,868	5,742	17,635
2021/22	8,059	3,887	5,854	17,800
2022/23	8,045	3,777	5,907	17,729
2023/24	7,946	3,745	5,890	17,581
2024/25	7,864	3,688	5,771	17,323

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

Year	Pre-K-5	Grades 6-8	Grades 9-12	Total
2025/26	7,714	3,641	5,695	17,050
2026/27	7,566	3,597	5,597	16,760
2027/28	7,433	3,602	5,498	16,533

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Bamber Valley Elementary	1958	1961, 1966, 1989, 2003
Bishop Elementary	2022	1963, 2022
Churchill Elementary	1967	--
Elton Hills Elementary	1959	1962
Folwell Elementary	1930	1950, 1960, 2009, 2014
Franklin Elementary	1969	1990, 2014
Gage Elementary	1964	1989
Gibbs Elementary	2009	2014
Hoover Elementary	1968	2018
Jefferson Elementary	1950	1957, 1960, 1993, 1998, 2020
Lincoln Elementary	1950	1965, 2009, 2014
Longfellow Elementary	2022	--
Overland Elementary	2021	--
Pinewood Elementary	1957	1960, 1962, 1964, 1988, 2014
Riverside Central Elementary	2001	--
Sunset Terrace Elementary	1960	1963, 1990
Washington Elementary	1951	1956, 1964, 2000, 2014
Dakota Middle School	2022	--
John Adams Middle School	1970	1980, 2005
Kellogg Middle School	1962	1980, 1989, 2005
Willow Creek Middle School	1979	1980, 2003
Century High School	1997	2000, 2001, 2004, 2005, 2012, 2013
John Marshall High School	1956	1958, 1974, 1980, 2001, 2006, 2007
Mayo High School	1966	1983, 2002, 2005, 2010, 2016, 2017
Edison Administration Building	1915	1950, 1957, 1971
Educational Services Center	1967	--
Facilities Services Center	1970	1996, 2006
Technology Support Service Center	2007	--
Friedell Building	1967	1997
Hawthorne Education Center	1917	1928, 1938, 1964, 2002
Northrop Education Center	1915	1935, 2000, 2001
Mighty Oaks Early Learning Center	1953	1959, 1966, 1980, 2016
Rochester Alternative Learning Center	2006	--
Skyline	1957	1985

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 Obligations and the Concurrent Obligations or otherwise questioning the validity of the Obligations and the Concurrent Obligations.

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 Obligations 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 Obligations. Such modifications could be adverse to holders of the Obligations and there could ultimately be no assurance that holders of the Obligations would be paid in full or in part on the Obligations.

FUNDS ON HAND (as of March 31, 2025)

Fund	Total Cash and Investments
General	$76,787,103
Food Service	9,645,101
Community Service	6,443,846
Debt Service	3,392,580
Building/Construction	15,902,130
Trust & Agency	32,628,165
Internal Service	4,235,884
Total Funds on Hand	$149,034,809

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 ENDING JUNE 30				
	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2024-25 Revised Budget[1]
Revenues					
Local property taxes	$42,061,639	$45,489,539	$41,229,343	$44,741,491	$48,647,630
Other local and county revenues	3,193,615	5,315,145	8,993,450	10,895,470	19,803,976
Revenue from state sources	183,003,573	186,897,697	191,714,495	210,945,867	216,780,996
Revenue from federal sources	15,117,486	16,165,285	20,053,116	20,334,880	14,532,822
Sales and other conversion of assets	548,935	0	0	12,000	0
Total Revenues	$243,925,248	$253,867,666	$261,990,404	$286,929,708	$299,765,424
Expenditures					
Current:					
Administration	$8,798,115	$8,554,294	$9,814,762	$10,296,684	$10,584,006
District support services	5,981,203	7,048,533	9,410,829	12,105,713	14,579,941
Elementary and secondary regular instruction	100,562,701	104,628,634	103,720,869	111,216,687	119,186,005
Vocational education instruction	3,467,377	4,296,588	3,890,922	4,281,027	4,264,400
Special education instruction	49,741,097	52,629,043	55,683,004	56,810,844	65,218,542
Instructional support services	17,848,572	16,759,285	14,830,377	15,248,937	15,615,177
Pupil support services	26,792,676	30,076,621	33,364,634	37,466,309	40,990,738
Sites and buildings	20,101,331	18,911,873	20,743,680	21,033,992	25,174,759
Fiscal and other fixed cost programs	831,246	928,901	1,220,643	1,378,164	3,146,099
Community service	375,828	387,240	438,159	505,270	461,178
Capital outlay	3,903,624	3,846,366	4,694,100	2,661,306	3,487,734
Debt service	3,002,221	3,616,834	3,511,814	3,897,214	3,706,053
Total Expenditures	$241,405,991	$251,684,212	$261,323,793	$276,902,147	$306,414,632
Excess of revenues over (under) expenditures	$2,519,257	$2,183,454	$666,611	$10,027,561	($6,649,208)
Other Financing Sources (Uses)					
Sale of capital assets	$86,547	$176,453	$510,982	$60,755	$20,474
Insurance recovery proceeds	0	246,886	31,936	112,798	658
Debt proceeds	0	0	421,373	571,809	0
Bond issuance	0	6,060,000	0	0	0
Bond premium	0	311,048	0	0	0
Transfers in	0	0	1,439,527	0	0
Total Other Financing Sources (Uses)	86,547	6,794,387	2,403,818	745,362	21,132
Net changes in Fund Balances	$2,605,804	$8,977,841	$3,070,429	$10,772,923	($6,628,076)
General Fund Balance July 1	$44,892,256	$47,498,060	$56,475,901	$59,546,330	
Prior Period Adjustment	0	0	0	0	
Residual Equity Transfer in (out)	0	0	0	0	
General Fund Balance June 30	$47,498,060	$56,475,901	$59,546,330	$70,319,253	
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$1,144,701	$922,804	$570,608	$507,617	
Restricted	7,476,752	13,144,320	6,243,713	8,803,429	
Assigned	8,642,168	9,537,750	10,674,938	12,835,729	
Unassigned	30,234,439	32,871,027	42,057,071	48,172,478	
Total	$47,498,060	$56,475,901	$59,546,330	$70,319,253	

[1] The 2024-25 budget was adopted on June 18, 2024 and the revised budget was adopted on February 28, 2025. The District has a history of adopting conservative budgets and producing actual financial results that are more favorable than the budget. As a result of this history and tracking of revenues and expenditures to date, District officials expect a surplus for fiscal year 2024-25.

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 135,602 and a 2023 population estimate of 137,594, and comprising an area of 218 square miles, is located approximately 85 miles south of St. Paul, Minnesota. The City of Rochester, Minnesota is the County Seat of Olmsted County.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Mayo Medical Center	Medical hospital and clinics	35,000
IBM	Computer services	4,800
I.S.D. No. 535 (Rochester Public Schools)	Elementary and secondary education	2,777
Olmsted County	County government and services	1,398
City of Rochester	Municipal government and services	1,006
Olmsted Medical Center	Medical hospital and clinic	1,000
Hy-Vee	Retail grocery store	896 [2]
Walmart Supercenter	Retail store	870
Target	Retail	600 [2]
Rochester Community and Technical College	Community college	500

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	115,716
2020 U.S. Census population	135,602
Percent of Change 2010 - 2020	17.19%
2023 State Demographer Estimate	137,594

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

[2] Total number of employees includes multiple locations within District limits.

Income and Age Statistics

	The District	Olmsted County	State of Minnesota	United States
2023 per capita income	$52,887	$52,059	$46,957	$43,289
2023 median household income	$91,682	$93,494	$87,556	$78,538
2023 median family income	$118,644	$119,991	$111,492	$96,922
2023 median gross rent	$1,315	$1,283	$1,235	$1,348
2023 median value owner occupied units	$299,600	$304,500	$305,500	$303,400
2023 median age	37.5 yrs.	37.8 yrs.	38.6 yrs.	38.7 yrs.

	State of Minnesota	United States
District % of 2023 per capita income	112.63%	122.17%
District % of 2023 median family income	106.41%	122.41%

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	Olmsted County	Olmsted County	State of Minnesota
2021	86,383	3.1%	3.7%
2022	87,407	2.1%	2.5%
2023	88,322	2.1%	2.8%
2024	89,523	2.3%	3.0%
2025, March	92,424	3.0%	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 Certificates, 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. 535
Rochester, Minnesota

Basic Financial Statements

June 30, 2024

Independent School District No. 535
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Independent School District No. 535
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Independent School District No. 535
Board of Education and Administration
June 30, 2024

Board of Education	Position	Term Expires
Cathy Nathan	Chair	December 31, 2026
Julie Workman	Vice Chair	December 31, 2026
Karen MacLaughlin	Clerk	December 31, 2024
Dr. Jean Marvin	Treasurer	December 31, 2026
Dr. Jessica Garcia	Director	December 31, 2024
Don Barlow	Director	December 31, 2024
Justin Cook	Director	December 31, 2026

Administration	
Dr. Kent Pekel	Superintendent
John Carlson	Chief Administrative Officer
Andy Krogstad	Director of Finance
Andrew Hoffbeck	Manager of Accounting

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Independent Auditor's Report

To the School Board
Independent School District No. 535
Rochester, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 535, Rochester, Minnesota, as of and for the year ended June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 535, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and the Food Service and Community Service Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 535 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Implementation Guide No. 2021-1
The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Implementation Guide No. 2021-1 – Amending Capitalization Requirements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
The management of Independent School District No. 535 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BergankDV, Ltd.

St. Cloud, Minnesota
November 11, 2024

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This section of Independent School District No. 535's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2023-2024 include the following:

- Total General Fund revenues were $286,929,708 and total General Fund expenditures were $276,902,147 for the fiscal year ended June 30, 2024. Total revenues and expenditures for all governmental funds combined were $347,732,502 and $359,605,147, respectively.

- The total fund balance in the General Fund increased by $10,772,923 to $70,319,253. The Unassigned fund balance in the General Fund increased by $6,115,407 to $48,172,478. Total General Fund revenues were 1.8% less than the final budget, and total General Fund expenditures were 6.0% less than the final budget. The District spent less than budgeted in several areas, with the largest savings in salaries, followed by purchased services and supplies and materials.

- The total fund balance in the Food Services fund increased by $1,767,678 to $8,680,419, with revenue of $13,277,681 and expenditures of $11,510,003. The Food Service budget projected that revenues would exceed expenditures by $1,033,864.

- The total fund balance in the Community Service fund increased by $116,893 to $4,060,710, with revenue of $16,856,642 and expenditures of $16,739,749. The Community Service budget projected that expenditures would exceed revenue by $491,555.

- The District spent $22,694,544 on facility construction and deferred maintenance projects during the fiscal year. Of that amount, $1,654,689 was spent on construction projects that were approved in the November 2019 referendum and $21,039,855 was spent on major maintenance projects at district buildings.

- The long-term liability for compensated absences amounts to $16,637,221 at June 30, 2024. This is an increase of $68,964. The net long-term liability for other postemployment benefits is $131,977 at June 30, 2024. This net liability decreased by $1,429,666 in 2023-2024. The District has an Other Postemployment Benefit Trust to fund the postemployment obligation. At June 30, 2024, the net unfunded other postemployment benefits liability represented 0.65% of the total OPEB liability.

- The District has general obligation bonded debt principal outstanding in the amount of $294,020,000 and certificates of participation payable principal outstanding in the amount of $16,670,000 as of June 30, 2024. The decrease of $19,085,000 from the previous fiscal year end is the principal payments made in 2023-2024. The District did not issue general obligation bonds or certificates of participation in 2023-2024.

FINANCIAL HIGHLIGHTS (CONTINUED)

- Net position of governmental activities increased by $34,511,625 for the fiscal year. The total expense of governmental activities was $314,261,322. Program revenues totaled $127,407,591 and general revenues totaled $221,365,356.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts - Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and single audit and other required reports. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- The proprietary funds statements offer short-term and long-term financial information about the activities the School District operates in a manner similar to businesses.
- The fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

DISTRICT-WIDE STATEMENTS

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

DISTRICT-WIDE STATEMENTS (CONTINUED)

In the district-wide financial statements the District's activities are shown as Governmental activities:

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

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes.

The District has three kinds of funds:

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

- **Proprietary funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's sole Proprietary fund is an internal service fund.

    - The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently uses internal service funds for the Health and Dental Care self-insurance program and the Workers' Compensation self-insurance program. The internal service fund for Printing Services which included the District's print and copy workshop, Paper Tiger and the activity related to the copiers and printers operated throughout the District was discontinued in the year-ending June 30, 2024.

- **Fiduciary funds -** The District is the trustee, or fiduciary, for assets that belong to others, such as the Reimbursement Account Trust, scholarships, and Irrevocable OPEB Trust. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position from Governmental activities was $32,320,074 on June 30, 2024. (See Table A-1) This was an increase of $45,372,217 in net position from June 30, 2023. Total assets increased by approximately $31.8 million, primarily due to increases in capital assets of $22.1 million. The District implemented *Implementation Guide 2021-1-Amending Capitalization Requirements* which resulted in an increase in capital assets, net of accumulated depreciation of $10.9 million. Total liabilities decreased by approximately $10.0 million or 1.7% with long-term liabilities decreasing by $30.1 million primarily due to general obligation and certificates of participation principal payments made in the current fiscal year.

Table A-1
Net Position - Governmental Activities

	Year Ended 2024	Year Ended 2023	Percentage Change
Assets			
Current and other assets	$ 262,728,950	$ 253,051,611	3.82%
Capital assets	408,601,054	386,519,472	5.71%
Total assets	671,330,004	639,571,083	4.97%
Deferred Outflows of Resources	46,931,483	63,036,947	-25.55%
Total assets and deferred outflows of resources	$ 718,261,487	$ 702,608,030	2.23%
Liabilities			
Other liabilities	$ 60,994,925	$ 40,900,996	49.13%
Long-term liabilities	531,218,274	561,354,783	-5.37%
Total liabilities	$ 592,213,199	$ 602,255,779	-1.67%
Deferred Inflows of Resources	$ 93,728,214	$ 113,404,394	-17.35%
Net Position			
Net investment in capital assets	$ 120,344,432	$ 103,536,856	16.23%
Restricted	25,053,475	20,496,461	22.23%
Unrestricted	(113,077,833)	(137,085,460)	17.51%
Total net position	$ 32,320,074	$ (13,052,143)	347.62%

Changes in Net Position

The District's total revenues were $348,772,947 for the year ended June 30, 2024. Property taxes and state formula aid accounted for 61% of total revenue for the year (See Figure A-1). 39% of total revenue came from program revenues and investment earnings.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The total cost of all programs and services was $314,261,322. The District's expenses are predominantly related to educating and caring for students, approximately 77% (See Figure A-2). The purely administrative activities of the District accounted for just 3% of total costs. Total revenues were greater than expenditures, increasing net position by $34,511,625.

