PRELIMINARY OFFICIAL STATEMENT DATED MAY 1, 2025

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 278 (ORONO PUBLIC SCHOOLS), MINNESOTA

(Hennepin County)

(Minnesota School District Credit Enhancement Program)

$5,135,000* GENERAL OBLIGATION FACILITIES MAINTENANCE, CAPITAL FACILITIES AND TAX ABATEMENT BONDS, SERIES 2025A

PROPOSAL OPENING: May 12, 2025, 10:30 A.M., C.T. — **CONSIDERATION**: May 12, 2025, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $5,135,000* General Obligation Facilities Maintenance, Capital Facilities and Tax Abatement Bonds, Series 2025A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 469 and 475, as amended, including Minnesota Statutes, Section 469.1812 to 469.1815, Minnesota Statutes, Section 123B.595, as amended, and Minnesota Statutes, Section 123B.62, as amended, by Independent School District No. 278 (Orono Public Schools), Minnesota (the "District"), for the purposes of financing (i) certain capital projects approved by the Commissioner of Education; (ii) facilities maintenance projects included in the District's ten-year facility plan approved by the Commissioner of Education; and (iii) the construction of and improvements to parking lots at various sites in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: June 5, 2025

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2027	$430,000	2030	$320,000	2033	$1,240,000
2028	410,000	2031	945,000	2034	380,000
2029	430,000	2032	980,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2026 and semiannually thereafter.

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

MINIMUM PROPOSAL: $5,135,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $102,700 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Kennedy & Graven, Chartered.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

TABLE OF CONTENTS

ORONO PUBLIC SCHOOLS
SCHOOL BOARD

		Term Expires
Sarah Borchers	Board Chair	January 2027
Todd Madson	Vice Chair	January 2027
Laura Wallander	Clerk	January 2029
Wendy Lundsgaard	Treasurer	January 2027
Gavin Tempero	Member	January 2029
Timothy Usset	Member	January 2029

ADMINISTRATION

Dr. Kristine Flesher, Superintendent of Schools

Nick Taintor, Director of Business Services

PROFESSIONAL SERVICES

Squires, Waldspurger & Mace, P.A., District Attorney, Minneapolis, Minnesota

Kennedy & Graven, Chartered, Bond Counsel, Minneapolis, Minnesota

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 278 (Orono Public Schools), Minnesota (the "District") and the issuance of its $5,135,000* General Obligation Facilities Maintenance, Capital Facilities and Tax Abatement Bonds, Series 2025A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the issuance and sale of the Bonds ("Award Resolution") to be adopted by the School Board on May 12, 2025.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of June 5, 2025. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2026, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

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

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 469 and 475, as amended, including Minnesota Statutes, Sections 469.1812 to 469.1815, as amended, Minnesota Statutes, Section 123B.595, as amended, and Minnesota Statutes, Section 123B.62, as amended, by the District, for the purposes of financing: (i) facilities and site maintenance projects (the "Facilities Maintenance Portion"); (ii) improvements to the District's facilities and outdoor athletic facilities (the "Capital Facilities Portion"); and the construction of and improvements to parking lots at various sites in the District (the "Tax Abatement Portion").

For the Tax Abatement Portion of the Bonds, per Minnesota Statutes, Chapter 469, as amended, in any year, the total amount of property taxes abated by a political subdivision under this section may not exceed (i) ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (ii) $200,000, whichever is greater.

ESTIMATED SOURCES AND USES*

Sources	**Facilities Maintenance Portion**	**Capital Facilities Portion**	**Tax Abatement Portion**	**Total Bond Issue**
Par Amount of Bonds	$1,030,000	$1,000,000	$3,105,000	$5,135,000
Reoffering Premium	41,598	60,398	170,745	272,742
Funds on Hand in the Debt Service Fund	72,927	31,303	97,514	201,744
Total Sources	**$1,144,526**	**$1,091,701**	**$3,373,259**	**$5,609,486**
Uses				
Total Underwriter's Discount (1.200%)	$12,360	$12,000	$37,260	$61,620
Costs of Issuance	17,646	17,132	53,196	87,975
Capitalized Interest	72,927	31,303	97,514	201,744
Deposit to Construction Fund	1,041,592	1,031,266	3,185,289	5,258,147
Total Uses	**$1,144,525**	**$1,091,701**	**$3,373,259**	**$5,609,486**

*Preliminary, subject to change.

Breakdown of Principal Payments:*

Payment Date	Facilities Maintenance Portion	Capital Facilities Portion	Tax Abatement Portion	Total Bond Issue
2/01/2027	-	$50,000	$380,000	$430,000
2/01/2028	-	50,000	360,000	410,000
2/01/2029	-	50,000	380,000	430,000
2/01/2030	-	195,000	125,000	320,000
2/01/2031	$140,000	210,000	595,000	945,000
2/01/2032	145,000	220,000	615,000	980,000
2/01/2033	365,000	225,000	650,000	1,240,000
2/01/2034	380,000	-	-	380,000
Total	**$1,030,000**	**$1,000,000**	**$3,105,000**	**$5,135,000**

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the District to which its full faith and credit and taxing powers are pledged.

The District anticipates that the debt service on the Facilities Maintenance and Capital Facilities Portions of the Bonds will be paid from ad valorem property taxes. In accordance with Minnesota Statutes, the District will levy each year an amount not less than 105% of the debt service requirements on the Facilities Maintenance and Capital Facilities Portions of the Bonds, less estimated collections of other revenues pledged for payments on the Facilities Maintenance and Capital Facilities Portions of the Bonds. In the event funds on hand for payment of principal and interest are at any time insufficient, the District is required to levy additional taxes upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

For Capital Facilities Bonds issued pursuant to Minnesota Statutes, Section 123B.62, the District is required to make an annual debt service levy equal to 105% of the debt service requirements on the Bonds. There will be an offsetting reduction each year in the District's general fund tax levy.

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

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

RATING

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a rating from Moody's Investors Service, Inc. ("Moody's"). Moody's has a policy which assigns a rating of "Aa1" to issuers participating in the MNCEP. The "Aa1" rating is based on the State of Minnesota's current "Aaa" rating from Moody's. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District currently has a "Aa3" underlying rating from Moody's and will be requesting an underlying rating on this issue. Such rating, reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on April 14, 2025 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, as amended, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

The Law also requires the Paying Agent for this issue to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal and interest on these obligations, or if, on the day two business days prior to the payment date, there are insufficient funds to make the payment or deposit with the Paying Agent. The Law also requires, after receipt of a notice which requests a payment pursuant to the Law, after consultation with the Paying Agent and District, and after verifying the accuracy of the information provided, the Commissioner of Education shall notify the Commissioner of Management and Budget of the potential default. The State Payment Law provides that "upon receipt of this notice . . . the commissioner of management and budget shall issue a payment and authorize the commissioner of education to pay to the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for the purposes of this subdivision are annually appropriated to the [Department of Education] from the state general fund."

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

In its Official Statement dated July 29, 2024, for General Obligation State Bonds, Series 2024A, 2024B, 2024C, 2024D and 2024E, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts:

> "As of June 30, 2024, the total amount of principal on certificates of indebtedness and capital notes issued for equipment, certificates of participation and bonds, plus the interest on these obligations, through the year 2054, is approximately $19,750,000,000. Based upon these currently outstanding balances now enrolled in the program, during the Current Biennium the total amount of principal and interest outstanding as of June 30, 2024 is currently estimated at $1,500,000,000, with the maximum amount of principal and interest payable in any one month being $1,185,000,000. However, more certificates of indebtedness, capital notes, certificates of participation and bonds are expected to be enrolled in the program and these amounts are expected to increase.
>
> The State has not had to make any debt service payments on behalf of school districts or intermediate school districts under the program and does not expect to make any payments in the future. If such payments are made the State expects to recover all or substantially all of the amounts so paid pursuant to contractual agreements with the school districts and intermediate school districts."