Table A-2
Change in Net Position

	Year Ended 2024	Year Ended 2023	Percentage Change
Revenues			
Program revenues			
Charges for services	$ 11,383,133	$ 12,202,306	-6.71%
Operating grants and contributions	113,927,363	94,132,042	21.03%
Capital grants and contributions	2,097,095	2,148,550	-2.39%
General revenues			
Property taxes	74,940,560	69,121,494	8.42%
General grants and aids	139,154,376	134,911,238	3.15%
Investment earnings	7,270,420	2,823,444	157.50%
Total revenues	348,772,947	315,339,074	10.60%
Expenses			
Administration	$9,913,375	$8,750,216	13.29%
District support services	12,925,952	10,220,701	26.47%
Elementary and secondary regular instruction	122,072,457	103,094,272	18.41%
Vocational education instruction	4,062,767	3,255,079	24.81%
Special education instruction	54,095,990	48,130,136	12.40%
Instructional support services	12,619,411	12,812,250	-1.51%
Pupil support services	37,182,331	31,920,337	16.48%
Sites and buildings	22,769,652	26,536,708	-14.20%
Fiscal and other fixed cost programs	1,308,249	1,207,052	8.38%
Food service	11,824,936	10,299,148	14.81%
Community education and services	16,668,111	14,648,804	13.78%
Interest and fiscal charges on long-term debt	8,818,091	9,536,830	-7.54%
Total expenses	314,261,322	280,411,533	12.07%
Increase (decrease) in net position	34,511,625	34,927,541	-1.19%
Net Position			
Net position - beginning, as previously stated	(13,052,143)	(48,691,122)	-73.19%
Change in accounting principle	10,860,592	711,438	
Beginning of year - restated	(2,191,551)	(47,979,684)	95.43%
End of year	$ 32,320,074	$ (13,052,143)	347.62%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Figure A-1
Source of Revenues for Fiscal Year 2024

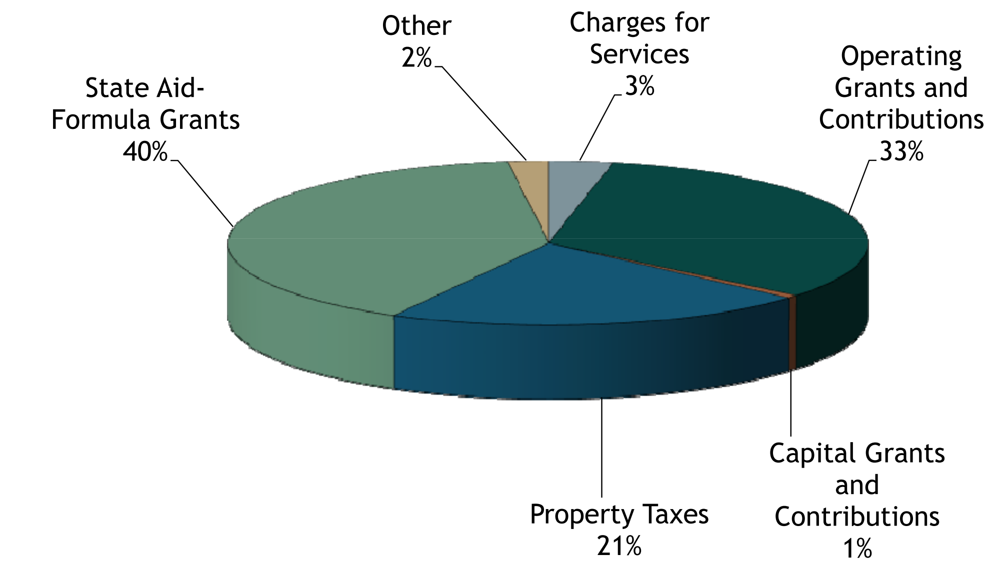
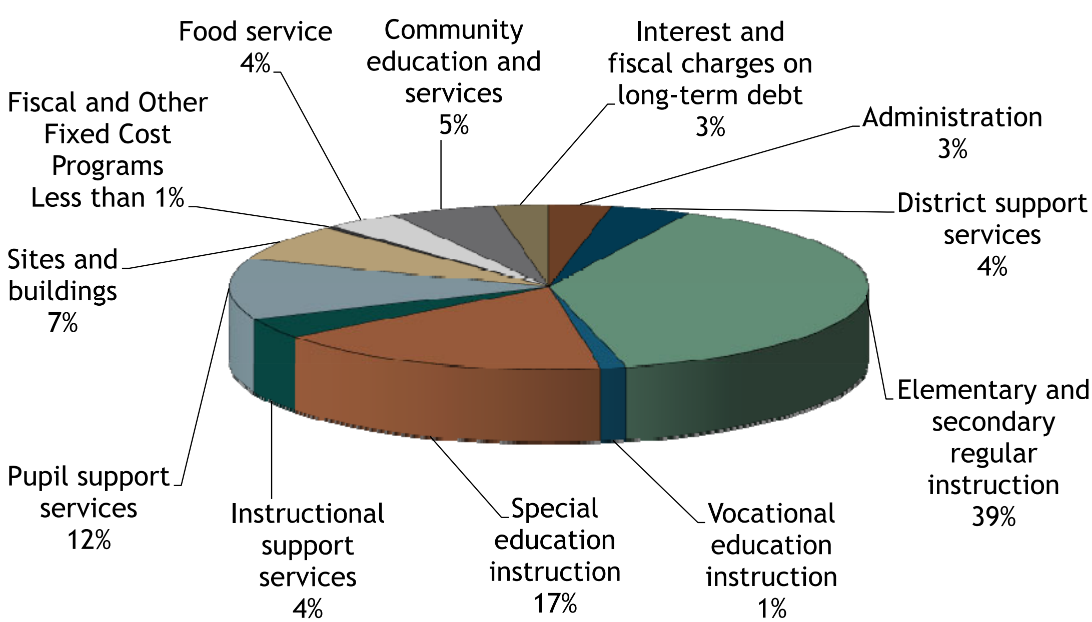


Figure A-2
Expenses for Fiscal Year 2024



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

- The cost of all governmental activities was $314,261,322, which is an increase of $33,849,789, or 12.1%, from the previous year. The increase is primarily due to higher expenditures for elementary and secondary regular instruction compared to the prior fiscal year.
- Some of the cost was paid by the users of the District's programs ($11,383,133).
- The federal and state governments subsidized certain programs with grants and contributions ($116,024,458).
- Most of the District's costs ($221,365,356), however, were paid for by District taxpayers and the taxpayers of the State of Minnesota.
- The net expense of governmental activities in excess of program revenue was paid for with $74,940,560 in property taxes and $139,154,376 of state aid based on the state-wide education aid formula. Investment earnings were $7,270,420 for the year ended June 30, 2024.

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services 2024	Total Cost of Services 2023	Percentage Change	Net Cost of Services 2024	Net Cost of Services 2023	Percentage Change
Administrative	$ 9,913,375	$ 8,750,216	13.29%	$ 9,899,485	$ 8,740,489	13.26%
District support services	12,925,952	10,220,701	26.47%	10,175,308	8,166,154	24.60%
Elementary and secondary regular instruction	122,072,457	103,094,272	18.41%	87,032,017	74,124,165	17.41%
Vocational education instruction	4,062,767	3,255,079	24.81%	3,100,209	2,349,536	31.95%
Special education instruction	54,095,990	48,130,136	12.40%	(825,322)	2,051,805	-140.22%
Instructional support services	12,619,411	12,812,250	-1.51%	7,784,884	9,120,649	-14.65%
Pupil support services	37,182,331	31,920,337	16.48%	34,671,895	27,774,321	24.83%
Sites and buildings	22,769,652	26,536,708	-14.20%	22,197,883	25,756,284	-13.82%
Fiscal and other fixed cost programs	1,308,249	1,207,052	8.38%	1,302,499	918,569	41.80%
Food service	11,824,936	10,299,148	14.81%	(1,166,535)	542,060	-315.20%
Community education and services	16,668,111	14,648,804	13.78%	3,863,317	2,847,773	35.66%
Interest and fiscal charges on long-term debt	8,818,091	9,536,830	-7.54%	8,818,091	9,536,830	-7.54%
Total	$ 314,261,322	$ 280,411,533	12.07%	$ 186,853,731	$ 171,928,635	8.68%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $129,467,737, which is a decrease of $11,127,283 from the prior year ending fund balance. Revenues for the District's governmental funds were $347,732,502, total expenditures were $359,605,147, and other sources and uses provided $745,362.

The Capital Projects Fund balance decreased by $24,308,012 in the current fiscal year. The fund balance of the General Fund increased by $10,772,923. The operations of the other governmental funds: Food Service, Community Service and Debt Service resulted in an increase in fund balance of $2,407,806.

GENERAL FUND

The General Fund includes the primary operations of the District in providing educational services to students from early childhood through grade 12 including pupil transportation activities and operating capital expenditures.

The following table shows that the number of students in the District has decreased by 705 since 2020.

Table A-4
Five-Year Enrollment Trend
Average Daily Membership (ADM)

Grade	2020	2021	2022	2023	2024
ECSE	261	223	223	260	268
School Readiness	38	28	41	37	33
Kdgt.	1,365	1,267	1,250	1,207	1,174
1-3	3,988	3,738	3,741	3,764	3,690
4-6	3,976	3,779	3,803	3,743	3,691
7-12	8,075	8,101	8,238	8,179	8,141
Total K-12	17,702	17,136	17,294	17,191	16,997
ADM Change	100	(566)	158	(104)	(193)
Percent Change	0.6%	-3.2%	0.9%	-0.6%	-1.1%

District enrollment is expected to increase slightly in 2024-2025.

The following schedule presents a summary of General Fund Revenues.

Table A-5
General Fund Revenues

	Year Ended		Change	
	June 30, 2024	June 30, 2023	Increase (Decrease)	Percent Change
Local property taxes	$ 44,741,491	$ 41,229,343	$ 3,512,148	8.5%
Revenue from state sources	210,945,867	191,714,495	19,231,372	10.0%
Revenue from federal sources	20,334,880	20,053,116	281,764	1.4%
Other	10,907,470	8,993,450	1,914,020	21.3%
Total	$ 286,929,708	$ 261,990,404	$ 24,939,304	9.5%

Total General Fund revenue of $286,929,708 increased by $24,939,304, or 9.5%, compared to the previous year. Basic general education revenue is determined by the state per student funding formula and consists of state aid revenue. Other state-authorized revenue including excess levy referendum and operating capital involve an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change of revenue.

GENERAL FUND (CONTINUED)

Other revenues increased by $1,914,020. In the current year, fair value adjustments on investments were $1,377,987 compared to ($282,838) in the prior year.

The following schedule presents a summary of General Fund expenditures.

Table A-6
General Fund Expenditures

	Year Ended		Change	
	June 30, 2024	June 30, 2023	Increase (Decrease)	Percent Change
Salaries	$ 161,581,866	$ 152,559,512	$ 9,022,354	5.9%
Employee benefits	57,810,771	53,397,571	4,413,200	8.3%
Purchased services	38,850,002	35,240,596	3,609,406	10.2%
Supplies and materials	11,154,895	11,179,302	(24,407)	-0.2%
Capital expenditures	2,661,306	4,694,100	(2,032,794)	-43.3%
Debt service expenditures	3,897,214	3,511,814	385,400	11.0%
Other expenditures	946,093	740,898	205,195	27.7%
Total	$ 276,902,147	$ 261,323,793	$ 15,578,354	6.0%

The total General Fund expenditures of $276,902,147 was an increase of $15,578,354, or 6.0%, over the prior year. Salaries increased by $9,022,354, which is an increase of 5.9% over the prior year. The increase in salaries is attributed to step increases and salary schedule adjustments as established in employee contracts.

Employee benefits expenditures increased by $4,413,200, or 8.3%, over the prior year. This is primarily attributed in increases in employer health insurance expenditures of $2,106,774 and employer pension contributions of $969,267 as compared to the prior year.

Purchased services expenditures increased $3,609,406, or 10.2%, from the prior year. This increase is primarily attributed to increased expenditures for pupil transportation ($1,457,109) and repairs and maintenance ($885,542) as compared to the prior year.

The remaining categories of supplies and materials, capital expenditures, debt service and other expenditures net to an overall cost decrease of $1,466,606 from 2023 to 2024.

In 2023-2024, General Fund revenues exceeded expenditures by $10,027,561, which was $12,533,882 better than budget. Revenue received was $5,164,734 less than budgeted, and expenditures were $17,698,616 less than budgeted. The unassigned fund balance increased from $42,057,071 at June 30, 2023, to $48,172,478 at June 30, 2023, an increase of $6,115,407. Expenditures were less than budgeted in several areas, including salaries, followed by purchased services, and supplies and materials. Additional discussion of budget variances is provided in the next section – General Fund Budgetary Highlights.

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget. The budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants, reinstating prior year designated carryover reserves, and changes in enrollment estimates.
- Increases in appropriations for significant unbudgeted costs or revenues.

The District's final budget for the General Fund anticipated expenditures to exceed revenues by $2,506,321 while the actual results for the year show that revenues exceeded expenditures by $10,027,561.

In our analysis of significant variances between original and final budget amounts and between final budget amounts and actual results in the General Fund, there are no variances in revenues that will have a significant effect on future services or liquidity. The main reasons for the difference between the original budget and the final budget are described in the following paragraph. The District historically has used the October 1 student enrollment as the basis for the final budget.

On the expenditure side of the budget, the major reasons for the variance between original and final budget amounts (approximately $18.0 million) include additional expenditure budgets resulting from additional federal grant budgets added after the original budget was approved (approximately $6.5 million), additional budgets added for various purposes across the District (approximately $3.7 million), carryover of unspent funds from the previous fiscal year (approximately $3.4 million), additional budgets added for student use technology devices funded through technology certificates of participation issued in 2021-2022 ($2.7 million) and additional budgets added for additional funding received in 2023-2024 (approximately $1.7 million).

Taking a look at the $17.7 million difference between the final expenditure budget and actual expenditures, the unspent salary budgets were approximately $5.7 million. There was also unspent purchased services budgets of $3.9 million, unspent supplies and materials budgets of $3.8 million and unspent employee benefits budgets of $2.4 million. Approximately $2.6 million of unspent expenditure budgets will carryover and be added to expenditure budgets in the 2024-2025 fiscal year. Some of the variances will have a positive effect on future budgets by allowing for ongoing budget reductions in certain areas.

FOOD SERVICE FUND

The Food Service Fund accounts for the activities related to providing nutrition services to the K-12 academic program. The fund operates on the principle of revenues exceeding expenditures on day-to-day operations so that the excess can be used to systematically replace and upgrade kitchen equipment around the District. By operating in this manner, the Student Nutrition Services program is self-contained and does not pull resources away from direct K-12 instruction. The District served 1,841,326 lunches and 523,443 breakfasts to students during the 2023-2024 school year.

FOOD SERVICE FUND (CONTINUED)

The fund balance increased by $1,767,678 in 2023-2024 as compared to the budgeted increase of $1,033,864. Food Service Fund revenue for 2023-2024 totaled $13,277,681, which is an increase of $3,409,805, or 34.5%, from 2022-2023. The number of meals served increased from the prior year. Student breakfast and lunch meals were free in 2023-2024 in the state of Minnesota following the passage of the Free School Meals for Kids Bill. Food Service Fund expenditures for 2023-2024 totaled $11,510,003, an increase of $1,468,521, or 14.6%, from 2022-2023.

COMMUNITY SERVICE FUND

The Community Service Fund accounts for the activities related to providing education services for Pre-Kindergarten and Post-Grade 12 students. The fund operates on a principle of breaking even on a year-to-year basis so that it does not pull resources away from K-12 instruction.

The fund balance increased by $116,893 in 2023-2024. Community Service Fund revenues for 2023-2024 totaled $16,856,642. This was an increase of $1,529,289, or 10.0%, from 2022-2023. Community Service Fund expenditures for 2023-2024 totaled $16,739,749. This was an increase of $1,981,904, or 13.4%, from 2022-2023, which resulted from higher participation in programs offered in the current year.

The entire fund balance is restricted to be used for specific purposes based on state requirements.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for the costs of school construction, addition, and renovation projects. Bond proceeds are deposited in the Capital Projects Fund and are then drawn down as the payments are made for work completed on the various building projects. The proceeds of bonds can only be used for the purpose for which the bonds were issued.

In 2023-2024, the District did not issue bonds to fund the construction of building additions and capital improvements. The District had other local revenues totaling $2,902,130 and revenues resulting from other conversions of assets totaling $60,970.

The District expended $27,271,112 on capital projects at several sites as planned. The fund balance decreased by $24,308,012 in 2023-2024 to $40,645,774 at June 30, 2024. Several projects are in process at the end of the fiscal year. At such time that the District has completed all construction projects in process, the fund balance of this fund should end up at $0 as long as no further construction or facility renovation is approved.