CONTINUING DISCLOSURE

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

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

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

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

LEGAL OPINION

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

TAX EXEMPTION

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

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

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

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

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

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

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

Legislative proposals

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds shall be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2024 have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., (now merged with LB Carlson) Minneapolis, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Prelminary Official Statement.

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

Type of Property	2022/23	2023/24	2024/25
Residential homestead[1]	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%
Agricultural homestead[1]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,890,000 - 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]	$6,123,844,135[2]
2024/25 Assessor's Estimated Market Value	
Real Estate	$5,959,754,900
Personal Property	16,165,400
Total Valuation	$5,975,920,300
2024/25 Net Tax Capacity	
Real Estate	$70,564,123
Personal Property	320,043
Net Tax Capacity	$70,884,166
Less:	
Captured Tax Increment Tax Capacity[3]	(414,945)
Fiscal Disparities Contribution[4]	(2,254,316)
Taxable Net Tax Capacity	$68,214,905
Plus: Fiscal Disparities Distribution[4]	1,326,954
Adjusted Taxable Net Tax Capacity	$69,541,859

[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 95.99% 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 $6,123,844,135.

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

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

2024/25 NET TAX CAPACITY BY CLASSIFICATION

	2024/25 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$60,549,030	85.42%
Agricultural	955,549	1.35%
Commercial/industrial	5,743,255	8.10%
Public utility	93,390	0.13%
Railroad operating property	203,192	0.29%
Non-homestead residential	1,158,747	1.63%
Commercial & residential seasonal/rec.	1,860,960	2.63%
Personal property	320,043	0.45%
Total	$70,884,166	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Adjusted Taxable Net Tax Capacity[2]	Percent Increase/Decrease in Estimated Market Value
2020/21	$4,111,074,400	$4,089,270,451	$47,775,831	$47,099,554	6.16%
2021/22	4,308,333,100	4,288,216,236	50,086,563	49,351,320	4.80%
2022/23	5,120,536,600	5,105,157,199	60,135,277	59,380,600	18.85%
2023/24	5,749,699,700	5,735,636,149	68,192,742	67,074,676	12.29%
2024/25	5,975,920,300	5,950,541,104	70,884,166	69,541,859	3.93%

[1] Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

[2] Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment values.

LARGEST TAXPAYING PARCELS[1]

Taxpayer	Type of Property	2024/25 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Brackett Point Property	Residential	$328,188	0.46%
Individual	Residential	223,834	0.32%
Zvago Coop at Long Lake	Condominium	216,988	0.31%
Individual	Residential	204,950	0.29%
WJM Properties LLC	Commercial/Industrial	192,750	0.27%
Individual	Residential	181,014	0.26%
1725 Bohns Point LLC	Residential	162,270	0.23%
Individual	Residential	154,650	0.22%
Individual	Residential	152,129	0.21%
Stonebay Senior Liv LLC	Apartment	150,075	0.21%
Total		$1,966,848	2.77%

District's Total 2024/25 Net Tax Capacity $70,884,166

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpaying Parcels have been furnished by Hennepin County.

DEBT

DIRECT DEBT[2]

General Obligation Debt (see schedule following)

Total G.O. debt secured by tax abatement revenues and state aids[3] (includes the Tax Abatement Portion of the Bonds)*	$3,970,000
Total G.O. debt secured by taxes and state aids[3] (includes the Facilities Maintenance and Capital Facilities Portions of the Bonds)*	46,780,000
Total General Obligation Debt*	$50,750,000

*Preliminary, subject to change.

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

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

3 Based upon the 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]	$1,472,324

Other Obligations - Cooperative District/Joint Governmental Obligations

The District is a member of the Intermediate District No. 287, an intermediate school district authorized by Minnesota law to provide participating school districts with vocational, technical, and special education services. The District has a contractual obligation to make a portionate contribution toward the intermediate district's outstanding debt service payments on various certificates of participation financings, along with other member districts.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

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

STATE AID FOR DEBT SERVICE

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

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

In addition to debt service equalization aid, some school districts will qualify for state Long Term Facilities Maintenance Aid to finance a portion of the payments on Alternative Facilities Bonds and Facilities Maintenance Bonds, pursuant to the Long Term Facilities Maintenance Revenue program approved by the State in 2015. If any aid is received, it is deposited into the 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. The District does not currently qualify for Long Term Facilities Maintenance Aid in the debt service fund.

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.

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

The District's $2,990,000 General Obligation Taxable OPEB Bonds, Series 2018A, do **not** qualify for the agricultural credit pursuant to Minnesota Statutes.

BONDED DEBT LIMIT

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

2023/24 Economic Market Value	$6,123,844,135
Multiply by 15%	0.15
Statutory Debt Limit	$918,576,620
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes[1] (includes Facilities Maintenance and Capital Facilities Portions of the Bonds)*	(45,485,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	(1,472,324)
Unused Debt Limit*	$871,619,296

*Preliminary, subject to change.

[1] Does not include the $2,990,000 General Obligation Taxable OPEB Refunding Bonds, Series 2018A, as they are not subject to the debt limit calculation.

Independent School District No. 278 (Orono Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Tax Abatement Revenues
(As of 06/05/2025)

	Tax Abatement Bonds Series 2018B		Tax Abatement Bonds 1) Series 2025A							
Dated	11/07/2018		06/05/2025							
Amount	$1,900,000		$3,105,000*							
Maturity	02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2026	205,000	30,050	0	97,514	205,000	127,564	332,564	3,765,000	5.16%	**2026**
2027	215,000	19,800	380,000	148,750	595,000	168,550	763,550	3,170,000	20.15%	**2027**
2028	220,000	13,350	360,000	129,750	580,000	143,100	723,100	2,590,000	34.76%	**2028**
2029	225,000	6,750	380,000	111,750	605,000	118,500	723,500	1,985,000	50.00%	**2029**
2030			125,000	92,750	125,000	92,750	217,750	1,860,000	53.15%	**2030**
2031			595,000	86,500	595,000	86,500	681,500	1,265,000	68.14%	**2031**
2032			615,000	56,750	615,000	56,750	671,750	650,000	83.63%	**2032**
2033			650,000	26,000	650,000	26,000	676,000	0	100.00%	**2033**
	865,000	69,950	3,105,000	749,764	3,970,000	819,714	4,789,714			

* Preliminary, subject to change.

1) This represents the $3,105,000 Tax Abatement Portion of the $5,135,000 General Obligation Facilities Maintenance, Capital Facilities and Tax Abatement Bonds, Series 2025A.