DEBT SERVICE FUND

The Debt Service Fund exists to service the principal and interest payments on long-term debt issued by the District to construct school facilities or acquire school equipment. Annual levies will provide revenue at a rate of 105% of pending debt service payments for a fiscal year. This rate is specified in statute to ensure that principal and interest payments can be made as scheduled even if there are late property tax payments or delinquencies that may arise.

DEBT SERVICE FUND (CONTINUED)

Debt service revenue was $27,705,371 for 2023-2024, 94% of which came from property tax revenue. Debt service expenditures were $27,182,136. The District made principal payments in the amount of $17,130,000 and interest payments of $10,052,136. The Debt Service Fund has a fund balance of $5,761,581 as of June 30, 2024, which is restricted to be used for future debt payments.

The Minnesota Department of Education monitors fund balances in the Debt Service Fund and limits the amount of funds that can be carried forward. If the fund balance gets too high, future levy authority will be reduced in order to reduce the debt service fund balance to a reasonable level. Fund balance and collection of tax levies will provide adequate cash flow for timely payment of principal and interest.

The District currently has an underlying bond rating of AA from Standard & Poor's.

INTERNAL SERVICE FUND

This fund accounts for the District's self-funded employee's health and dental benefits and workers' compensation program. The costs of these programs are charged back to the other funds of the District based on established rates. The programs have total net position of $2,393,664 as of June 30, 2024, as compared to $3,026,204 on June 30, 2023. This is a decrease of $632,540. Operating expenses exceeded operating revenues by $887,328. The funds also had investment income of $254,788.

The operating loss of the health and dental care trust was $1,122,006. This is primarily due to the level of health insurance claims for the fiscal year. Claim expense was $35,015,097 in 2023-2024, while charges for services were $35,131,393. There were also administrative expenses of $1,217,871 in 2023-2024. Net position related to the health and dental care trust in the amount of $1,625,272 can only be used to provide benefits and are not available to the District for other purposes. The Insurance Trust Committee, comprised of community experts and District employees, monitors the funding requirements on an ongoing basis.

REIMBURSEMENT ACCOUNT TRUST

This fund accounts for the District's Reimbursement Account Trust. The Trust received contributions in the amount of $3,433,917, experienced earnings on investments held of $207,745, incurred benefit expenditures of $2,995,767, and paid administrative fees of $80,002, ending the year with a net position of $11,162,877.

IRREVOCABLE OPEB TRUST

This fund accounts for the District's irrevocable Other Postemployment Benefits (OPEB) Trust. The Trust received contributions in the amount of $1,703,038, experienced earnings on investments held of $2,149,766, incurred benefit expenditures of $1,703,038 and paid administrative fees of $6,199, ending the year with a net position of $20,298,930.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2024, the District had invested $408,601,054 in a broad range of capital assets including: school buildings, land, and other equipment for various instructional programs (see Table A-7). Accumulated depreciation/amortization as of June 30, 2024, was $265,760,865, with current year depreciation/amortization expense for Governmental Activities totaling $21,680,854. More detailed information about capital assets can be found in Note 3 to the basic financial statements.

Table A-7
Capital Assets

	Year Ended 2024	Year Ended 2023	Percent Change
Land	$ 10,130,178	$ 10,130,178	0.0%
Construction in progress	55,409,906	33,732,353	64.3%
Land improvements	31,917,389	31,464,135	1.4%
Buildings and improvements	531,156,238	525,809,982	1.0%
Equipment	40,483,985	23,422,989	72.8%
Leased equipment	1,527,382	1,527,382	0.0%
Leased buildings	711,289	621,300	14.5%
Subscription assets	3,025,552	1,870,169	N/A
Less accumulated depreciation/amortization	(265,760,865)	(242,059,016)	9.8%
Total capital assets	$ 408,601,054	$ 386,519,472	5.7%

Long-Term Liabilities

For the fiscal year ended June 30, 2024, the District had $531,218,274 in long-term liabilities outstanding, including $294,020,000 in General Obligation Bonds, $184,403,078 for net pension liability, $16,670,000 in Certificates of Participation, and $16,637,221 for compensated absences. The decrease in total long-term liabilities was $30,136,509 or 5.4% from last year (see Table A-8). More detailed information about the District's long-term liabilities is presented in Note 4 of the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Table A-8
Long-Term Liabilities

	Year Ended 2024	Year Ended 2023	Percent Change
General obligation bonds	$ 294,020,000	$ 309,130,000	-4.9%
Net bond premium and discount	17,391,384	18,860,415	-7.8%
Certificates of participation payable	16,670,000	20,645,000	-19.3%
Notes from direct borrowing	108,107	582,588	-81.4%
Lease liability	871,962	1,128,208	-22.7%
Subscription liability	984,545	974,112	N/A
Net pension liability	184,403,078	191,904,560	-3.9%
Net OPEB liability	131,977	1,561,643	-91.5%
Compensated absences payable	16,637,221	16,568,257	0.4%
Total long-term liabilities	$ 531,218,274	$ 561,354,783	-5.4%
Long-term liabilities			
Due within one year	$ 22,087,460	$ 21,233,938	
Due in more than one year	509,130,814	540,120,845	
Total	$ 531,218,274	$ 561,354,783	

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office, Independent School District No. 535, 615 7th Street SW, Rochester, Minnesota 55902.

BASIC FINANCIAL STATEMENTS

Independent School District No. 535
Statement of Net Position
June 30, 2024

	Governmental Activities
Assets	
Cash and investments	$ 186,060,654
Cash with fiscal agent	1,515
Current property taxes receivable	37,017,899
Delinquent property taxes receivable	453,280
Accounts receivable	886,009
Interest receivable	419,009
Due from Department of Education	24,000,724
Due from other Minnesota school districts	610,285
Due from Federal Government through Department of Education	10,408,208
Due from Federal Government	1,008,451
Due from other governmental units	1,015,144
Inventory	155,094
Prepaid items	692,678
Capital assets not being depreciated	
Land	10,130,178
Construction in progress	55,409,906
Capital assets net of depreciation/amortization	
Land improvements	21,999,705
Buildings	297,486,436
Equipment	20,989,532
Leased equipment	691,652
Leased buildings	168,800
Subscription assets	1,724,845
	671,330,004
Deferred Outflows of Resources	
Deferred amount on refunding	299,227
Deferred outflows related to OPEB	1,419,553
Deferred outflows related to pensions	45,212,703
Total deferred outflows of resources	46,931,483
Total assets and deferred outflows of resources	$ 718,261,487

Independent School District No. 535
Statement of Net Position
June 30, 2024

	Governmental Activities
Liabilities	
Accounts and contracts payable	$ 19,858,618
Salaries and benefits payable	22,247,132
Interest payable	4,067,543
Due to other Minnesota school districts	1,597,560
Due to other governmental units	558
Unearned revenue	10,661,605
Claims payable	2,561,909
Net bond principal payable	
Due within one year	16,075,000
Due in more than one year	295,336,384
Certificates of participation payable	
Due within one year	4,120,000
Due in more than one year	12,550,000
Notes payable	
Due within one year	3,172
Due after one year	104,935
Lease liability	
Due within one year	350,414
Due after one year	521,548
Subscription liability	
Payable within one year	542,746
Payable after one year	441,799
Compensated absences payable	
Due within one year	996,128
Due in more than one year	15,641,093
Net OPEB liability	131,977
Net pension liability	184,403,078
Total liabilities	592,213,199
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	73,486,887
Deferred amount on refunding	478,859
Deferred inflows related to OPEB	5,219,990
Deferred inflows related to pensions	14,542,478
Total deferred inflows of resources	93,728,214
Net Position	
Net investment in capital assets	120,344,432
Restricted for	
General purposes	8,803,429
Debt service	1,858,624
Food service	8,680,419
Community service	4,085,731
Health and dental insurance trust	1,625,272
Unrestricted	(113,077,833)
Total net position	32,320,074
Total liabilities, deferred inflows of resources, and net position	$ 718,261,487

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Independent School District No. 535
Statement of Activities
Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 9,913,375	$ 13,390	$ 500	$ -	$ (9,899,485)
District support services	12,925,952	-	989,085	1,761,559	(10,175,308)
Elementary and secondary regular instruction	122,072,457	1,967,472	32,989,084	83,884	(87,032,017)
Vocational education instruction	4,062,767	-	962,558	-	(3,100,209)
Special education instruction	54,095,990	2,785,973	52,135,339	-	825,322
Instructional support services	12,619,411	6,630	4,618,187	209,710	(7,784,884)
Pupil support services	37,182,331	226,941	2,262,524	20,971	(34,671,895)
Sites and buildings	22,769,652	35,660	515,138	20,971	(22,197,883)
Fiscal and other fixed cost programs	1,308,249	-	5,750	-	(1,302,499)
Food service	11,824,936	407,872	12,583,599	-	1,166,535
Community education and services	16,668,111	5,939,195	6,865,599	-	(3,863,317)
Interest and fiscal charges on long-term debt	8,818,091	-	-	-	(8,818,091)
Total governmental activities	$ 314,261,322	$ 11,383,133	$ 113,927,363	$ 2,097,095	(186,853,731)
General revenues					
Taxes					
Property taxes, levied for general purposes					44,763,962
Property taxes, levied for debt service					26,145,886
Property taxes, levied for community service					4,030,712
General grants and aids					139,154,376
Investment income					7,270,420
Total general revenues					221,365,356
Change in net position					34,511,625
Net position - beginning					(13,052,143)
Change in accounting principle (see Note 11)					10,860,592
Net position - beginning, as restated					(2,191,551)
Net position - ending					$ 32,320,074

See notes to basic financial statements.

Independent School District No. 535
Balance Sheet - Governmental Funds
June 30, 2024

	General	Food Service	Community Service
Assets			
Cash and investments	$ 91,658,523	$ 9,209,274	$ 6,538,248
Cash with fiscal agent	1,515	-	-
Current property taxes receivable	23,163,908	-	1,869,873
Delinquent property taxes receivable	263,673	-	25,021
Accounts receivable	544,406	39,882	204,373
Interest receivable	156,632	11,127	10,699
Due from Department of Education	23,477,853	149,720	267,046
Due from Federal Government through Department of Education	9,629,452	142,007	636,749
Due from Federal Government	1,008,451	-	-
Due from other Minnesota school districts	610,285	-	-
Due from other governmental units	1,015,144	-	-
Inventory	3,280	151,814	-
Prepaid items	504,337	82	15,664
Total assets	$ 152,037,459	$ 9,703,906	$ 9,567,673
Liabilities			
Accounts payable	$ 3,615,372	$ 108,140	$ 128,463
Contracts payable	528,097	-	-
Salaries and benefits payable	20,394,523	557,679	1,294,723
Due to other Minnesota school districts	1,597,560	-	-
Due to other governmental units	558	-	-
Unearned revenue	10,117,237	357,668	186,700
Total liabilities	36,253,347	1,023,487	1,609,886
Deferred inflows of resources			
Property tax levied for subsequent year's expenditures	45,201,186	-	3,872,056
Unavailable revenue - delinquent property taxes	263,673	-	25,021
Total deferred inflows of resources	45,464,859	-	3,897,077
Fund Balances			
Nonspendable for			
Inventory	3,280	151,814	-
Prepaid items	504,337	82	15,664
Restricted for			
Student activities	385,089	-	-
Scholarships	34,801	-	-
Staff development	795,248	-	-
Literacy Aid	468,342	-	-
Operating capital	2,043,087	-	-
Community education	-	-	2,884,175
Early childhood and family education	-	-	367,209
Area learning center	2,126,906	-	-
School readiness	-	-	354,347
Adult basic education	-	-	439,315
Safe schools levy	3,441	-	-
Student Support Personnel Aid	123,011	-	-
Basic skills	47,292	-	-
Long-term facilities maintenance	446,858	-	-
Medical assistance	2,329,354	-	-
Debt service	-	-	-
Food service	-	8,528,523	-
Capital projects	-	-	-
Assigned	12,835,729	-	-
Unassigned	48,172,478	-	-
Total fund balances	70,319,253	8,680,419	4,060,710
Total liabilities, deferred inflows of resources, and fund balances	$ 152,037,459	$ 9,703,906	$ 9,567,673

Capital Projects	Debt Service	Total Governmental Funds
$ 54,170,779	$ 18,084,113	$ 179,660,937
-	-	1,515
-	11,984,118	37,017,899
-	164,586	453,280
-	-	788,661
230,707	2,140	411,305
-	106,105	24,000,724
-	-	10,408,208
-	-	1,008,451
-	-	610,285
-	-	1,015,144
-	-	155,094
-	-	520,083
$ 54,401,486	$ 30,341,062	$ 256,051,586
$ 98,014	$ 1,250	$ 3,951,239
13,657,698	-	14,185,795
-	-	22,246,925
-	-	1,597,560
-	-	558
-	-	10,661,605
13,755,712	1,250	52,643,682
-	24,413,645	73,486,887
-	164,586	453,280
-	24,578,231	73,940,167
-	-	155,094
-	-	520,083
-	-	385,089
-	-	34,801
-	-	795,248
-	-	468,342
-	-	2,043,087
-	-	2,884,175
-	-	367,209
-	-	2,126,906
-	-	354,347
-	-	439,315
-	-	3,441
-	-	123,011
-	-	47,292
35,590,129	-	36,036,987
-	-	2,329,354
-	5,761,581	5,761,581
-	-	8,528,523
5,055,645	-	5,055,645
-	-	12,835,729
-	-	48,172,478
40,645,774	5,761,581	129,467,737
$ 54,401,486	$ 30,341,062	$ 256,051,586

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Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2024

Total fund balances - governmental funds	$	129,467,737
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets		674,361,919
Less accumulated depreciation/amortization		(265,760,865)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year-end consist of:		
Bond principal payable		(294,020,000)
Certificates of participation payable		(16,670,000)
Bond premiums		(17,391,384)
Deferred amount on refunding		(179,632)
Notes payable		(108,107)
Compensated absences payable		(16,637,221)
Lease liability		(871,962)
Subscription liability		(984,545)
Net OPEB liability		(131,977)
Net pension liability		(184,403,078)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred outflows related to pensions		45,212,703
Deferred inflows related to pensions		(14,542,478)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to OPEB that are not recognized in the governmental funds.		
Deferred outflows related to OPEB		1,419,553
Deferred inflows related to OPEB		(5,219,990)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		453,280
Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position and interfund activity is removed.		2,393,664
Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.		(4,067,543)
Total net position - governmental activities	$	32,320,074

Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2024

	General	Food Service	Community Service
Revenues			
Local property taxes	$ 44,741,491	$ -	$ 4,026,913
Other local and county revenues	10,895,470	286,210	6,637,210
Revenue from state sources	210,945,867	5,352,574	4,110,121
Revenue from federal sources	20,334,880	7,231,025	2,082,398
Sales and other conversion of assets	12,000	407,872	-
Total revenues	286,929,708	13,277,681	16,856,642
Expenditures			
Current			
Administration	10,296,684	-	-
District support services	12,105,713	-	-
Elementary and secondary regular instruction	111,216,687	-	-
Vocational education instruction	4,281,027	-	-
Special education instruction	56,810,844	-	-
Instructional support services	15,248,937	-	-
Pupil support services	37,466,309	-	336,769
Sites and buildings	21,033,992	-	-
Fiscal and other fixed cost programs	1,378,164	-	-
Food service	-	11,367,788	-
Community education and services	505,270	-	16,161,905
Capital outlay			
District support services	405,882	-	-
Elementary and secondary regular instruction	36,501	-	-
Special education instruction	15,000	-	-
Instructional support services	447,663	-	-
Pupil support services	74,968	-	-
Sites and buildings	1,681,292	-	-
Food service	-	142,215	-
Community education and services	-	-	241,075
Debt service			
Principal	3,337,092	-	-
Interest and fiscal charges	560,122	-	-
Total expenditures	276,902,147	11,510,003	16,739,749
Excess of revenues over (under) expenditures	10,027,561	1,767,678	116,893
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	60,755	-	-
Insurance recoveries	112,798	-	-
Debt proceeds	571,809	-	-
Total other financing sources (uses)	745,362	-	-
Net change in fund balances	10,772,923	1,767,678	116,893
Fund Balances			
Beginning of year	59,546,330	6,912,741	3,943,817
End of year	$ 70,319,253	$ 8,680,419	$ 4,060,710

Capital Projects	Debt Service	Governmental Funds
$ -	$ 26,125,420	$ 74,893,824
2,902,130	518,901	21,239,921
-	1,061,050	221,469,612
-	-	29,648,303
60,970	-	480,842
2,963,100	27,705,371	347,732,502
-	-	10,296,684
-	-	12,105,713
-	-	111,216,687
-	-	4,281,027
-	-	56,810,844
-	-	15,248,937
-	-	37,803,078
4,576,568	-	25,610,560
-	-	1,378,164
-	-	11,367,788
-	-	16,667,175
-	-	405,882
-	-	36,501
-	-	15,000
-	-	447,663
-	-	74,968
22,694,544	-	24,375,836
-	-	142,215
-	-	241,075
-	17,130,000	20,467,092
-	10,052,136	10,612,258
27,271,112	27,182,136	359,605,147
(24,308,012)	523,235	(11,872,645)
-	-	60,755
-	-	112,798
-	-	571,809
-	-	745,362
(24,308,012)	523,235	(11,127,283)
64,953,786	5,238,346	140,595,020
$ 40,645,774	$ 5,761,581	$ 129,467,737

Independent School District No. 535
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds
Year Ended June 30, 2024

Net change in fund balances - total governmental funds	$ (11,127,283)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the useful lives as depreciation or amortization expense.	
Capital outlays	32,878,542
Depreciation/amortization expense	(21,680,854)
Disposal of capital assets	(66,687)
Compensated absences and severance are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(172,621)
Net OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	1,169,579
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	20,467,092
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	12,103,661
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	285,817
Governmental funds report the effect of bond premiums and deferred amounts on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	1,508,350
Proceeds from long-term debt, including bond premiums, are recognized as an other financing source, increasing fund balance in the governmental fund statements, but have no effect on net position in the Statement of Activities.	(571,809)
The internal service funds are used to charge the benefits to the fund that incurs the cost. This amount represents assets available to fund the liabilities and obligations.	(328,898)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	46,736
Change in net position - governmental activities	$ 34,511,625

Independent School District No. 535
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 44,692,375	$ 44,675,806	$ 44,741,491	$ 65,685
Other local and county revenues	5,681,994	9,118,144	10,895,470	1,777,326
Revenue from state sources	209,685,719	214,838,494	210,945,867	(3,892,627)
Revenue from federal sources	16,573,324	23,449,998	20,334,880	(3,115,118)
Sales and other conversion of assets	-	12,000	12,000	-
Total revenues	276,633,412	292,094,442	286,929,708	(5,164,734)
Expenditures				
Current				
Administration	9,438,719	10,307,575	10,296,684	(10,891)
District support services	14,176,773	15,235,182	12,105,713	(3,129,469)
Elementary and secondary regular instruction	112,936,057	116,120,614	111,216,687	(4,903,927)
Vocational education instruction	3,752,676	4,234,824	4,281,027	46,203
Special education instruction	56,867,184	61,887,628	56,810,844	(5,076,784)
Instructional support services	12,799,314	16,633,506	15,248,937	(1,384,569)
Pupil support services	33,990,169	37,758,740	37,466,309	(292,431)
Sites and buildings	24,074,149	23,352,098	21,033,992	(2,318,106)
Fiscal and other fixed cost programs	4,127,075	1,876,740	1,378,164	(498,576)
Community education and services	336,723	523,191	505,270	(17,921)
Capital outlay				
District support services	-	381,735	405,882	24,147
Elementary and secondary regular instruction	36,000	41,591	36,501	(5,090)
Special education instruction	-	32,779	15,000	(17,779)
Instructional support services	242,500	735,015	447,663	(287,352)
Pupil support services	5,000	77,998	74,968	(3,030)
Sites and buildings	699,012	1,436,662	1,681,292	244,630
Debt service				
Principal	2,606,577	3,398,561	3,337,092	(61,469)
Interest and fiscal charges	519,333	566,324	560,122	(6,202)
Total expenditures	276,607,261	294,600,763	276,902,147	(17,698,616)
Excess of revenues over (under) expenditures	26,151	(2,506,321)	10,027,561	12,533,882
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	20,000	52,236	60,755	8,519
Insurance recoveries	-	111,789	112,798	1,009
Debt proceeds	-	571,809	571,809	-
Total other financing sources (uses)	20,000	735,834	745,362	9,528
Net change in fund balance	$ 46,151	$ (1,770,487)	10,772,923	$ 12,543,410
Fund Balance				
Beginning of year			59,546,330	
End of year			$ 70,319,253	

Independent School District No. 535
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Other local and county revenues	$ 169,000	$ 235,000	$ 286,210	$ 51,210
Revenue from state sources	3,142,126	5,341,298	5,352,574	11,276
Revenue from federal sources	6,375,868	6,827,533	7,231,025	403,492
Sales and other conversion of assets	262,500	262,500	407,872	145,372
Total revenues	9,949,494	12,666,331	13,277,681	611,350
Expenditures				
Current				
Food service	10,474,738	11,488,467	11,367,788	(120,679)
Capital outlay				
Food service	200,000	144,000	142,215	(1,785)
Total expenditures	10,674,738	11,632,467	11,510,003	(122,464)
Net change in fund balance	$ (725,244)	$ 1,033,864	1,767,678	$ 733,814
Fund Balance				
Beginning of year			6,912,741	
End of year			$ 8,680,419	

Independent School District No. 535
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 4,045,872	$ 4,045,872	$ 4,026,913	$ (18,959)
Other local and county revenues	5,308,106	5,665,329	6,637,210	971,881
Revenue from state sources	3,886,809	4,247,305	4,110,121	(137,184)
Revenue from federal sources	144,037	2,056,450	2,082,398	25,948
Total revenues	13,384,824	16,014,956	16,856,642	841,686
Expenditures				
Current				
Pupil support services	393,957	462,344	336,769	(125,575)
Community education and services	12,875,386	15,716,492	16,161,905	445,413
Capital outlay				
Community education and services	436,079	327,675	241,075	(86,600)
Total expenditures	13,705,422	16,506,511	16,739,749	233,238
Net change in fund balance	$ (320,598)	$ (491,555)	116,893	$ 608,448
Fund Balance				
Beginning of year			3,943,817	
End of year			$ 4,060,710	

Independent School District No. 535
Statement of Net Position - Proprietary Funds
June 30, 2024

	Governmental Activities - Internal Service Funds
Assets	
Current assets	
Cash and cash equivalents	$ 3,150,449
Investments	3,249,268
Accounts receivable	97,348
Interest receivable	7,704
Prepaid Items	172,595
Total current assets	6,677,364
Liabilities and Net Position	
Current liabilities	
Accounts payable	$ 1,721,584
Claims payable	2,561,909
Salaries and benefits payable	207
Total current liabilities	4,283,700
Net Position	
Restricted for	
Health and dental insurance trust	1,625,272
Unrestricted	768,392
Total net position	2,393,664
Total liabilities deferred inflows and net position	$ 6,677,364

Independent School District No. 535
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended June 30, 2024

	Governmental Activities - Internal Service Funds
Operating Revenues	
Charges for services	$ 36,439,627
Operating Expenses	
Employee benefits	35,868,217
Administrative expense	1,380,810
Purchased services	6,969
Supplies and materials	58,692
Other expenses	12,267
Total operating expenses	37,326,955
Operating income	(887,328)
Nonoperating Revenues (Expenses)	
Investment income	254,788
Change in net position	(632,540)
Net Position	
Beginning of year, as previously stated	2,691,722
Change in accounting principle	334,482
Beginning of year	3,026,204
End of year	$ 2,393,664

Independent School District No. 535
Statement of Cash Flows - Proprietary Funds
As of June 30, 2024

	Governmental Activities - Internal Service Funds
Cash Flows - Operating Activities	
Receipts from interfund services provided	$ 36,346,353
Employee claims paid	(35,662,785)
Payments for administrative costs	(1,260,308)
Payments for services, supplies, and materials	(274,246)
Net cash flows - operating activities	(850,986)
Cash Flows - Investment Activities	
Proceeds from maturities of investment securities	3,110,333
Purchase of investment securities	(766,670)
Interest received	246,211
Net cash flows - investment activities	2,589,874
Cash Flows - Capital and Related Financing Activities	
Transfers to other funds	(3,906)
Net change in cash and cash equivalents	1,734,982
Cash and Cash Equivalents	
Beginning of year	1,415,467
End of year	$ 3,150,449
Reconciliation of Operating Income to Net Cash Flows - Operating Activities	
Operating income	$ (887,328)
Adjustments to reconcile operating income to net cash flows - operating activities	
Accounts receivable	(93,274)
Prepaid items	(172,595)
Inventory	17,510
Deferred outflows of resources	171,332
Salaries and benefits payable	(15,638)
Accounts payable	198,562
Claims payable	205,432
Net pension liability	(444,177)
Compensated absences	(103,657)
Net OPEB liability	(8,244)
Deferred inflows of resources	(53,391)
Change in accounting principle	334,482
Net adjustments	36,342
Net cash flows - operating activities	$ (850,986)

Independent School District No. 535
Statement of Fiduciary Net Position
Year Ended June 30, 2024

	Reimbursement Account Trust	Donations and Scholarships	Irrevocable OPEB Trust
Assets			
Current			
Cash and investments	$ 11,214,918	$ 8,032	$ 20,285,388
Interest receivable	-	-	27,410
Total assets	$ 11,214,918	$ 8,032	$ 20,312,798
Liabilities			
Accounts and contracts payable	$ 15,218	$ 6,532	$ 13,868
Claims payable	36,823	-	-
Total liabilities	$ 52,041	$ 6,532	$ 13,868
Net Position			
Held in trust	$ 11,162,877	$ 1,500	$ 20,298,930

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

	Reimbursement Account Trust	Donations and Scholarships	Irrevocable OPEB Trust
Additions			
Contributions	$ 3,433,917	$ 129,458	$ 1,703,038
Earnings on investments	207,745	-	2,149,766
Total additions	3,641,662	129,458	3,852,804
Deductions			
Benefits Paid	2,995,767	-	1,703,038
Administrative expenses	80,002	-	6,199
Scholarships	-	1,000	-
Other expenses	-	145,458	-
Total deductions	3,075,769	146,458	1,709,237
Change in net position	565,893	(17,000)	2,143,567
Net Position			
Beginning of year	10,596,984	18,500	18,155,363
End of year	$ 11,162,877	$ 1,500	$ 20,298,930

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position at the fund financial statement level.

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 charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Separate fund 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.

The Private Purpose Trust, OPEB Trust, and Custodial Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these Funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary 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. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded as follows:

1. **Revenue Recognition**
   Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. Other revenue is considered available if collected within six months.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund is employee and District contributions. Operating expenses for proprietary funds include claims paid and administrative expenses.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided, operating grants and contributions, and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Description of Funds:

Major Funds:

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

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

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

Capital Projects – Building Construction Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities funded with bond issues or special levies.

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

Proprietary Funds:

Health and Dental Care Trust Internal Service Fund – This fund accounts for the operations of the District's Health and Dental Care Self-Insurance Program. Self-insurance costs are charged to the various funds based on established premium rates.

Workers' Compensation Internal Service Fund – This fund accounts for the operations of the District's Workers' Compensation Self-Insurance Program. Self-insurance costs are charged to the various funds based on established premium rates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued):

Fiduciary Funds:

Health Reimbursement Account Trust Fund – This fund is used for reporting resources set aside and held in a trust arrangement for employee benefits.

Donations and Scholarships Custodial Fund – This fund is used to account for assets held by the District on behalf of third parties to be used for scholarships and student activities.

OPEB Irrevocable Trust Fund – This fund is used to account for the financial resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average cash and investment balances of each fund.

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

Cash and investments at June 30, 2024, were comprised of deposits, and investments as outlined in Note 2. Investments are reported at fair value as disclosed in Note 2.

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

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

In accordance with GASB Statement No. 79, the various MNTrust securities, and money market funds are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares. 30-day advance notice is required for withdrawals from the MNTrust Limited Term Duration Series. Seven days notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

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

G. Inventories

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

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenditures at the time of consumption.

I. Property Taxes

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

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

J. 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 acquisition value at the date of donation. The District capitalizes equipment and furnishings that have individual unit costs of $5,000 or more. The District also capitalizes purchases of equipment and furnishings that are less than the $5,000 threshold if the total purchase of those assets is $20,000 or more. The District has a threshold of $50,000 for capitalizing buildings and improvements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)
Capital assets are recorded in the District-wide basic financial statement but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 4 to 20 years for equipment and furnishings.

Capital assets not being depreciated include land and construction in progress.

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

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

Key estimates and judgments related to leases include (1) the discount rate, (2) lease term, (3) lease payments, and (4) amortization.

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

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

L. Subscription-Based Information Technology Arrangements
The District recorded subscription assets as a result of implementing GASB Statement No. 96, Subscription-based information technology arrangements. The subscription assets are initially measured at an amount equal to the initial measurement of the subscription liability plus any payments made prior to the subscription term, less subscription incentives, and plus ancillary charges necessary to place the subscription into service. The subscription assets are amortized on a straight-line basis over the life of the related subscription.

Key estimates and judgments related to leases include (1) the discount rate, (2) subscription term, (3) subscription payments, and (4) amortization.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Subscription-Based Information Technology Arrangements (Continued)

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

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate basic financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category. A deferred charge on refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pensions are recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB are recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has five types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflows of Resources (Continued)

The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. Deferred inflows of resources related to pensions are recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB are recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. The last item is a deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

N. Long-Term Obligations

In the government-wide financial statements long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities 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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Compensated Absences

The District has employee and union contracts with several different employee groups. Employee benefits under the contracts are different, but generally include provisions for sick leave, vacation leave, and termination benefits. The District accounts for the employee benefits as follows:

Vacation leave vests and may be carried forward for between six months and one year, depending on the contract. A liability is recorded for earned but unpaid vacation.

Sick leave does not vest and is accounted for as an expenditure when paid, except as discussed below.

Termination benefits generally vest after completion of ten years of service and attaining age 55. The maximum benefit obligation is generally based on accumulated unused sick leave, years of service, or a percentage of salary, depending on the employment contract. A liability is recorded for vested benefits and unvested benefits which are expected to vest in future periods. The vesting method using historical data was used to calculate the liability.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Pensions

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

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

Q. Postemployment Benefits Other than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost, which approximates fair value.

R. Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

1. Classification

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact and include inventory and prepaid items.

- Restricted Fund Balances – These are amounts that are restricted to specific purposes either by constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through enabling legislation.

- Committed Fund Balances – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board (highest level of decision making authority) by majority vote.

- Assigned Fund Balances – These are unrestricted funds constrained by the District's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. The School Board delegates to the Superintendent, and Executive Director of Business and Operations, the authority to assign fund balances for specific purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity (Continued)

1. Classification (Continued)

- Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose in the General Fund.

If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned.

2. Minimum Fund Balance Policy

It is the policy of this School District to maintain an unassigned general fund balance of no less than 8% of budgeted general fund expenditures.

S. Net Position

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

T. Use of Estimates

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

U. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance.

Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage in any of the past three years.