Independent School District No. 278 (Orono Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 06/05/2025)

	School Building Refunding Bonds Series 2016A		School Building Bonds Series 2017A		Facilities Maintenance Bonds Series 2017B		Taxable OPEB Refunding Bonds 1) Series 2018A		Facilities Maintenance Bonds Series 2021A	
Dated	08/04/2016		02/22/2017		05/18/2017		11/07/2018		12/02/2021	
Amount	$36,450,000		$27,375,000		$2,865,000		$2,990,000		$1,440,000	
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	3,360,000	405,138	845,000	798,750	335,000	27,400	310,000	47,310	215,000	34,000
2027	3,510,000	270,738	875,000	756,500	350,000	14,000	320,000	36,460	285,000	29,700
2028	3,595,000	191,763	915,000	712,750			330,000	24,940	260,000	24,000
2029	3,705,000	101,888	935,000	676,150			335,000	12,730	265,000	16,200
2030			4,535,000	638,750					275,000	8,250
2031			4,860,000	457,350						
2032			5,010,000	311,550						
2033			5,160,000	161,250						
2034										
	14,170,000	969,525	23,135,000	4,513,050	685,000	41,400	1,295,000	121,440	1,300,000	112,150

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

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Independent School District No. 278 (Orono Public Schools), Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 06/05/2025)

	Cap. Notes, Fac. Maint. & Cap. Bonds Series 2023A		Fac. Maint. and Cap. Fac. Bonds 2) Series 2025A							
Dated	06/01/2023		06/05/2025							
Amount	$5,555,000		$2,030,000*							
Maturity	02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2026	1,010,000	204,250	0	60,180	6,075,000	1,577,028	7,652,028	40,705,000	12.99%	**2026**
2027	425,000	153,750	50,000	91,800	5,815,000	1,352,948	7,167,948	34,890,000	25.42%	**2027**
2028	795,000	132,500	50,000	89,300	5,945,000	1,175,253	7,120,253	28,945,000	38.13%	**2028**
2029	835,000	92,750	50,000	86,800	6,125,000	986,518	7,111,518	22,820,000	51.22%	**2029**
2030	700,000	51,000	195,000	84,300	5,705,000	782,300	6,487,300	17,115,000	63.41%	**2030**
2031	195,000	16,000	350,000	74,550	5,405,000	547,900	5,952,900	11,710,000	74.97%	**2031**
2032	205,000	8,200	365,000	57,050	5,580,000	376,800	5,956,800	6,130,000	86.90%	**2032**
2033			590,000	38,800	5,750,000	200,050	5,950,050	380,000	99.19%	**2033**
2034			380,000	15,200	380,000	15,200	395,200	0	100.00%	**2034**
	4,165,000	658,450	2,030,000	597,980	46,780,000	7,013,995	53,793,995			

* Preliminary, subject to change.

2) This represents the $2,030,000 Facilities Maintenance and Capital Facilities Portions of the $5,135,000 General Obligation Facilities Maintenance, Capital Facilities and Tax Abatement Bonds, Series 2025A.

Independent School District No. 278 (Orono Public Schools), Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 06/05/2025)

	Transportation Center 2020 Lease								
Dated	05/26/2020								
Amount	$2,083,000								
Maturity	02/01 & 08/01								
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2026	128,899	41,770	128,899	41,770	170,669	1,343,425	8.75%	**2026**
2027	132,665	38,004	132,665	38,004	170,669	1,210,760	17.77%	**2027**
2028	136,540	34,129	136,540	34,129	170,669	1,074,220	27.04%	**2028**
2029	140,528	30,141	140,528	30,141	170,669	933,692	36.58%	**2029**
2030	144,633	26,036	144,633	26,036	170,669	789,059	46.41%	**2030**
2031	148,858	21,811	148,858	21,811	170,669	640,201	56.52%	**2031**
2032	153,206	17,463	153,206	17,463	170,669	486,996	66.92%	**2032**
2033	157,681	12,988	157,681	12,988	170,669	329,314	77.63%	**2033**
2034	162,287	8,382	162,287	8,382	170,669	167,027	88.66%	**2034**
2035	167,027	3,642	167,027	3,642	170,669	0	100.00%	**2035**
	1,472,324	234,366	1,472,324	234,366	1,706,690			

OVERLAPPING DEBT[1]

Taxing District	2024/25 Adjusted Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
County of:				
Hennepin	$2,835,449,560	2.4526%	$1,211,355,000[3]	$29,709,693
Cities of:				
Independence	13,059,002	49.2950%	3,850,000	1,897,858
Long Lake	5,214,981	100.0000%	1,290,000	1,290,000
Maple Plain	3,590,060	100.0000%	10,845,000	10,845,000
Medina	32,104,814	35.2095%	6,835,000	2,406,569
Minnetonka Beach	6,903,541	100.0000%	10,245,000	10,245,000
Orono	58,869,928	61.0234%	15,710,000	9,586,776
Wayzata	34,921,853	0.4796%	18,050,000	86,568
Special Districts of:				
Metropolitan Council	6,330,160,332	1.0986%	235,750,000[4]	2,589,950
Three Rivers Park District	2,073,090,874	3.3545%	49,625,000	1,664,671
District's Share of Total Overlapping Debt				$70,322,084

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

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

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value $6,123,844,135	Debt/ Per Capita 13,209[1]
Direct G.O. Debt Being Paid From:			
Tax Abatement Revenues and State Aids*	$3,970,000		
Taxes and State Aids*	46,780,000		
Tax Supported General Obligation Debt*	$50,750,000	0.83%	$3,842.08
District's Share of Total Overlapping Debt	$70,322,084	1.15%	$5,323.80
Total*	$121,072,084	1.98%	$9,165.88

*Preliminary, subject to change.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[2]	Total Collected Following Year	Collected to Date	% Collected
2020/21	$18,997,421	$18,898,896	$18,973,255	99.87%
2021/22	19,925,349	19,773,918	19,898,747	99.87%
2022/23	20,552,939	20,457,538	20,517,691	99.83%
2023/24	22,232,532	22,067,723	22,067,723	99.26%
2024/25	23,516,523	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.

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. 278 (Orono Public Schools)	22.657%	23.903%	18.934%	18.811%	18.952%
Hennepin County	38.210%	38.535%	34.542%	34.681%	37.081%
City of Independence	40.368%	39.162%	33.784%	32.356%	32.062%
City of Long Lake	36.056%	35.957%	33.441%	33.668%	33.467%
City of Maple Plain	55.448%	54.716%	52.443%	45.322%	53.481%
City of Medina	22.468%	22.598%	22.559%	20.357%	20.836%
City of the Village of Minnetonka Beach	22.621%	22.808%	20.771%	20.823%	21.116%
City of Orono	16.780%	16.820%	16.569%	16.349%	16.361%
City of Wayzata	20.644%	21.381%	19.468%	19.224%	19.772%
HCRRA	1.323%	1.329%	1.188%	1.153%	1.205%
Hennepin County HRA	0.722%	0.771%	0.663%	0.624%	0.797%
Metropolitan Council	0.631%	0.659%	0.576%	0.614%	0.567%
Metro Mosquito	0.381%	0.377%	0.331%	0.312%	0.328%
Metro Transit	1.256%	1.204%	1.066%	0.927%	1.134%
Park Museum	0.707%	0.722%	0.647%	0.694%	0.744%
Three Rivers Park District	2.793%	2.787%	2.473%	2.399%	2.471%
Referendum Market Value Rates:					
I.S.D. No. 278 (Orono Public Schools)	0.20923%	0.19411%	0.18645%	0.17247%	0.17801%
City of Wayzata	0.00989%	0.00974%	0.00845%	N/A	N/A

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Hennepin County.