V. Self Insurance Claims

This liability represents an estimate of health, dental, and workers' compensation claims incurred but not reported as of June 30, 2024.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Budgetary Information

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these basic financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Checking accounts	$ 3,002,544
Savings and money market accounts	89,880,415
Certificates of deposit	3,309,338
Total deposits	$ 96,192,297

Custodial Credit Risk – Deposits: The District has a policy in place to address custodial credit risk for deposits, stating all deposits will be invested at financial institutions that are members of the Federal Deposit Insurance Corporation (FDIC) system and be willing and capable of posting collateral, private insurance, or letters of credit for funds in excess of FDIC insurable limits and in amounts required by the District. At June 30, 2024, the District was not exposed to custodial credit risk on deposits as all amounts are properly insured or collateralized.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

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

Investment	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
District Investments					
Federal Farm Credit Bank Bonds	$ 4,173,718	$ 337,148	$ 898,410	$ 1,217,273	$ 1,720,887
Federal Home Loan Mortgage Corporation	1,184,766	-	-	546,186	638,580
Federal National Mortgage Association	596,719	-	-	99,888	496,831
FHLB Bonds	5,758,551	380,853	49,153	2,034,558	3,293,987
General Obligation Bonds	13,754,945	5,765,770	1,148,406	4,197,262	2,643,507
MN Trust Term Series	2,696,478	2,696,478	-	-	-
MN Trust Investment Shares	38,222,342	38,222,342	-	-	-
MN Trust Limited Term Duration	6,549,122	6,549,122	-	-	-
Government Obligation Money Market Funds	762,091	762,091	-	-	-
US Treasury Notes	20,867,727	20,494,948	297,879	74,900	-
HRA Trust Investments					
AUL Fixed Interest Fund	5,549,669	-	-	-	5,549,669
Mutual Funds	948,049	948,049	-	-	-
OPEB Trust Investments					
Mutual Funds	20,285,388	20,285,388	-	-	-
Total investments	$ 121,349,565	$ 96,442,189	$ 2,393,848	$ 8,170,067	$ 14,343,461

Interest Rate Risk: This is the risk that market value of securities will fall due to the changes in market interest rates. The District's policy states investment maturities are scheduled to coincide with projected school district cash flow needs. Within these parameters, it is the District's policy to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses arising from rising interest rates. Information about the sensitivity of the fair values of the District's investments to market Interest rate risk fluctuations is provided by the above table that shows the distribution of the District's investments by maturity.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* §§ 118A.04 and 118A.05 limit investments based on type. The District's investment policy limits investments to those specified in the above statutes. The Districts credit ratings of June 30, 2024, are as follows:

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Type	AAA	AA	A	Not Rated	Total
AUL Fixed Interest Fund	$ -	$ -	$ -	$ 5,549,669	$ 5,549,669
Federal Farm Credit Bank Bonds	4,173,718	-	-	-	4,173,718
Federal Home Loan Mortgage Corporation	1,184,766	-	-	-	1,184,766
Federal National Mortgage Association Bonds and MBS	596,719	-	-	-	596,719
FHLB Bonds	5,661,569	96,982	-	-	5,758,551
General Obligation Bonds	4,704,310	8,076,227	974,408	-	13,754,945
Mutual Funds	762,091	-	-	-	762,091
HRA Trust Mutual Funds	-	-	-	948,049	948,049
OPEB Trust Mutual Funds	46,036	-	-	20,239,352	20,285,388
MN Trust Limited Term Duration	-	-	-	6,549,122	6,549,122
MN Trust Investment Shares	-	-	-	38,222,342	38,222,342
MN Trust Term Series	-	-	-	2,696,478	2,696,478
US Treasury Notes	20,867,727	-	-	-	20,867,727
Total	$ 37,996,936	$ 8,173,209	$ 974,408	$ 74,205,012	$ 121,349,565

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District will diversify its investment to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

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

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

- Investments of $42,101,165 are valued using a quoted market prices (Level 1 inputs)
- Investments of $31,780,458 are valued using a matrix pricing model (Level 2 inputs)
- Investments of $47,467,942 are valued using amortized cost

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments

Summary of cash, deposits, and investments as of June 30, 2024:

Deposits (Note 2.A.)	$ 96,192,297
Investments (Note 2.B.)	121,349,565
Petty cash	28,645
Total deposits and investments	$ 217,570,507

Cash, deposits, and investments are presented in the June 30, 2024, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 186,060,654
Cash with fiscal agent	1,515
Statement of Fiduciary Net Position	
Fiduciary funds	31,508,338
Total	$ 217,570,507

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Change in Accounting Principle	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land and land improvements	$ 10,130,178	$ -	$ -	$ -	$ 10,130,178
Construction in progress	33,732,353	-	26,897,983	5,220,430	55,409,906
Total capital assets not being depreciated	43,862,531	-	26,897,983	5,220,430	65,540,084
Capital assets being depreciated					
Land improvements	31,464,135	-	453,254	-	31,917,389
Buildings	525,809,982	-	5,538,430	192,174	531,156,238
Equipment	23,422,989	14,479,279	4,053,921	1,472,204	40,483,985
Total capital assets being depreciated	580,697,106	14,479,279	10,045,605	1,664,378	603,557,612
Less accumulated depreciation for					
Land improvements	8,915,989	-	1,001,695	-	9,917,684
Buildings	218,035,293	-	15,801,059	166,550	233,669,802
Equipment	13,539,382	3,618,687	3,767,525	1,431,141	19,494,453
Total accumulated depreciation	240,490,664	3,618,687	20,570,279	1,597,691	263,081,939
Total capital assets being depreciated, net	340,206,442	10,860,592	(10,524,674)	66,687	340,475,673
Governmental activities, capital assets, net	$ 384,068,973	$ 10,860,592	$ 16,373,309	$ 5,287,117	$ 406,015,757

NOTE 3 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Right-to-use assets being amortized				
Leased buildings	$ 621,300	$ 89,989	$ -	$ 711,289
Leased equipment	1,527,382	-	-	1,527,382
Subscription assets	1,870,169	1,155,383	-	3,025,552
Total right-to-use assets, being amortized	4,018,851	1,245,372	-	5,264,223
Less accumulated amortization for				
Leased buildings	457,445	85,044	-	542,489
Leased equipment	555,277	280,453	-	835,730
Subscription assets	555,630	745,077	-	1,300,707
Total right-to-use assets, accumulated amortization	1,568,352	1,110,574	-	2,678,926
Governmental activities, Right-to-use assets, net	$ 2,450,499	$ 134,798	$ -	$ 2,585,297

Depreciation/amortization expense for the year ended June 30, 2024, was charged to the following functions:

District Support Services	$ 931,624
Elementary and secondary regular instruction	18,816,279
Vocational Education Instruction	88,021
Special Education Intruction	49,117
Community Education and Services	232,640
Instructional Support Services	48,913
Pupil Support Services	209,044
Sites and Buildings	902,589
Food Service	402,626
Total depreciation/amortization expense	$ 21,680,853

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds including						
Refunding bonds						
2013A Alt. Facilities Bonds	03/28/13	2%-3%	$ 14,870,000	02/01/28	$ 8,280,000	$ 2,015,000
2015A Alt. Facilities Bonds	05/13/15	1.3%-3.25%	4,180,000	02/01/36	2,715,000	195,000
2015B Refunding Bonds	05/13/15	3%-5%	9,755,000	02/01/28	4,435,000	1,040,000
2016A Alt. Facilities Bonds	03/17/16	3.00%	11,295,000	02/01/36	7,850,000	555,000
2016C Facilities Maintenance Bonds	08/11/16	2.5%-5%	13,605,000	02/01/37	10,150,000	635,000
2017B Facilities Maintenance Bonds	08/30/17	2.625%-5%	4,110,000	02/01/33	2,840,000	265,000
2018A Facilities Maintenance Bonds	12/19/18	3%-5%	24,130,000	02/01/35	20,930,000	1,340,000
2020A Building Bonds	01/30/20	2%-4%	170,410,000	02/01/40	145,805,000	8,175,000
2020B Facilities Maintenance Bonds	11/05/20	1.375%-3%	38,520,000	02/01/40	36,430,000	850,000
2020B Refunding Bonds	11/05/20	1.375%-3%	8,430,000	02/01/29	5,465,000	1,005,000
2022A Facilities Maintenance Bonds	05/12/22	3.25%-5%	49,120,000	02/01/39	49,120,000	-
Total G.O. bonds					294,020,000	16,075,000
Certificates of participation						
2012B Certificates of Participation	12/01/12	2%-3%	16,455,000	02/01/29	5,545,000	1,160,000
2014A Certificates of Participation	03/01/14	2%-3.65%	6,560,000	02/01/34	3,760,000	325,000
2017A Certificates of Participation	08/30/17	3.00%	7,945,000	02/01/33	5,245,000	515,000
2022B Certificates of Participation	05/12/22	5.00%	6,060,000	04/01/25	2,120,000	2,120,000
Total certificates of participation					16,670,000	4,120,000
Notes from direct borrowings						
Ideal Energies - Longfellow Solar Array	10/11/22	2.72%	53,870	07/31/43	54,053	1,586
Ideal Energies - Dakota Solar Array	10/11/22	2.72%	53,870	07/31/43	54,053	1,586
Total notes from direct borrowing					108,107	3,172
Lease liability					871,962	350,414
Subscription liability					984,545	542,746
Bond premiums					17,391,384	-
Compensated absences payable					16,637,221	996,128
Total long-term liabilities					$ 346,683,219	$ 22,087,460

The long-term bond and certificate of participation liabilities listed above were issued to finance the acquisition, construction, and refurbishing of School facilities, purchase capital assets, or refinance (refund) previous bond issues. Bonds and certificates of participation will be retired with assets from the Debt Service Funds while the notes from direct borrowing, lease liability, subscription liability, compensated absences and severance liabilities will be liquidated by the General and Internal Service Funds.

B. Notes from Direct Borrowings

On October 11, 2022, the District entered into a financed purchase agreement related to solar array purchases for a total lease obligation of $107,740. The leases have a term of twenty years requiring annual payments as illustrated on the following page.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Lease Liability

The District entered into lease agreements for buildings and equipment. The lease agreements include annual principal and interest payments as noted on the following page. Interest and discount rates on the lease agreements range from 0.36% to 5.74%.

D. Subscription Liability

The District entered into agreements for various technology subscriptions and licenses. The agreements include annual principal and interest payments as noted on the following page. Interest and discount rates on the agreements range from 0.36% to 5.00%.

E. Minimum Debt Payments

Year Ending	G.O. Bonds			Certificates of Participation		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2025	$ 16,075,000	$ 9,262,178	$ 25,337,178	$ 4,120,000	$ 542,326	$ 4,662,326
2026	14,930,000	8,634,138	23,564,138	2,060,000	385,026	2,445,026
2027	17,210,000	8,089,413	25,299,413	2,135,000	323,226	2,458,226
2028	18,580,000	7,433,238	26,013,238	2,195,000	258,314	2,453,314
2029	17,135,000	6,724,263	23,859,263	1,625,000	196,358	1,821,358
2030-2034	94,805,000	24,089,425	118,894,425	4,535,000	418,775	4,953,775
2035-2039	100,520,000	10,195,869	110,715,869	-	-	-
2040	14,765,000	350,725	15,115,725	-	-	-
Total	$ 294,020,000	$ 74,779,247	$ 368,799,247	$ 16,670,000	$ 2,124,025	$ 18,794,025

Year Ending	Notes from Direct Borrowings			Lease Liability		
June 30,	Principal	Interest	Total	Principal	Interest	Total
2025	$ 3,172	$ 2,901	$ 6,073	$ 350,414	$ 25,302	$ 375,716
2026	3,382	2,813	6,194	357,477	14,969	372,446
2027	3,599	2,718	6,317	164,071	4,938	169,009
2028	3,826	2,617	6,443			-
2029	4,061	2,510	6,571	-	-	-
2030-2034	24,155	10,711	34,866	-	-	-
2035-2039	31,523	6,948	38,471	-	-	-
2040-2044	34,390	2,135	36,526	-	-	-
Total	$ 108,107	$ 33,354	$ 141,461	$ 871,962	$ 45,209	$ 917,171

Year Ending	Subscription Liability		
June 30,	Principal	Interest	Total
2025	$ 542,746	$ 43,096	$ 585,842
2026	297,547	17,526	315,073
2027	104,296	4,681	108,977
2028	39,956	2,044	42,000
Total	$ 984,545	$ 67,347	$ 1,051,892

NOTE 4 – LONG-TERM DEBT (CONTINUED)

F. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 309,130,000	$ -	$ 15,110,000	$ 294,020,000
Certificates of participation	20,645,000	-	3,975,000	16,670,000
Notes from direct borrowings	582,588	2,632	477,113	108,107
Lease liability	1,128,208	89,989	346,235	871,962
Subscription liability	974,112	569,177	558,744	984,545
Bond premiums	18,860,415	-	1,469,031	17,391,384
Compensated absences payable	16,568,257	1,583,067	1,514,103	16,637,221
Total long-term liabilities	$ 367,888,580	$ 2,244,865	$ 23,450,226	$ 346,683,219

NOTE 5 – FUND BALANCES

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

A. Restricted/Reserved Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

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

Restricted/Reserved for Scholarships – This balance represents available resources for the scholarship funds.

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

Restricted/Reserved for Literacy Incentive Aid – This balance represents the resources available to support implementation of evidence-based reading instruction.

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

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

NOTE 5 – FUND BALANCES (CONTINUED)

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

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

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

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education. This would include all state aid and any grants or local funding used in support of ABE.

Restricted/Reserved for Safe Schools Revenue – The unspent resources available from the Safe Schools revenue must be restricted in this account for future use.

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

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

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

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

Restricted for Debt Service – This balance represents the resources available for the payment of general obligation bond principal, interest, and related costs.

Restricted for Food Service – This balance represents the accumulation of the activity to provide the food service program.

Restricted for Capital Projects – This balance represents the remaining positive fund balance of the Capital Projects Fund.

NOTE 5 – FUND BALANCES (CONTINUED)

B. Assigned Fund Equity
Assignment of the fund balance indicates that portion of the fund balance that reflects a tentative plan for future use of the funds. The following is a summary of the assigned fund balances:

Curriculum Resources	$ 1,150,871
Carryover of Unallocated Site Funds	1,111,875
Technology COP	1,192,936
Carryover of Unspent Classroom Fees and Donations	78,762
Carryover of Unspent School Supply Allocations	829,339
Post-Secondary Enrollment Options Joint Ventures	545,326
Separation/Retirement	5,796,345
Technology Purchases	1,863,676
Special Education Bus Replacement	266,599
Total	$ 12,835,729

C. Government-Wide Restrictions
Net position restricted for "General Purposes" are comprised of the total General Fund restricted fund balances.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2024, was $3,478,775. The components of pension expense are noted in the following plan summaries.

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

Teachers' Retirement Association

A. Plan Description
The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with 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 teachers employed by St. Paul Schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Plan (DCP) administered by Minnesota State.

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

Teachers' Retirement Association (Continued)

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

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

Tier 1 Benefits

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

With these provisions:

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

Or

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

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

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

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

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

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

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

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

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

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

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

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

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

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

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

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

Changes in actuarial assumptions since the 2022 valuation:

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

- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8.0% on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:

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

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

Teachers' Retirement Association (Continued)

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

F. Net Pension Liability
On June 30, 2024, the District reported a liability of $155,968,328 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 1.8891% at the end of the measurement period and 1.9318% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 155,968,328
State's proportionate share of the net pension liability associated with the district	10,925,206

For the year ended June 30, 2024, the District recognized pension expense of ($1,054,420). Included in this amount, the District recognized $1,538,354 as pension expense for the support provided by direct aid.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (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 experience	$ 1,537,481	$ 2,254,936
Net collective difference between projected and actual earnings on plan investments	907,605	-
Changes of assumptions	17,884,733	-
Changes in proportion	2,959,971	2,849,325
Contributions to TRA subsequent to the measurement date	11,091,660	-
Total	$ 34,381,450	$ 5,104,261

The $11,091,660 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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

Year Ended June 30,	Pension Expense Amount
2025	$ 2,924,525
2026	117,308
2027	17,950,145
2028	(1,951,161)
2029	(855,288)
Total	$ 18,185,529

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

Teachers' Retirement Association (Continued)

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

District Proportionate Share of NPL		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 248,758,010	$ 155,968,328	$ 80,008,674

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

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

Public Employees' Retirement Association

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

General Employees Retirement Plan

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

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

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

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

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

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2024, were $3,256,447. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2024, the District reported a liability of $28,434,750 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 $783,821.

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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 0.5085% at the end of the measurement period and 0.4699% for the beginning of the period.

District's proportionate share of net pension liability	$ 28,434,750
State's proportionate share of the net pension liability associated with the District	783,821
Total	$ 29,218,571

For the year ended June 30, 2024, the District recognized pension expense of $4,533,195 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $3,522 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 916,782	$ 177,615
Changes in actuarial assumptions	4,177,275	7,793,724
Difference between projected and actual investments earnings	-	955,765
Change in proportion	2,480,749	511,113
Contributions paid to PERA subsequent to the measurement date	3,256,447	-
Total	$ 10,831,253	$ 9,438,217

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

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The $3,256,447 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2025	$ 818,979
2026	(3,217,242)
2027	1,151,698
2028	(616,846)
Total	$ (1,863,411)

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

Public Employees' Retirement Association (Continued)

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

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

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

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

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

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

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

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

Public Employees' Retirement Association (Continued)

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

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

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

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

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	$ 50,303,357	$ 28,434,750	$ 10,446,990

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

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

Public Employees' Retirement Association (Continued)

I. Pension Plan Fiduciary Net Position (Continued)

Defined Contribution Plan
The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). 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. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2024, 2023, and 2022 are $1,230,409, $1,241,794, and $1,219,535, respectively. The related employee contributions were $3,773,106, $3,793,151, and $3,672,327 for the years ended June 30, 2024, 2023, and 2022, respectively.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description
The District's defined benefit OPEB plan provides a single employer defined benefit health care plan to eligible retirees. The plan provides health insurance to eligible employees and their spouses through the District's self-insured health insurance plan. The District has assets designated for OPEB. These assets are in a qualified irrevocable trust which is included as a fiduciary fund in these basic financial statements. The Plan does not issue a publicly available financial report.

B. Benefits Provided
The District provides benefits to certain employees and retirees based on different bargaining groups. The General Fund, Food Service Fund, Community Service Fund, and Internal Service Funds typically liquidate the Liability related to OPEB.

C. Contributions
Contribution requirements are negotiated between the District and union representatives. The eligibility for, amount of, duration of, and District's contribution to the cost of the benefits provided varies by contract and date of retirement. The District contributes 50% - 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2024, the District was reimbursed by its irrevocable trust for explicit and implicit cost of benefits for retirees. For fiscal year 2024, the District contributed $1,703,038 to the plan.

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

Active employees	2,531
Retiree receiving benefits	77
Total	2,608

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Net OPEB Liability	
Investment rate of return	6.20%, net of investment expense
Discount Rate	6.20%
Inflation	2.50%
Healthcare cost trend increases	6.25% in 2023 decreasing to 5.00% over 5 years and then 4.00% over the next 48 years.
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
Salary increases	Service graded table.

The actuarial assumptions used in the valuation measured as of June 30, 2024, were based on the results of an actuarial experience study for the period July 1, 2023, through June 30, 2024.

Actuary's Assumption Changes

- The expected long-term investment return changed from 6.30% to 6.20%.
- The discount rate was changed from 6.30% to 6.20%.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Expected Class Return
Domestic equity	36.00 %	7.50 %
Fixed income	45.00	4.70
International equity	19.00	7.10
Total portfolio	100.00 %	6.20 %

The details of the investments and the investment policy are described in Note 2 of the District's basic financial statements.

F. Discount Rate

The discount rate used to measure the net OPEB liability was 6.20%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments. Once projected trust assets are exhausted, the municipal bond index rate of 4.10% was applied to the remaining expected benefit payments.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. Changes in Net OPEB Liability

Changes in the net OPEB liability are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2023	$ 19,717,006	$ 18,155,363	$ 1,561,643
Changes for the year			
Service cost	1,056,303	-	1,056,303
Interest	1,255,892	-	1,255,892
Assumption changes	104,744	-	104,744
Differences between expected and actual economic experience	-	1,024,133	(1,024,133)
Employer contributions	-	1,703,038	(1,703,038)
Projected investment return	-	1,125,633	(1,125,633)
Benefit payments	(1,703,038)	(1,703,038)	-
Administative expenses	-	(6,199)	6,199
Net changes	713,901	2,143,567	(1,429,666)
Balances at June 30, 2024	$ 20,430,907	$ 20,298,930	$ 131,977

H. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 6.20% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (5.20%)	Current Discount Rate (6.20%)	1% Increase in Discount Rate (7.20%)
Net OPEB liability (asset)	$ 1,379,136	$ 131,977	$ (1,052,995)

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Liability Sensitivity (Continued)

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

	1% Decrease in Trend Rates (5.00% Decreasing to 4.00% then 3.00%)	Current Trend Rates (6.00% Decreasing to 5.00% then 4.00%)	1% Increase in Trend Rates (7.00% Decreasing to 6.00% then 5.00%)
Net OPEB liability (asset)	$ (1,943,377)	$ 131,977	$ 2,551,285

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

For the year ended June 30, 2024, the District recognized OPEB expense of $533,459. 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
Investment gains/losses	$ 116,611	$ -
Liability gains/losses	618,919	3,366,265
Changes of assumptions	684,023	1,853,725
Total	$ 1,419,553	$ 5,219,990

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

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

Year Ending June 30,	Total
2025	$ (472,476)
2026	(340,828)
2027	(1,139,198)
2028	(988,771)
2029	(874,124)
Thereafter	14,960
Total	$ (3,800,437)

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to address these risks. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from the past year.

All known claims and estimated claims incurred but not reported have been accrued as a liability. District liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

NOTE 8 – RISK MANAGEMENT (CONTINUED)

Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the self-insurance funds' claims liability amounts for the past three years were as follows:

Health and Dental	Balance Beginning of Year	Claims, Expense, and Estimates	Claims Payments	Balance End of Year
2021-2022	$ 1,616,895	$ 38,631,347	$ (37,690,538)	$ 2,557,704
2022-2023	2,557,704	35,685,806	(36,107,193)	2,136,317
2023-2024	2,136,317	35,015,097	(34,971,315)	2,180,099

Workers Compensation	Balance, Beginning of Year	Claims, Expense and Estimates	Claims Payments	Balance, End of Year
2021-2022	$ 111,215	$ 788,608	$ (716,305)	$ 183,518
2022-2023	183,518	903,492	(866,850)	220,160
2023-2024	220,160	853,120	(691,470)	381,810

NOTE 9 – COMMITMENTS

At June 30, 2024, the District had various construction contract commitments for projects outstanding totaling $40,634,348.

NOTE 10 – JOINT USE AGREEMENT

Effective December 1998, the City of Rochester and the District entered into a joint use agreement to provide for the operation and maintenance of a volleyball facility. The facility is operated by the City and maintained primarily by the District. Under the terms of the agreement, the District contributed approximately 45,000 square feet of land and the City obtained a grant from the State of Minnesota to finance construction of the facility. The City and the District each split 50% of the profits or deficits of the facility. For the year ended June 30, 2024, the District paid $8,917.

NOTE 11 – RESTATEMENTS AND ADJUSTMENTS OF BEGINNING NET POSITION AND FUND BALANCES

During the year ended June 30, 2024, the District implemented *Implementation Guide No. 2021-1-Amending Capitalization Requirements*. This resulted in an increase in capital assets, net of accumulated depreciation, of $10,860,592.

In accordance with GASB Statement No. 100 – Accounting Changes and Error Corrections, transfers in operations occurred as a result of discontinuing the Printing Services internal service fund as well as no longer having claims examiner positions associated with the Health and Dental Care Trust and Workers Compensation internal service funds, which resulted in those funds no longer having associated balances for pensions and other post-employment benefits. The corresponding changes in balances are illustrated below for the year ended June 30, 2024.

During the year ended June 30, 2024, transfers in operations and a change in accounting principle resulted in adjustments to and restatement of beginning net position, as follows.

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances			
	Funds			
	Health and Dental Care Trust	Workers Compensation	Printing Services	Government-Wide
6/30/2023, as previously reported	$ 2,345,862	$ 393,554	$ (47,694)	$ (13,052,143)
Transfer in operations	184,312	49,720	100,450	-
Change in accounting principle	-	-	-	10,860,592
6/30/2023, as adjusted or restated	$ 2,530,174	$ 443,274	$ 52,756	$ (2,191,551)

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 535
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service cost	$ 1,105,176	$ 944,072	$ 1,071,606
Interest	913,146	953,742	1,163,167
Differences between expected and actual experience	-	-	1,313,660
Changes of assumptions	-	(1,310,485)	1,133,838
Plan changes	-	-	-
Benefit payments	(1,063,082)	(993,545)	(1,234,194)
Net change in total OPEB liability	955,240	(406,216)	3,448,077
Beginning of year	18,055,649	19,010,889	18,604,673
End of year	$ 19,010,889	$ 18,604,673	$ 22,052,750
Plan Fiduciary Net Pension (FNP)			
Employer contributions	$ 1,927,097	$ 2,721,576	$ 2,098,209
Net investment income	604,888	525,756	782,032
Differences between expected and actual experience	-	-	-
Benefit payments	(1,063,082)	(993,545)	(1,234,194)
Administrative expense	(3,998)	(4,482)	(5,029)
Net change in plan fiduciary net position	1,464,905	2,249,305	1,641,018
Beginning of year	6,846,977	8,311,882	10,561,187
End of year	$ 8,311,882	$ 10,561,187	$ 12,202,205
Net OPEB liability	$ 10,699,007	$ 8,043,486	$ 9,850,545
Plan FNP as a percentage of the total OPEB liability	43.72%	56.77%	55.33%
Covered-employee payroll	$ 124,624,581	$ 128,363,319	$ 128,288,152
Net OPEB liability as a percentage of covered-employee payroll	8.58%	6.27%	7.68%

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

June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
$ 1,139,567	$ 1,206,129	$ 1,338,352	$ 1,010,299	$ 1,056,303
1,213,725	1,230,447	1,406,020	1,364,191	1,255,892
-	1,006,267	-	(4,712,771)	-
250,366	(1,807,234)	631,288	(1,510,881)	104,744
-	-	-	94,410	-
(1,450,950)	(1,517,538)	(1,686,226)	(1,541,205)	(1,703,038)
1,152,708	118,071	1,689,434	(5,295,957)	713,901
22,052,750	23,205,458	23,323,529	25,012,963	19,717,006
$ 23,205,458	$ 23,323,529	$ 25,012,963	$ 19,717,006	$ 20,430,907
$ 2,314,965	$ 3,245,568	$ 2,550,241	$ 1,541,205	$ 1,703,038
744,335	814,378	1,124,777	1,065,683	1,125,633
(1,910)	2,406,471	(3,813,040)	180,014	1,024,133
(1,450,950)	(1,517,538)	(1,686,226)	(1,541,205)	(1,703,038)
(5,630)	(5,616)	(6,432)	(5,932)	(6,199)
1,600,810	4,943,263	(1,830,680)	1,239,765	2,143,567
12,202,205	13,803,015	18,746,278	16,915,598	18,155,363
$ 13,803,015	$ 18,746,278	$ 16,915,598	$ 18,155,363	$ 20,298,930
$ 9,402,443	$ 4,577,251	$ 8,097,365	$ 1,561,643	$ 131,977
59.48%	80.37%	67.63%	92.08%	99.35%
$ 132,136,797	$ 132,719,985	$ 136,701,584	$ 151,404,279	$ 155,946,408
7.12%	3.45%	5.92%	1.03%	0.08%

Independent School District No. 535
Schedule of Investment Returns

	June 30, 2017	June 30, 2018	June 30, 2019
Annual money-weighted rate of return, net of investment expense	2.70%	6.80%	7.40%

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

June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023	June 30, 2024
6.10%	23.30%	-14.30%	7.40%	11.80%

Independent School District No. 535
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.5136%	$ 24,126,355	$ -	$ 24,126,355	$ 26,988,541	89.4%	78.7%
2015	0.5029%	26,062,888	-	26,062,888	29,547,716	88.2%	78.2%
2016	0.5038%	40,906,061	534,164	41,440,225	31,260,093	132.6%	68.9%
2017	0.5280%	33,707,172	423,813	34,130,985	34,012,880	100.3%	75.9%
2018	0.5106%	28,325,998	929,058	29,255,056	34,316,320	85.3%	79.5%
2019	0.4852%	26,825,621	833,630	27,659,251	34,335,373	80.6%	80.2%
2020	0.4952%	29,689,503	915,572	30,605,075	35,316,480	86.7%	79.1%
2021	0.4611%	19,691,036	601,221	20,292,257	33,193,107	61.1%	87.0%
2022	0.4699%	37,216,235	1,091,123	38,307,358	35,196,720	108.8%	76.7%
2023	0.5085%	28,434,750	783,821	29,218,571	40,439,013	72.3%	83.1%

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

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	1.7713%	$ 81,620,219	$ 5,741,848	$ 87,362,067	$ 80,855,937	100.9%	81.5%
2015	1.6713%	103,386,434	12,681,326	116,067,760	84,887,922	121.8%	76.8%
2016	1.7229%	410,952,758	41,248,190	452,200,948	89,619,667	458.6%	44.9%
2017	1.8189%	363,085,435	35,097,825	398,183,260	97,914,728	370.8%	51.6%
2018	1.8066%	113,470,061	10,660,761	124,130,822	99,811,600	113.7%	78.1%
2019	1.8340%	116,899,545	10,345,239	127,244,784	104,120,687	112.3%	78.2%
2020	1.8581%	137,278,918	11,504,289	148,783,207	107,980,619	127.1%	75.5%
2021	1.8595%	81,377,280	6,863,166	88,240,446	111,277,109	73.1%	86.6%
2022	1.9318%	154,688,325	11,471,544	166,159,869	119,410,624	129.5%	76.2%
2023	1.8891%	155,968,328	10,925,206	166,893,534	120,109,836	129.9%	76.4%

Independent School District No. 535
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	$ 2,180,791	$ 2,180,791	$ -	$ 29,077,213	7.50%
2016	2,344,507	2,344,507	-	31,260,093	7.50%
2017	2,550,966	2,550,966	-	34,012,880	7.50%
2018	2,573,724	2,573,724	-	34,316,320	7.50%
2019	2,575,153	2,575,153	-	34,335,373	7.50%
2020	2,648,736	2,648,736	-	35,316,480	7.50%
2021	2,489,483	2,489,483	-	33,193,107	7.50%
2022	2,639,754	2,639,754	-	35,196,720	7.50%
2023	3,032,926	3,032,926	-	40,439,013	7.50%
2024	3,256,447	3,256,447	-	43,419,293	7.50%

Schedule Of District Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	$ 6,360,355	$ 6,360,355	$ -	$ 84,887,922	7.50%
2016	6,721,475	6,721,475	-	89,619,667	7.50%
2017	7,343,605	7,343,605	-	97,914,728	7.50%
2018	7,485,870	7,485,870	-	99,811,600	7.50%
2019	8,027,705	8,027,705	-	104,120,687	7.71%
2020	8,552,065	8,552,065	-	107,980,619	7.92%
2021	9,046,829	9,046,829	-	111,277,109	8.13%
2022	9,958,846	9,958,846	-	119,410,624	8.34%
2023	10,269,391	10,269,391	-	120,109,836	8.55%
2024	11,091,660	11,091,660	-	126,761,829	8.75%

TRA Retirement Fund

2023 Changes
Changes of Benefit Terms
The 2023 Tax Finance and Policy Bill, effective July 1, 2025:
- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8.0% on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

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

2022 Changes
Changes in Actuarial Assumptions
- None

2021 Changes
Changes in Actuarial Assumptions
- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes
Changes in Actuarial Assumptions
- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes
Changes in Actuarial Assumptions
- None

2018 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 7.5% from 5.12%.
- The cost-of-living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

TRA Retirement Fund (Continued)

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

2017 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes
Changes in Actuarial Assumptions
- The discount rate was increased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.