[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.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 392, including 162 non-licensed employees and 230 licensed employees (215 of whom are teachers). The District provides education for 2,920 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Orono Education Association	June 30, 2025
School Service Employees Local #284 Secretaries	June 30, 2025
School Service Employees Local #284 Custodians	June 30, 2026
School Service Employees Local #284 Paraprofessionals	June 30, 2025
School Service Employees Local #284 Food Service	June 30, 2026
Orono Principals' Association	June 30, 2026

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent actuarial study shows a total OPEB liability of $7,693,897 as of June 30, 2024. In November of 2008 the District issued $4,630,000 in OPEB Bonds to fund an irrevocable trust. The net value of the trust was $2,820,121 as of June 30, 2024. 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	Kindergarten	Grades 1-6	Grades 7-12	Total
2020/21	184	1,216	1,414	2,814
2021/22	184	1,219	1,402	2,805
2022/23	181	1,270	1,388	2,839
2023/24	215	1,288	1,386	2,890
2024/25	188	1,319	1,413	2,920

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2025/26	188	1,337	1,430	2,955
2026/27	188	1,340	1,445	2,973
2027/28	188	1,343	1,470	3,001

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Orono Intermediate School	1968	1958, 1962, 1965, 1989, 2003, 2010
Schumann Elementary	1950	1962, 1971, 1989, 2010
Orono Middle School	1956	--
Orono High School	2000	1980 ,1989, 2010, 2018
Discovery Center	1965	--

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

FUNDS ON HAND (as of February 28, 2025)

Fund	**Total Cash and Investments**
General	$4,752,496
Food Service	1,079,163
Community Service	1,539,674
Debt Service	998,314
Student Activities	131,474
Internal Service	4,049,444
OPEB Trust	2,894,448
Building Construction	48,988
Total Funds on Hand	$15,494,001

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					
Property taxes	$12,172,044	$12,112,049	$13,017,100	$14,288,028	$13,901,722
Investment earnings (loss)	23,030	4,177	200,735	308,291	300,000
Other	1,277,512	1,696,029	2,213,308	2,500,844	1,963,000
State sources	25,668,841	26,131,931	27,245,247	29,505,433	30,866,052
Federal sources	1,833,631	1,421,860	1,084,865	805,868	884,614
Total Revenues	$40,975,058	$41,366,046	$43,761,255	$47,408,464	$47,915,388
Expenditures					
Current:					
Administration	$1,413,349	$1,341,917	$1,523,374	$1,480,806	$1,599,620
District support services	1,841,898	1,680,112	1,785,053	1,726,134	1,977,194
Elementary and secondary regular instruction	20,868,620	22,063,752	21,916,956	22,839,351	23,328,330
Vocational education instruction	309,948	330,820	331,450	413,269	358,540
Special education instruction	5,272,650	5,439,144	5,477,134	5,820,716	6,201,774
Instructional support services	3,344,117	3,207,638	3,622,601	3,656,837	3,314,079
Pupil support services	2,973,843	3,299,446	3,356,979	3,861,303	3,834,720
Sites and buildings	6,572,924	6,202,945	6,057,177	5,700,043	6,713,267
Fiscal and other fixed cost programs	261,386	310,842	380,595	431,604	524,000
Debt service	606,218	606,217	568,663	427,181	0
Total Expenditures	$43,464,953	$44,482,833	$45,019,982	$46,357,244	$47,851,524
Excess of revenues over (under) expenditures	($2,489,895)	($3,116,787)	($1,258,727)	$1,051,220	$63,864
Other Financing Sources (Uses)					
Sale of assets	$0	$0	$44,971	$0	$0
Insurance recovery	0	0	500	29,938	0
Capital lease issued	936,984	0	0	0	0
Debt issued	0	0	0	129,616	0
Sale of capital assets	0	0	0	5,826	0
Premium on debt issued	0	500	0	0	0
Total Other Financing Sources (Uses)	936,984	500	45,471	165,380	0
Net changes in Fund Balances	($1,552,911)	($3,116,287)	($1,213,256)	$1,216,600	$63,864
General Fund Balance July 1	$9,564,569	$8,011,658	$4,895,371	$3,682,115	$4,898,715
Change in accounting principle	0	0	0	0	0
General Fund Balance June 30	$8,011,658	$4,895,371	$3,682,115	$4,898,715	$4,962,579
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$603,343	$238,308	$314,786	$338,814	
Restricted	2,617,404	2,112,326	1,622,587	1,887,462	
Assigned	1,280,879	796,041	280,814	421,393	
Unassigned	3,510,032	1,748,696	1,463,928	2,251,046	
Total	$8,011,658	$4,895,371	$3,682,115	$4,898,715	

1 The 2024-25 budget was adopted on June 10, 2024, and revised on April 14, 2025.

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 12,711, and a 2023 population estimate of 13,209, and comprising an area of 48.63 square miles, is located approximately 35 miles west of St. Paul, Minnesota.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Proto Labs, Inc.	Injection molding manufacturing	500
I.S.D. No. 278 (Orono Public Schools)	Elementary and secondary education	392
Woodhill Country Club	Private golf and country club	150
Herc-U-Lift, Inc.	Material handling equipment - sales, service & rentals	120
Lafayette Club	Private golf and country club	100
Birchs on the Lake	Restaurant	100
JEM Technical	Hydraulic equipment supplier	100
Haven Homes of Maple Plain	Nursing home	60
MacDermid, Inc.	Chemicals-manufacturers	60
Otten Brothers Nursery	Nursery and landscaping	50

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	11,947
2020 U.S. Census population	12,711
Percent of Change 2010 - 2020	6.39%
2023 State Demographer Estimate	13,209

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

Income and Age Statistics

	The District	Hennepin County	State of Minnesota	United States
2023 per capita income	$122,460	$57,633	$46,957	$43,289
2023 median household income	$154,444	$93,668	$87,556	$78,538
2023 median family income	$193,194	$131,862	$111,492	$96,922
2023 median gross rent	$1,330	$1,439	$1,235	$1,348
2023 median value owner occupied units	$752,600	$376,500	$305,500	$303,400
2023 median age	44.7 yrs.	37.4 yrs.	38.6 yrs.	38.7 yrs.

	State of Minnesota	United States
District % of 2023 per capita income	260.79%	282.89%
District % of 2023 median family income	173.28%	199.33%

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	**Hennepin County**	**Hennepin County**	**State of Minnesota**
2021	681,260	3.6%	3.7%
2022	692,548	2.3%	2.5%
2023	395,992	2.5%	2.8%
2024	696,300	2.8%	3.0%
2025, March	695,026	3.2%	3.9%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

FINANCIAL STATEMENTS

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

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ending June 30, 2024

Orono Public Schools • ISD #278
685 Old Crystal Bay Road North
Orono, Minnesota 55356

oronoschools.org

INDEPENDENT SCHOOL DISTRICT NO. 278
ORONO, MINNESOTA

Annual Comprehensive
Financial Report

Year Ended
June 30, 2024

Prepared by
Finance Department

Nick Taintor, CPA – Director of Business Services

Rachel McQuiston, CPA – Controller

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INDEPENDENT SCHOOL DISTRICT NO. 278

Table of Contents

Table of Contents (continued)

Table of Contents (continued)

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INTRODUCTORY SECTION

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October 30, 2024

To the Citizens of the School District, Board of Education, and Employees of the School District:

INTRODUCTION

We are submitting the Annual Comprehensive Financial Report (ACFR) of Independent School District No. 278, Orono (the District) for the fiscal year ended June 30, 2024. This report fairly presents the District's financial position and results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America. The District's administration accepts total responsibility for the accuracy, completeness, and fairness in presentation.

The District's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2024, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's basic financial statements for the fiscal year ended June 30, 2024, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to the independent audit of the District's financial statements, the District is required to undergo an annual Single Audit in conformity with the provisions of the Federal Single Audit Act Amendments of 1996 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). The District is also required to undergo an annual Minnesota State Legal Compliance Audit under Minnesota Statutes § 6.65. The standards governing Single Audit engagements require the independent auditor to report on not only the fair presentation of the financial statements, but also the District's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's separately issued "Special Purpose Audit Reports."

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

DISTRICT GOALS

School District Vision
Orono Schools will inspire lifelong learners and ethical citizens who positively impact our world.

School District Mission
Inspiring and empowering every student to achieve their highest potential through exceptional experiences.