TRA Retirement Fund (Continued)

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

- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes
Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

Independent School District No. 535
Notes to the Required Supplementary Information

General Employees Fund

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

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

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

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

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

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

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

General Employees Fund (Continued)

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

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

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

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

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

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

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.

General Employees Fund (Continued)

2017 Changes (Continued)
Changes in Actuarial Assumptions (Continued)
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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

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

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

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

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

Post Employment Health Care Plan

2024 Changes
- The expected long-term investment return was changed from 6.30% to 6.20%.
- The discount rate was changed from 6.30% to 6.20%.

2023 Changes
- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The withdrawal rates were updated to reflect the latest experience study.
- The percentage of retirees electing spousal coverage was decreased to 50% for those eligible for subsidy and 40% for those not eligible for subsidy.
- The expected long-term investment return was changed from 6.00% to 6.30%.
- The discount rate was changed from 5.40% to 6.30%.

2022 Changes
- The expected long-term investment return was changed from 5.90% to 6.00%.
- The discount rate was changed from 5.90% to 5.40%.

2021 Changes
- The expected long-term investment return was changed from 6.10% to 5.90%.
- The discount rate was changed from 5.20% to 5.90%.
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.

2020 Changes
- The expected long-term investment return was changed from 6.20% to 6.10%.
- The discount rate was changed from 5.40% to 5.20%.

2019 Changes
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015. Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The expected long-term investment return was changed from 6.80% to 6.20%.
- The discount rate was changed from 6.10% to 5.40%.

2018 Changes
- The discount rate was changed from 4.90% to 6.10%.

SUPPLEMENTARY INFORMATION

Independent School District No. 535
Combining Statement of
Net Position - Internal Service Funds
June 30, 2024

	Internal Service Funds			
	Health and Dental Care Trust	Workers Compensation	Printing Services	Total
Assets				
Current assets				
Cash and cash equivalents	$ 2,526,471	$ 623,978	$ -	$ 3,150,449
Investments	2,710,210	539,058	-	3,249,268
Accounts receivable	97,348	-	-	97,348
Interest receivable	3,424	4,280	-	7,704
Prepaid items	172,595	-	-	172,595
Total current assets	$ 5,510,048	$ 1,167,316	$ -	$ 6,677,364
Liabilities				
Current liabilities				
Accounts payable	$ 1,704,470	$ 17,114	$ -	$ 1,721,584
Claims payable	2,180,099	381,810	-	2,561,909
Salaries and benefits payable	207	-	-	207
Total current liabilities	$ 3,884,776	$ 398,924	$ -	$ 4,283,700
Net Position				
Restricted for				
Health and dental insurance trust	$ 1,625,272	$ -	$ -	$ 1,625,272
Unrestricted	-	768,392	-	768,392
Total net position	$ 1,625,272	$ 768,392	$ -	$ 2,393,664

Independent School District No. 535
Combining Statement of Revenues, Expenses. and Changes in Fund Net Position - Internal Service Funds
Year Ended June 30, 2024

	Internal Service Funds			
	Health and Dental Care Trust	Workers Compensation	Printing Services	Total
Operating Revenues				
Charges for services	$ 35,131,393	$ 1,308,234	$ -	$ 36,439,627
Operating Expenses				
Employee benefits	35,015,097	853,120	-	35,868,217
Administrative expense	1,217,871	162,939	-	1,380,810
Purchased services	6,969	-	-	6,969
Supplies and materials	1,195	4,741	52,756	58,692
Other expenses	12,267	-	-	12,267
Total operating expenses	36,253,399	1,020,800	52,756	37,326,955
Operating income	(1,122,006)	287,434	(52,756)	(887,328)
Nonoperating Revenues (Expenses)				
Investment income	217,104	37,684	-	254,788
Change in net position	(904,902)	325,118	(52,756)	(632,540)
Net Position				
Beginning of year	2,345,862	393,554	(47,694)	2,691,722
Accounting change	184,312	49,720	100,450	334,482
Beginning of year, restated	2,530,174	443,274	52,756	3,026,204
End of year	$ 1,625,272	$ 768,392	$ -	$ 2,393,664

Independent School District No. 535
Combining Statement of Cash Flows -
Internal Service Funds
As of June 30, 2024

	Internal Service Funds			
	Health and Dental Care Trust	Workers Compensation	Printing Services	Total
Cash Flows - Operating Activities				
Receipts from interfund services provided	$ 35,034,045	$ 1,308,234	$ 4,074	$ 36,346,353
Employee claims paid	(34,971,315)	(691,470)	-	(35,662,785)
Payments for administrative costs	(1,058,737)	(162,769)	(38,802)	(1,260,308)
Payments for services, supplies, and materials	(193,026)	(4,741)	(76,479)	(274,246)
Net cash flows - operating activities	(1,189,033)	449,254	(111,207)	(850,986)
Cash Flows - Investment Activities				
Proceeds from maturities of investment securities	3,110,333	-	-	3,110,333
Purchase of investment securities	(766,670)	-	-	(766,670)
Interest received	231,744	14,467	-	246,211
Net cash flows - investment activities	2,575,407	14,467	-	2,589,874
Cash Flows - Capital and Related Financing Activities				
Transfers to other funds	-	-	(3,906)	(3,906)
Net change in cash and cash equivalents	1,386,374	463,721	(115,113)	1,734,982
Cash and Cash Equivalents				
Beginning of year	1,140,097	160,257	115,113	1,415,467
End of year	$ 2,526,471	$ 623,978	$ -	$ 3,150,449
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities				
Operating income (loss)	$ (1,122,006)	$ 287,434	$ (52,756)	$ (887,328)
Adjustments to reconcile operating income (loss) to net cash flows - operating activities				
Accounts receivable	(97,348)	-	4,074	(93,274)
Prepaid items	(172,595)	-	-	(172,595)
Inventory	-	-	17,510	17,510
Deferred outflows of resources	94,484	25,479	51,369	171,332
Salaries and benefits payable	(4,659)	(1,111)	(9,868)	(15,638)
Accounts payable	227,817	11,978	(41,233)	198,562
Claims payable	43,782	161,650	-	205,432
Net pension liability	(243,505)	(65,833)	(134,839)	(444,177)
Compensated absences	(64,026)	(10,697)	(28,934)	(103,657)
Net OPEB liability	(4,808)	(1,266)	(2,170)	(8,244)
Deferred inflows of resources	(30,481)	(8,100)	(14,810)	(53,391)
Change in accounting principle	184,312	49,720	100,450	334,482
Net adjustments	(67,027)	161,820	(58,451)	36,342
Net cash flows - operating activities	$ (1,189,033)	$ 449,254	$ (111,207)	$ (850,986)

Independent School District No. 535
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2024

		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				
Total revenue		$ 286,929,708	$ 286,929,708	$ -
Total expenditures		276,902,147	276,902,146	1
Nonspendable:				
4.60	Nonspendable fund balance	507,617	507,617	-
Restricted/reserved:				
4.01	Student Activities	385,089	385,089	-
4.02	Scholarships	34,801	34,801	-
4.03	Staff Development	795,248	795,248	-
4.07	Capital Projects Levy	-	-	-
4.08	Cooperative Programs	-	-	-
4.09	Alternative Facility Program	-	-	-
4.12	Literacy Incentive Aid	468,342	468,342	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.20	American Indian Education Aid			
4.24	Operating Capital	2,043,087	2,043,086	1
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	2,126,906	2,126,906	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Program	-	-	-
4.38	Gifted and Talented	-	-	-
4.39	English Learner			
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	47,292	47,292	-
4.43	School Library Aid			
4.45	Career Technical Programs	-	-	-
4.48	Achievement and Integration Revenue	-	-	-
4.49	Safe School Crime	3,441	3,441	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.67	Long-term Facilities Maintenance	446,858	446,858	-
4.71	Student Support Personnel	123,011	123,011	-
4.72	Medical Assistance	2,329,354	2,329,354	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Committed:				
4.18	Committed for separation	-	-	-
4.61	Committed fund balance	-	-	-
Assigned:				
4.62	Assigned fund balance	12,835,729	12,835,729	-
Unassigned:				
4.22	Unassigned fund balance	48,172,478	48,172,481	(3)
02 FOOD SERVICES FUND				
Total revenue		$ 13,277,681	$ 13,277,681	$ -
Total expenditures		11,510,003	11,510,002	1
Nonspendable:				
4.60	Nonspendable fund balance	151,896	151,895	1
Restricted/reserved:				
4.52	OPEB liabilities not held in trust	-	-	-
Restricted:				
4.64	Restricted fund balance	8,528,523	8,528,522	1
Unassigned:				
4.63	Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND				
Total revenue		$ 16,856,642	$ 16,856,641	$ 1
Total expenditures		16,739,749	16,739,746	3
Nonspendable:				
4.60	Nonspendable fund balance	15,664	15,664	-
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	2,884,175	2,884,175	-
4.32	ECFE	367,209	367,209	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	354,347	354,347	-
4.47	Adult Basic Education	439,315	439,315	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ 2,963,100	$ 2,963,098	$ 2
Total expenditures		27,271,112	27,271,112	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.07	Capital Projects Levy	-	-	-
4.09	Alternative Facility Program	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.67	Long-term Facilities Maintenance	35,590,129	35,590,129	-
Restricted:				
4.64	Restricted fund balance	5,055,645	5,055,645	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND				
Total revenue		$ 27,705,371	$ 27,705,370	$ 1
Total expenditures		27,182,136	27,182,135	1
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.25	Bond refunding	-	-	-
4.33	Maximum effort loan aid	-	-	-
4.51	QZAB payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted fund balance	5,761,581	5,761,581	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ 3,641,662	$ 3,641,662	$ -
Total expenditures		3,075,769	3,075,770	(1)
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.22	Net position	11,162,877	11,162,877	-
18 CUSTODIAL FUND				
Total revenue		$ 129,458	$ 129,457	$ 1
Total expenditures		146,458	146,457	1
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	1,500	1,500	-
4.48	Achievement and Integration	-	-	-
4.64	Restricted	-	-	-
20 INTERNAL SERVICE FUND				
Total revenue		$ 36,694,415	$ 36,694,417	$ (2)
Total expenditures		37,326,955	37,326,955	-
Unassigned:				
4.22	Net position	2,393,664	2,393,663	1
25 OPEB REVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ 3,852,804	$ 3,852,804	$ -
Total expenditures		1,709,237	1,709,237	-
Unassigned:				
4.22	Net position	20,298,930	20,298,930	-
47 OPEB DEBT SERVICE				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.25	Bond refundings	-	-	-
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

Independent School District No. 535
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number		Expenditures
U.S. Department of Agriculture			
Through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553		$ 1,420,102
National School Lunch Program	10.555		3,777,102
Commodities programs (noncash assistance)	10.555		918,382
After School Snack	10.555		564,619
Fresh Fruit and Vegetable Program	10.582		115,154
Summer Food Service Program for Children	10.559		309,092
Total child nutrition cluster			7,104,451
Child and Adult Care Food Program	10.558		120,394
Pandemic EBT Administrative Fund	10.649		6,180
Total U.S. Department of Agriculture			7,231,025
U.S. Department of Transportation			
Through Minnesota Department of Transportation			
Highway Planning and Construction - Safe Routes to School	20.205		79,931
U.S. Department of Treasury			
Through Minnesota Department of Education			
COVID - Coronavirus State and Local Fiscal Recovery Fund	21.027		332,015
U.S. Federal Communications Commission			
Direct from federal government			
COVID-19 - Emergency Connectivity Fund Program	32.009	*	933,000

See notes to schedule of expenditures of federal awards.

Independent School District No. 535
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Education		
Through Minnesota Department of Education		
Adult Education - Basic Grants to States	84.002	$ 156,352
Title I, Part A - Grants to Local Educational Agencies	84.010	2,512,498
Title I, Part D - Program for Neglected and Delinquent Children	84.010A	6,782
Special Education Cluster		
Special Education Grants to States	84.027	3,887,636
IDEA Part B Section 611	84.027	456,497
ARP IDEA Part B	84.027X	135,228
Special Education Preschool Grants	84.173	67,041
ARP IDEA Part B Section 619 – Preschool Grants for Children with Disabilities	84.173X	4,208
Total Special Education Cluster		4,550,610
Carl Perkins, Career and Technical Education	84.048	27,146
Carl Perkins, Vocational and Applied Technology	84.048A	245,139
Indian Education Grants to Local Educational Agencies	84.060	11,553
Special Education - Grants for Infants and Families	84.181	94,242
School Based Mental Health Grant	84.184H	239,110
Education for Homeless Children and Youth	84.196	31,938
Title IV, Part B - Twenty-First Century Community Learning Centers	84.287	1,386,687
Title II, Part A - Supporting Effective Instruction State Grants	84.367	335,260
Title III, Part A - English Language Acquisition State Grants	84.365	134,434
Striving Readers Comprehensive Literacy (SRCL)	84.371C	255,045
Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	93,667
Title IV, Part A - Student Support and Academic Enrichment Program	84.424A	181,242
Education Stabilization Fund		
COVID - ARP - Learning Recovery and Emergency Relief	84.425U	10,192,430
COVID - ARP - Homeless I and II	84.425W	63,149
Total Education Stabilization Fund		10,255,579
Total U.S. Department of Education		20,517,284
U.S. Department of Health and Human Services		
Through Minnesota Department of Education		
SACC Stabilization	93.575	493,988
U.S. Department of Homeland Security		
Through Minnesota Literacy Council		
Citizenship Education and Training	97.010	5,731
Total federal expenditures		$ 29,592,974

* Amount related to subsequent reimbursement for expenditures occuring in fiscal year ending June 30, 2023

See notes to schedule of expenditures of federal awards.

Independent School District No. 535
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2024

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – PASS-THROUGH GRANT NUMBERS

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

NOTE 4 – INVENTORY

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

NOTE 5 – INDIRECT COST RATE

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

bergankdv

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

Independent Auditor's Report

To the School Board
Independent School District No. 535
Rochester, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 535, Rochester, Minnesota, as of and for the year ending June 30, 2024, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 11, 2024.

Report on Internal Control over Financial Reporting

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

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

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

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 11, 2024

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

Independent Auditor's Report

To the School Board
Independent School District No. 535
Rochester, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Independent School District No. 535, Rochester, Minnesota, with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget* (OMB) Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

In our opinion, the District complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District 's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District 's compliance with the requirements of each major federal program as a whole.

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

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

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

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

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

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

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

BergenKDV, Ltd.

St. Cloud, Minnesota
November 11, 2024

Independent School District No. 535
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
◆ Material weakness(es) identified?	No
◆ Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of Major Programs

Assistance Listing No.:	21.027
Name of Federal Program or Cluster:	Coronavirus State and Local Fiscal Recovery Fund
Assistance Listing No.:	10.553, 10.555, 10.559, 10.582
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	$887,789
Auditee qualified as low-risk auditee?	Yes

Independent School District No. 535
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

There were no findings noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs noted.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs noted.

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Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 535
Rochester, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 535, Rochester, Minnesota, as of and for the year ended June 30, 2024, and the related notes to basic financial statements, and have issued our report thereon dated November 11, 2024.

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
November 11, 2024

FORM OF LEGAL OPINION

(See following pages)

Form of Bond Counsel Opinion

Independent School District No. 535
Rochester, Minnesota

[Purchaser]
[City, State]

Re: Lease-Purchase Agreement dated as of June 1, 2025, between Zions Bancorporation, National Association, as trustee, and Independent School District No. 535 (Rochester), Minnesota, and $[PAR] Full Term Certificates of Participation, Series 2025B

Ladies and Gentlemen:

We have acted as counsel to Independent School District No. 535 (Rochester), Minnesota (the "Lessee") with respect to the Lease-Purchase Agreement described above (the "Lease"). In that capacity we have reviewed certified records of proceedings of the governing body of the Lessee relating to the Lease; copies of the Lease and the exhibits attached thereto; a Trust Agreement dated as of June 1, 2025, between the Lessee and the Trustee, including the form of Full Term Certificate of Participation, Series 2025B (the "Certificates") attached thereto (the "Trust Agreement"); and a Tax Certificate of the Lessee dated as of the date hereof.

Under the Lease, the Equipment (as defined therein) is being leased to the Lessee with an option to purchase, and the Lessee has undertaken to pay rental payments with respect thereto (the "Rental Payments") aggregating $[______] composed of principal payments of $[PAR].00 and interest on deferred principal payments of $[______]. The Rental Payments are payable at the times and in the amounts as set forth in Exhibit B to the Lease. Under the Trust Agreement, the Trustee has executed and delivered the Certificates evidencing the right of the registered owners thereof to the portion of the Rental Payments described therein.

In delivering our opinion, we have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures and the conformity to authentic originals of all documents submitted to us as copies. We have also assumed, with respect to all parties to agreements or instruments relevant hereto other than the Lessee, that such parties had the requisite power and authority to execute, deliver and perform such agreements or instruments, that such agreements or instruments have been duly authorized by all requisite action, executed and delivered by such parties and that all such agreements or instruments are the valid, binding and enforceable obligations of such parties.

As to questions of fact material to our opinions, we have relied upon the representations made in the Lease, and upon the representations of the Lessee or other parties made in documents provided to us as to (i) the intended application of the proceeds of the Lease and the Certificates, (ii) the nature, use, cost, and economic life of the property financed with proceeds the Lease and the Certificates, and (iii) other matters relating to the exemption of the interest on the Lease from federal income taxation.

Based on our examination of the above-described documents and such other documents as we deem relevant, subject to the exceptions and limitations set forth herein, it is our opinion that:

1. The Lessee is an independent school district and public corporation of the State of Minnesota (the "State"), duly organized, existing and operating under the Constitution and laws of the State.

2. The Lessee is authorized and has power under State law to enter into the Lease and the Trust Agreement, and to carry out its obligations thereunder and the transactions contemplated thereby.

3. The Lease and the Trust Agreement have been duly authorized, approved, executed and delivered by and on behalf of the Lessee, and the same are valid and binding contracts of the Lessee enforceable against the Lessee in accordance with their terms.

4. The Lease and the obligations of the Lessee thereunder are special, limited obligations of the Lessee payable solely from the proceeds of certain taxes levied pursuant to Minnesota Statutes, Section 126C.40, and the full faith and credit and ability of the Lessee to levy ad valorem taxes without limitation as to rate or amount are not pledged to the payment of the Lease, any obligation of the Lessee thereunder, or any amounts paid with respect to the Certificates issued under the Trust Agreement.

5. The resolution authorizing the execution of the Lease obligates the Lessee to be bound by the provisions of Minnesota Statutes, Section 126C.55.

6. The amount of each Rental Payment designated as and comprising interest as set forth in Exhibit B to the Lease and received by the registered owners of the Certificates (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

7. The amount of each Rental Payment designated as and comprising interest as set forth in Exhibit B to the Lease and received by the registered owners of the Certificates (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

Notwithstanding the opinion expressed in numbered paragraph 5, we express no opinion as to the enforceability of the provisions of Minnesota Statutes, Section 126C.55, against the State in the absence of legally appropriated and available funds to pay the obligations of the State thereunder.

The opinions expressed in numbered paragraphs 6 and 7 above are subject to the compliance by the Lessee with certain requirements of the Code that must be satisfied subsequent to the execution of the Lease and issuance of the Certificates. Noncompliance with these requirements could result in the inclusion of interest on the amount of each Rental Payment designated as and comprising interest as set forth in Exhibit B to the Lease and received by the registered owners of the Certificates in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, retroactive to the date of the Lease and the Certificates.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences related to the Lease or the Certificates. We note, however, that notwithstanding the opinions expressed in numbered paragraphs 6 and 7 above, the amount of each Rental Payment designated as and comprising interest as set forth in Exhibit B to the Lease and received by the registered owners of the Certificates may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The opinions set forth above are further subject to the following qualifications and exceptions:

1. Our opinions expressed above are limited to and assume the application of the laws of the State and the federal laws of the United States of America, including the provisions of the Code, the Treasury Regulations promulgated under the Code, administrative provisions of the Internal Revenue Service contained in revenue rulings, revenue procedures and private letter rulings and court decisions, in each case, as in effect on the date of this opinion and subject to change, possibly with retroactive effect.

2. Our opinions are subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other similar law of general application affecting creditors' rights.

3. Our opinions are subject to the effect of general principles of equity, including (without limitation) concepts of materiality, reasonableness, good faith and fair dealing, and other similar doctrines affecting the enforceability of agreements generally (regardless of whether considered in a proceeding in equity or at law).

4. Our opinions are subject to possible judicial action giving effect to governmental actions or foreign laws affecting creditors' rights.

5. We have not reviewed and do not opine as to compliance of the Lessee or the Equipment with applicable zoning, health, safety, building, environmental, land use or subdivision laws, ordinances, codes, rules or regulations.

6. No opinion is expressed as to title matters of any nature whatsoever, including all matters within the scope of any title commitment or title policy.

7. We express no opinion as to compliance with state or federal securities laws and regulations applicable to disposition of the Certificates or rights under the Lease to any investor, including, without limitation, any opinion as to the accuracy, completeness or sufficiency of any offering materials relating to Lessee, the Lease, the Trust Agreement or the Certificates.

8. We express no conclusions, nor are any conclusions intended, regarding any matters not specifically identified herein.

The opinions expressed herein are given as of the date hereof, and we assume no obligation to revise or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof.

Dated: June [__], 2025.

Very truly yours,

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE COVENANTS
(EXCERPTS FROM SALE RESOLUTION)

(See following pages)

FORM OF CONTINUING DISCLOSURE COVENANTS

Excerpt from Award Resolution

CONTINUING DISCLOSURE.

(a) Definitions. The following capitalized terms shall have the following meanings for purposes of this section.

"*Annual Report*" means any annual report provided by the District pursuant to, and as described in, subsection (c) of this section.

"*Beneficial Owner*" means any person which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (ii) is treated as the owner of any Certificates for federal income tax purposes.

"*EMMA*" means the MSRB's Electronic Municipal Market Access system available at http://emma.msrb.org.

"*Holders*" means the registered holders of the Certificates, as recorded in the registration books of the Registrar (as defined in the Trust Agreement).

"*Listed Events*" means the events listed in subsection (d) of this section.

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

"*Participating Underwriter*" means any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Rule*" means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

(b) Purpose and Beneficiaries. The District makes the following covenants for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters in complying with the Rule.

(c) Provision of Annual Reports.

(i) Not later than 12 months after the end of each fiscal year of the District (the "Submission Deadline") (the first report being due not later than 12 months after June 30, 2025), the District shall, either directly or indirectly through an agent designated by the District, file on EMMA an electronic copy of its Annual Report in a format and accompanied by such identifying information as prescribed by the MSRB. If the District's fiscal year changes, it shall, either directly or indirectly through an agent designated by the District, give notice of such change in the same manner as for a Listed Event under subsection (d), and the Submission Deadline beginning with the subsequent fiscal year will become one year following the end of the new fiscal year. If the District is unable to provide an Annual Report by the Submission Deadline, in a timely manner thereafter, the District shall, either directly or indirectly through an agent designated by the District, file a notice on EMMA stating that there has been a failure to provide an Annual Report on or before the Submission Deadline.

(ii) The Annual Report must contain or include by reference the following:

(1) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board as modified in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota state law, as in effect from time to time, or, if and to the extent such audited financial statements have not been prepared in accordance with generally accepted accounting principles, noting the discrepancies therefrom and the effect thereof. If the District's audited financial statements are not available by the Submission Deadline, the Annual Report shall contain unaudited financial information (which may include any annual filing information required by Minnesota state law) accompanied by a notice that the audited financial statements are not yet available, and the audited financial statements shall be filed on EMMA within 10 days of when they become available.

(2) To the extent not included in the financial statements provided as part of the Annual Report, tables, schedules or other information of the type contained in the Official Statement for the Certificates under the following headings or captions, which information may be unaudited:

(A) VALUATIONS – Current Property Valuations
(B) DEBT – Direct Debt
(C) TAX LEVIES, COLLECTION AND RATES – Tax Levies and Collections
(D) THE ISSUER – Student Body
(E) GENERAL INFORMATION – Employment / Unemployment Data

(iii) The Annual Report may be submitted as a single document or as separate documents comprising a package. The contents of the Annual Report may be included in the Annual Report by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available on EMMA or are filed with the Securities and

Exchange Commission. If the document included by reference is a final official statement, it must be available on EMMA. The Annual Report shall clearly identify each such other document so included by reference. The audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the Submission Deadline if they are not available by that date.

(d) Reporting of Significant Events.

(i) The District shall, either directly or indirectly through an agent designated by the District, give notice of the occurrence of any of the following events with respect to the Certificates, all pursuant to the provisions of this subsection (d):

(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.

For the purposes of the event identified in this subparagraph (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated *person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.*

(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.

(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.

For purposes of the events identified in subparagraph (15) and (16) above, the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of either (i) or (ii). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB pursuant to the Rule.

(ii) If a Listed Event described in subparagraph (2), (7), (8) (but only with respect to bond calls under (8)), (10), (13), (14) or (15) has occurred and the District has determined that such Listed Event is material under applicable federal securities laws, the District shall, either directly or indirectly through an agent designated by the District, in a timely manner but not later than 10 business days after the occurrence of such Listed Event, promptly file a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB.

(iii) If a Listed Event described in subparagraph (1), (3), (4), (5), (6), (8) (but only with respect to tender offers under (8)), (9), (11), (12) or (16) has occurred the District shall, either directly or indirectly through an agent designated by the District, in a timely manner but not later than 10 business days after the occurrence of such Listed Event, promptly file a notice of such occurrence on EMMA, with such notice in a format and accompanied by such identifying information as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subparagraphs (8) and (9) need not be given under this subsection (d) any earlier than the notice (if any) of the underlying event is given to Holders of affected Certificates pursuant to the Trust Agreement.

(e) Termination of Reporting Obligation. The District's obligations under this section will terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates or upon the District's receipt of an opinion of nationally recognized bond counsel to the effect that, because of legislative action or final judicial action or administrative actions or proceedings, the failure of the District to comply with the terms hereof will not cause Participating Underwriters to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended.

(f) Dissemination Agent. The District may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this section, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. The dissemination agent will not be responsible in any manner for the content of any notice or Annual Report prepared by the District pursuant to this section.

(g) Amendment; Waiver. Notwithstanding any other provision of this section, the District may amend the covenants contained in this section, and any provision of this section may be waived, if

(i) (1) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates, or the type of business conducted; (2) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (3) the amendment or waiver either (A) is approved by a majority of the Holders, or (B) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners; or

(ii) the amendment or waiver is necessary to comply with modifications to or interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission.

In the event of any amendment or waiver of a provision of this section, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing audited financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection (d), and (ii) the Annual Report for the year in which the change is made will present a comparison or other discussion in narrative form (and also, if feasible, in quantitative form) describing or illustrating the material differences between the audited financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

(i) Default. In the event of a failure of the District to comply with any provision of this section, any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this section. Direct, indirect, consequential and punitive damages will not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. A default under this section will not be deemed an event of default under the Lease, the Trust Agreement or this resolution, and the sole remedy under this section in the event of any failure of the District to comply with this section will be an action to compel performance.

APPENDIX E

TERMS OF PROPOSAL

$6,865,000* FULL TERM CERTIFICATES OF PARTICIPATION, SERIES 2025B
INDEPENDENT SCHOOL DISTRICT NO. 535 (ROCHESTER PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of $6,865,000* Full Term Certificates of Participation, Series 2025B (the "Certificates") of Independent School District No. 535 (Rochester 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 20, 2025, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 5:30 P.M., Central Time, on the same date. The proposal offering to purchase the Certificates upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

PURPOSE

The Certificates are being issued pursuant to Minnesota Statutes, Section 126C.40, by District, for the purpose of financing purchases of technology for instructional use. The Certificates will provide evidence of proportionate ownership in lease payments to be made by the District. The Certificates will be special, limited obligations of the District payable solely from rental payments required to be made by the District to Zions Bancorporation, National Association (the "Trustee") pursuant to a Lease-Purchase Agreement (the "Lease") to be entered into between the District and Trustee. The District will pledge the receipt of certain taxes levied pursuant to Minnesota Statutes, Section 126C.40, with the approval of the Commissioner of Education, to the payment of the Rental Payments due under the Lease. The District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes Section 126C.55 and to use the provisions of that statue pursuant to which the State of Minnesota will appropriate money to the payment of the principal and interest on the Certificates when due if the District is unable to make a principal or interest payment. **THE DISTRICT'S OBLIGATION TO MAKE THE RENTAL PAYMENTS IS NOT SUBJECT TO ANNUAL APPROPRIATION.**

DATES AND MATURITIES

The Certificates will be dated June 12, 2025, will be issued as fully registered Certificates in the denomination of $5,000 each, or any integral multiple thereof, and will mature on April 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2026	$2,255,000	2027	$2,300,000	2028	$2,310,000

ADJUSTMENT OPTION

The District reserves the right to increase or decrease the principal amount of the Certificates 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 Certificates 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 April 1 and October 1 of each year, commencing April 1, 2026, to the registered owners of the Certificates 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 Certificates 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 Certificates 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 Certificates, 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 Certificates. So long as Cede & Co. is the registered owner of the Certificates, 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 Certificates.

PAYING AGENT/TRUSTEE

The District has selected Zions Bancorporation Trust Company, National Association, Chicago, Illinois, to act as paying agent (the "Paying Agent") and Trustee (the "Trustee"). The District will pay the charges for Paying Agent and Trustee services. The District reserves the right to remove the Paying Agent and/or Trustee to appoint a successor.

OPTIONAL REDEMPTION

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

EXTRAORDINARY REDEMPTION

The District may elect to prepay the Certificates, in whole or in part, at a price of par plus accrued interest on any date in certain cases of damage or destruction or condemnation of the Equipment.

DELIVERY

On or about June 12, 2025, the Certificates 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 Certificates is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Certificates must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than $6,865,000 plus accrued interest on the principal sum of $6,865,000 from date of original issue of the Certificates 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 $137,300 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 Certificates 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 Certificates 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 Certificates is adjourned, recessed, or continued to another date without award of the Certificates having been made.

AWARD

The Certificates 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 Certificates 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 Certificates 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 Certificates 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 Certificates are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Certificates.

CUSIP NUMBERS

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

In order to assist the Underwriter (Syndicate Manager) in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), in the Award Resolution, the District will covenant for the benefit of holders including beneficial holders, to provide electronically, or in a manner otherwise prescribed, certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

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

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

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

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

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

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

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

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

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Certificates prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Bond Sales link. The 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. 535
(Rochester Public Schools), Minnesota

PROPOSAL FORM

The School Board **May 20, 2025**
Independent School District No. 535 (Rochester Public Schools), Minnesota (the "District")

RE: $6,865,000* Full Term Certificates of Participation, Series 2025B (the "Certificates")
DATED: June 12, 2025

For all or none of the above Certificates, 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 $6,865,000) plus accrued interest to date of delivery for fully registered Certificates bearing interest rates and maturing in the stated years as follows:

_______________ % due 2026 _______________ % due 2027 _______________ % due 2028

The District reserves the right to increase or decrease the principal amount of the Certificates 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 Certificates 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 $137,300 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 Certificates 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 Certificates 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 Certificates 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 Certificates.

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 Syndicate Manager, we agree to provide the District with the reoffering price of the Certificates within 24 hours of the proposal acceptance.

This proposal is a firm offer for the purchase of the Certificates 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 Certificates.

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. 535 (Rochester Public Schools), Minnesota, on May 20, 2025.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________