Strategic Goals

1. Scholarship – Through personalized and rigorous learning across all disciplines, we will ensure all students possess the knowledge, skills, and dispositions to thrive in any post-secondary experience and achieve their life goals.
2. Character – We will instill in every child a strong foundation of ethical decision making, responsibility, and integrity, nurturing them to become caring and trustworthy individuals who contribute to their communities.
3. Connectedness – We will foster a connected learning community in which empathy, belonging, and strong relationships are cultivated to empower students and staff.

The School Board governs under the guidelines of the Minnesota School Board Association, which provides model policy recommendations and School Board governance training to its members.

The School Board has overall control of the organization. Through its policies, the Superintendent is the School Board's link to operational achievement and conduct, so that all authority and accountability of staff, as far as the School Board is concerned, is considered the authority and accountability of the Superintendent.

LOCAL ECONOMIC CONDITION AND OUTLOOK

The District was incorporated in 1951 and serves a portion of seven suburban communities on the western edge of the Minneapolis/St. Paul metropolitan area, covering 49 square miles with an estimated population of 13,209. The District encompasses all or part of the communities of Independence, Long Lake, Maple Plain, Medina, Minnetonka Beach, Orono, and Wayzata.

For 2023–2024, the District facilities included two elementary schools, one middle school, one senior high school, a community education center, a student center, and a transportation and storage center. The average building age was 39.85 years old.

Enrollment for the 2023–2024 school year was 2,922 pupils in adjusted daily membership, which represents an increase of 48 students from the prior year. Demographic forecasts project an increase in enrollment for the next several years. Projected enrollments for the near future per an independent demographer hired by the District are:

Fiscal Year	Enrollment
2025	2,987
2026	3,015
2027	3,035

The tax base of the District increased by 12.35 percent during the past year. The market value of all taxable property in the District in fiscal year 2024 was $5,735,636,149, compared to $5,105,157,199 in fiscal year 2023.

The total tax capacity of the District for fiscal year 2024 was $68,192,742, an increase of 13.40 percent over the prior year value of $60,135,277.

Programs and Services

The District provides a full range of public education services appropriate to grade levels, ranging from pre-Kindergarten through Grade 12. These include regular and enriched academic education, special education for exceptional children, and career/vocational education. Food service and transportation are provided as supporting programs. The District's community education program includes early childhood family education and adult basic education programs, and a myriad of classes for lifelong learning experiences for children and adults.

Enrollment

Enrollment is a critical factor in determining funding levels. Approximately 67 percent of the General Fund revenue is enrollment driven. During fiscal year 2024, enrollment increased by 48 average daily memberships to 2,922. The increase can be attributed to strong enrollment demand common to the District prior to the pandemic and expected in future years.

Student Enrollment (Average Daily Membership)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Pre-K	11	9	11	10	10	30	34	35	33
Reg-K and HCP-K	183	167	182	191	185	184	184	182	215
Elementary	1,219	1,235	1,233	1,263	1,251	1,216	1,219	1,270	1,288
Secondary	1,402	1,400	1,415	1,413	1,413	1,414	1,402	1,387	1,386
Total Students	2,815	2,811	2,841	2,877	2,859	2,844	2,839	2,874	2,922
Percent Change	1.26%	-0.14%	1.07%	1.27%	-0.63%	-0.52%	-0.18%	1.23%	1.67%

Student Enrollment (Average Daily Membership)

The continued stability of grade cohorts in the elementary grade levels over the last five years, combined with strong demand, led to relatively stable enrollments since fiscal year 2017. Enrollment numbers presented above present both financial and strategic opportunities for the District in future years.

FINANCIAL AND BUDGETARY CONTROL

The management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from theft, misuse, or losses and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and Minnesota Uniform Financial Accounting and Reporting Standards.

The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of the costs and benefits requires estimates and judgments by management.

In addition, the District has also adopted the following policies to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board:

- **Fund Balance Policy** – Establishes a guideline for the District to maintain an unassigned fund balance equal to at least 5 percent of the expenditure budget for the operating funds including the General Fund, Food Service Fund, and Community Service Fund. Cost containment measures may be implemented to meet this objective, while also realizing that certain variations attributed to revenue recognition in Minnesota Statutes may be reflected in fund balance fluctuations at year-end. For instance, Minnesota Statutes may require school districts to advance recognize certain portions of the property taxes levied for subsequent years in the current year, as well as prior period property tax levy adjustments. District administration gives careful consideration to the impact of these adjustments and informs the School Board accordingly.

- **Budget Policy** – Establishes a guideline for allocation of district resources.

- **Personnel Staffing Guidelines** – Personnel costs represent close to 77 percent of General Fund expenditures. These guidelines, which set the staffing allocation for every allocated position in the District, are updated each February by the administration and the School Board.

The District's budget process is based, first, on development of a budget projection model that attempts to project resources and expenses over a multiple year period. The budget projection is used by the School Board and the administration to determine budget parameters and staffing guidelines. Second, the budget adopted in June is based upon the personnel staffing guidelines approved by the School Board and preparation of the nonpersonnel budget by school and department administrators, in accordance with School Board-approved budget parameters. The final budget reflects the District's actual enrollment count on October 1, the actual staff hired, and other dynamics such as employee contract settlements.

The legal level of budgetary control is at the fund level. However, in the General Fund; operating, special education, pupil transportation, capital expenditure, and quality compensation are maintained as separate internal accounts for budgeting purposes. The School Board must approve expenditures exceeding budget at the fund level by resolution or through the disbursement approval process. The District also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbered amounts lapse at year-end. However, outstanding encumbrances generally are reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management and has identified any temporary fluctuations in year-end fund balances attributed to prior year property tax levy recognition impacts.

MAJOR INITIATIVES

Coronavirus (COVID-19)

The District received final funding from federal and state governments to mitigate effects of COVID-19 on enrollment and delivery of instruction and services and has adjusted its future budgets to reflect the fact that these resources will no longer be available. The District expects some minimal carryover of federal dollars to address learning loss from the pandemic that will be used to offer additional summer programing in fiscal year 2024–2025.

Debt Issuance

The District issued $5,555,000 in general obligation capital notes, facilities maintenance, and capital facilities bonds in fiscal year 2023 to provide funds for indoor air quality projects, deferred maintenance projects, improvements to school buildings, and the purchase of technology equipment. While debt issuance funds were issued in the previous fiscal year, the initiatives and projects were largely completed over the summer of 2024 and completion is scheduled in fiscal year 2025.

Projects

The District is in the process of completing a $2.0 million project for the two elementary schools and another $2.5 million project for the middle school to address indoor air quality issues and deferred maintenance. These projects were partially funded with annual appropriations and the debt that was issued in previous fiscal years.

CERTIFICATE OF EXCELLENCE

This ACFR has been prepared following the guidelines provided by the Association of School Business Officials (ASBO) International for its Certificate of Excellence in Financial Reporting Program. Achieving recognition by this program provides a clear indication of the District's high standards for financial reporting. The District intends to submit this ACFR to the ASBO International Certificate Program for consideration. The District received the Certificate of Excellence in Financial Reporting award for the past seven fiscal years.

ACKNOWLEDGMENTS

We would like to acknowledge the efforts of the entire Business Office staff in providing complete and accurate data for this ACFR.

Sincerely,

Dr. Kristine Flesher Superintendent	Nick Taintor, CPA Director of Business Services	Rachel McQuiston, CPA Controller

Orono Schools Superintendent

- Executive Director of Human Resources
  - Human Resources Generalist
- Executive Director of Learning & Accountability
  - Technology Director
- Director of Business Services
  - Controller
    - Coordinator of Child Nutrition
    - Coordinator of Facilities & Safety
- Director of Special Services
  - Special Services Coordinator
- Director of Community Education
  - Operations Manager
    - Activities Center Coord.
    - Aquatics & Adult Enrichment Coord.
    - Director of Coalition
    - Early Learning Program Coord.
    - Engagement & Integration Coord.
    - Marketing & Community Engagement Coord.
    - School-Age Childcare & Enrichment Program Coord.
    - Sports & Summer Program Coord.
    - Youth Development Coord.
- Principals
  - Associate Principals
- Director of Communications

INDEPENDENT SCHOOL DISTRICT NO. 278

School Board and Administration
Year Ended June 30, 2024

SCHOOL BOARD

	Position
Michael Bash	Board Chair
Sarah Borchers	Vice Chair
Alicia Howe	Treasurer
Laura Wallander	Clerk
Wendy Lundsgaard	Director
Todd Madson	Director

ADMINISTRATION

Dr. Kristi Flesher	Superintendent
Nick Taintor	Director of Business Services

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

Independent School District 278 - Orono Public Schools

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

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

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Ryan S. Stechschulte **President**	**James M. Rowan, CAE, SFO** **CEO/Executive Director**

Orono Schools Campus
Homestead Trail
6th Ave N
6
Orono Ice Arena
A
Lee Carlson Baseball Field
Zach Erlander Field
Field 1
Orono Baseball Stadium
B
K
Field 14
Field 15
Field 12
Field 13
Orono Middle School
J
Field 4
Fields 2 & 3
Orono High School
C
L
Activities Center
Pesonen Stadium
D
H.S. Tennis
D
Orono Student Center
M
Field 16
North
I
Playground
Field 5
Orono Schumann Elementary School
E
Fields 6 & 7
Old Crystal Bay Rd
Orono Rotary Learning Pavilion
Oliver Grieb Abbott Environmental Learning Center
Orono Maintenance Center
G
The Link
Orono City Hall
Orono Softball Stadium
Field 10
Orono Intermediate School
District Office
Lake Classen
H
Playground
Kelley Parkway
F
Field 8
Field 9
Intermediate School Tennis
Wayzata Blvd / Old U.S. Hwy 12
112
Parking Lot Key
A Ice Arena
B H.S. North
C H.S. East
D H.S. South
E Schumann Elementary
F Intermediate School
G Elementary West
H Softball Stadium
I Field 5
J Baseball Stadium (limited access)
K M.S. North
L M.S. West
M Student Center

Orono Schools
Discovery Center
Perkinsville Rd
Manchester Dr
MAPLE
PLAIN
Budd Ave
Northside
Park
Fields
2
3
1
4
Howard Ave
Perkins Ln
Drake St
Independence St
Orono Discovery Center
Marsh Ave
Delano Ave
Maple Ave
E Main St
Royce St NE
Oak St
Boundary Ave
Howard Ave
Baker Park Rd
Industrial St
Poplar Ave
North
Greater Area
Lake Independence
Providence Curve
Independence Rd
Pagenkopt Rd
Beach
Campground
Baker Park Rd
Budd St
Perkinsville Rd
Manchester Dr
Budd Ave
Orono Discovery Center
Northside Park
Independence St
W Main St
E Main St
Baker Regional Park
MAPLE PLAIN
Drake Rd
Watertown Rd
6th Ave N
Moline Rd
Bayside Rd

FINANCIAL SECTION

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PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 278
Orono, Minnesota

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 278 (the District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINIONS

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

EMPHASIS OF MATTER

Change in Accounting Principle

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

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

(continued)

REQUIRED SUPPLEMENTARY INFORMATION

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

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER INFORMATION

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

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

PRIOR YEAR COMPARATIVE INFORMATION

We have previously audited the District's 2023 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 18, 2023. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
October 30, 2024

This section of Independent School District No. 278's (the District) Annual Comprehensive Financial Report (ACFR) presents management's narrative overview and analysis of its financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the other components of the District's ACFR.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2024 by $2,760,019 (net position). The District's total net position increased by $6,948,048 during the fiscal year ended June 30, 2024.

- The District's government-wide beginning net position increased by $710,546, due to a change in accounting principle implemented during the year requiring the capitalization of groups of similar capital assets purchased together that were not capitalized in prior years, due to the individual asset values having been below its capitalization threshold.

- Government-wide revenues totaled $61,211,992 and were $6,948,048 more than government-wide expenses of $54,263,944.

- The General Fund's total fund balances (under the governmental fund presentation) increased $1,216,600 from the prior year to a year-end balance of $4,898,715.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the ACFR consists of the following parts:

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplementary information, consisting of combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following kinds of funds:

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

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

Fiduciary Funds – The District is the trustee, or fiduciary, for assets held for others. 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. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

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

	2024	2023
Assets		
Current and other assets	$ 42,306,391	$ 40,411,454
Capital assets, net of depreciation/amortization	76,109,206	75,293,720
Total assets	$ 118,415,597	$ 115,705,174
Deferred outflows of resources		
Pension plan deferments	$ 7,278,803	$ 10,186,663
OPEB plan deferments	1,426,115	1,872,203
Total deferred outflows of resources	$ 8,704,918	$ 12,058,866
Liabilities		
Current and other liabilities	$ 6,193,675	$ 5,138,145
Long-term liabilities, including due within one year	93,864,326	101,478,962
Total liabilities	$ 100,058,001	$ 106,617,107
Deferred inflows of resources		
Lease revenue for subsequent years	$ 51,407	$ 86,810
Property taxes levied for subsequent year	21,260,862	19,757,456
Pension plan deferments	2,556,177	5,604,304
OPEB plan deferments	434,049	596,938
Total deferred inflows of resources	$ 24,302,495	$ 26,045,508
Net position		
Net investment in capital assets	$ 23,413,394	$ 19,909,838
Restricted	5,231,671	4,833,653
Unrestricted	(25,885,046)	(29,642,066)
Total net position	$ 2,760,019	$ (4,898,575)

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation/amortization. Differences in estimated useful lives and capitalization policies may produce a significant difference in the calculated amounts. Another major factor in determining net position as compared to fund balances are the liabilities for long-term severance, pension, and other post-employment benefits (OPEB), which impact unrestricted net position.

Total net position improved by $6,948,048 in the current year. Scheduled debt service payments with minimal new debt issued during the year contributed to the decreases in long-term liabilities. Changes in the District's share of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) state-wide pension plans contributed to the differences in deferred outflows and inflows of resources, long-term liabilities, and unrestricted net position.

Table 2 presents a condensed version of the Change in Net Position of the District:

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

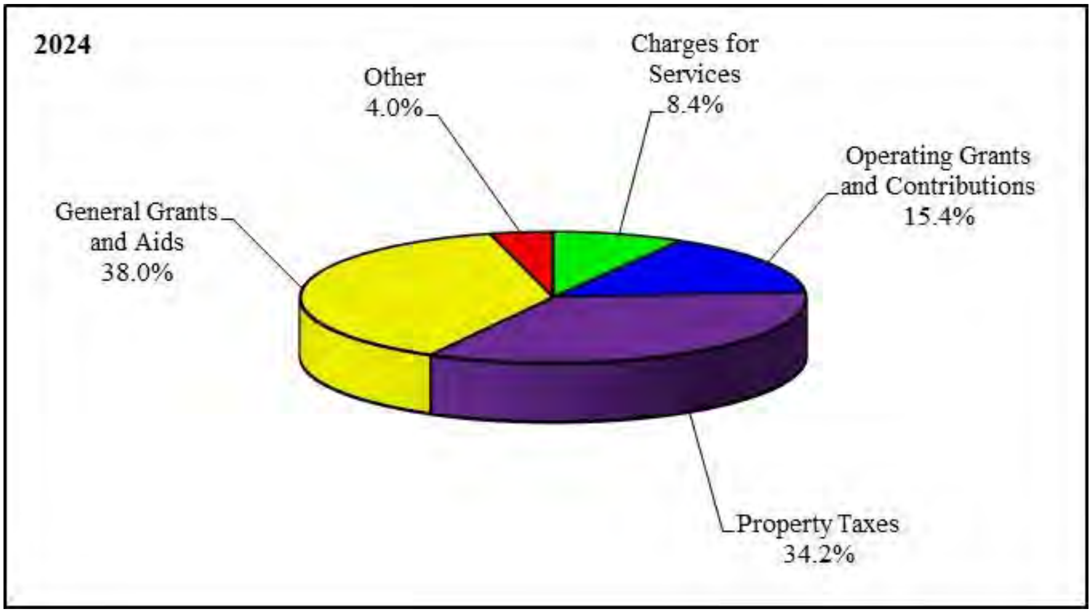
	2024	2023
Revenues		
Program revenues		
Charges for services	$ 5,128,591	$ 6,001,996
Operating grants and contributions	9,454,398	7,375,321
General revenues		
Property taxes	20,928,627	19,945,934
General grants and aids	23,266,010	22,156,658
Other	2,434,366	1,708,617
Total revenues	61,211,992	57,188,526
Expenses		
Administration	1,406,570	1,103,069
District support services	1,732,881	1,820,703
Elementary and secondary regular instruction	22,711,651	18,979,166
Vocational education instruction	389,463	252,683
Special education instruction	5,520,346	4,559,711
Instructional support services	3,570,300	3,395,738
Pupil support services	3,801,473	3,042,348
Sites and buildings	6,889,268	6,705,360
Fiscal and other fixed cost programs	431,604	380,595
Food service	2,341,080	2,194,520
Community service	4,020,026	3,622,424
Interest and fiscal charges	1,449,282	1,539,703
Total expenses	54,263,944	47,596,020
Change in net position	6,948,048	9,592,506
Net position – beginning, previously reported	(4,898,575)	(14,491,081)
Change in accounting principle	710,546	–
Net position – beginning, restated	(4,188,029)	(14,491,081)
Net position – ending	$ 2,760,019	$ (4,898,575)

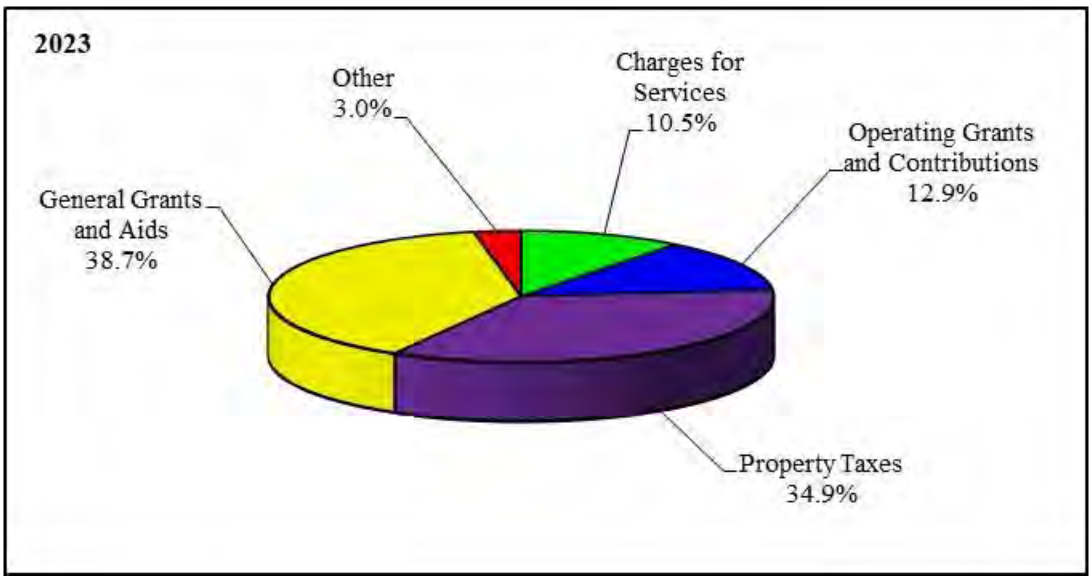
The table summarizes all governmental activities of the District presented on the accrual basis of accounting. Revenues are allocated between those directly related to specific programs and those that are general revenues. Depreciation/amortization is included in the program expenses, but capital asset purchase costs, debt proceeds, and the repayment of debt principal are excluded.

Governmental activities revenues increased $4,023,466 (7.0 percent) from the previous year. Increases in the property tax levy, state funding for general education and special education, and investment returns contributed to the overall increase.

Governmental activities expenses were $6,667,924 (14.0 percent) higher than last year. Contractual increases to salaries, inflationary increases in benefits and other expenses, and changes in the pension expense for the District's proportionate shares of the PERA and TRA state-wide pension plans contributed to this increase.

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



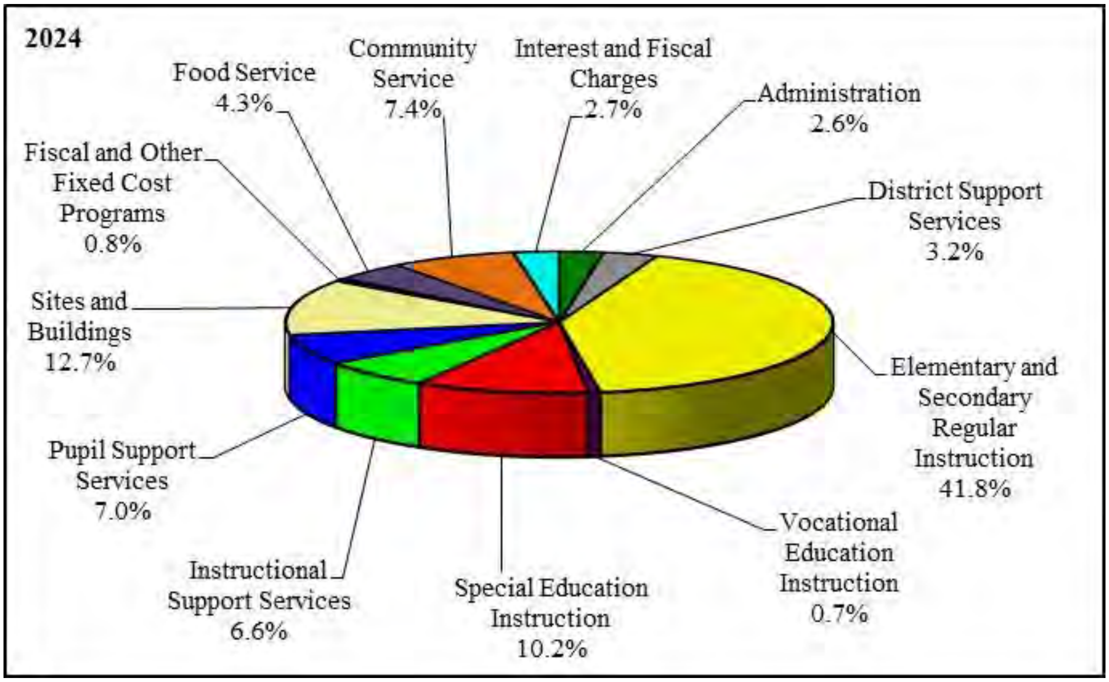


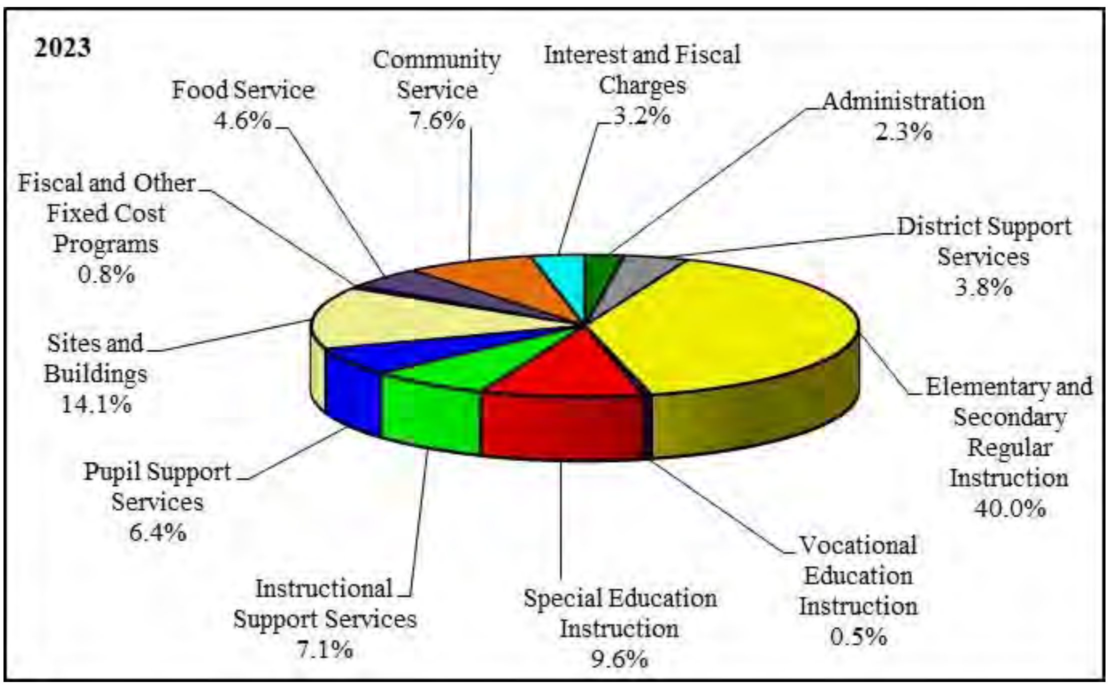
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

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

Revenues from charges for services decreased compared to the prior year, mainly due to increased state funding for child nutrition programs, which increased operating grants and contributions, while decreasing revenue from direct meal sales. Improved state special education funding also contributed to the increase in operating grants and contributions. Improved interest rates and market conditions resulted in higher investment earnings, included in the "other" category in the graphs above.

Figure B – Expenses for Fiscal Years 2024 and 2023





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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

	2024	2023	Change
Major funds			
General	$ 4,898,715	$ 3,682,115	$ 1,216,600
Capital Projects – Building Construction	3,231,496	5,708,470	(2,476,974)
Debt Service	1,114,349	1,449,378	(335,029)
Nonmajor funds			
Food Service Special Revenue	1,121,853	1,012,262	109,591
Community Service Special Revenue	1,443,814	1,378,700	65,114
Total governmental funds	$ 11,810,227	$ 13,230,925	$ (1,420,698)

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use, as they represent the portion of fund balance, which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2024, the District's governmental funds reported combined fund balances of $11,810,227, a decrease of $1,420,698 in comparison with the prior year. Unassigned fund balance at year-end was $2,251,046, which is available for spending at the District's discretion. The remainder of the fund balance is either: 1) nonspendable (not in spendable form) – $381,060, 2) externally restricted for particular purposes – $8,756,728, or 3) internally assigned for particular purposes – $421,393.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Change	Percent Change
Revenue and other financing sources	$ 46,350,253	$ 47,341,729	$ 991,476	2.1%
Expenditures	$ 46,182,546	$ 47,126,165	$ 943,619	2.0%

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District may change the budget for known significant changes in circumstances, such as: updated enrollment estimates, legislative changes, changes in funding received from grants or other local sources, staffing changes, employee contract settlements, health insurance premium increases, or special education tuition changes.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2024 Actual	Amount	Percent	Amount	Percent
Revenue and other financing sources	$ 47,573,844	$ 232,115	0.5 %	$ 3,767,118	8.6 %
Expenditures	46,357,244	$ (768,921)	(1.6) %	$ 1,337,262	3.0 %
Net change in fund balances	$ 1,216,600				

The fund balance of the General Fund increased $1,216,600 in the current year, compared to an increase of $215,564 anticipated in the final budget.

Total General Fund revenue and other financing sources for the year were $232,115 (0.5 percent) over budget. Revenue from investment earnings and other local sources (such as donations, activity fees, and local grants) exceeded budget by a combined $666,385, due to conservative budgeting for these inconsistent revenue sources. This was offset by revenue from state and federal sources, which were a combined $651,675 under budget, due to state general education aid not increasing as much as anticipated and the District utilizing less of its federal special education entitlement than expected.

General Fund revenue and other financing sources were $3,767,118 higher than the prior year in total, mainly due to an increased property tax levy, improvements to state special education and general education funding, and higher revenue from investment earnings and other local revenue sources.

Total General Fund expenditures were $768,921 (1.6 percent) under budget, mainly in salaries and benefits. Total expenditures were $1,337,262 (3.0 percent) higher than the previous year. The majority of the overall increase was due to increased salary and benefit costs for instructional programs and higher contracted transportation services, partially offset by reduced capital outlay.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Analysis of the Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund expenditures exceeded revenues by $2,476,974 in fiscal 2024, compared to a planned fund balance decrease of $5,708,469. The decrease in equity resulted from the District spending down a portion of the proceeds from facilities maintenance bonds issued the previous year, for which the related maintenance projects remain ongoing at year-end.

Analysis of the Debt Service Fund

Debt Service Fund expenditures exceeded revenues by $335,029, decreasing fund balance to $1,114,349 at year-end. The activity in this fund is largely controlled by the financing plan approved with the issuance of each individual debt obligation. Of the year-end fund balance, $88,578 is restricted for OPEB bond debt service, and $1,025,771 is restricted for general debt service.

Analysis of Other Governmental Funds

The District's final budget for the Food Service Special Revenue Fund projected a fund balance decrease of $75,000 for fiscal 2024, as compared to an actual increase of $109,591. Revenue was $421,956 over budget in the current year, mainly in state sources, due to increased funding approved by the Legislature. Expenditures increased $297,353 from the prior year, mainly in supplies and materials (including food) costs and capital outlay, and were over budget by $238,064, mainly in supplies and materials costs, along with purchased services.

The District's final budget for the Community Service Special Revenue Fund projected a fund balance increase of $115,022 in fiscal 2024, while fund balance actually increased by $65,114. Revenues were down slightly from last year, but over budget by $622,805 in total, as program fees and tuition, state and federal grants, and investment earnings were higher than projected. Expenditures were over budget by $672,713, mainly in personnel costs and purchased services, due to a highly competitive labor market.

Analysis of Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District maintains two internal service funds used to account for its self-insured dental and medical insurance functions.

Operating revenues (charges assessed to the governmental funds) for the internal service funds for fiscal 2024 totaled $4,989,418, which is $125,629 (2.6 percent) higher than the previous year. Operating expenses totaled $4,358,514, which represents an increase of $440,015 (11.2 percent) from the previous year, primarily in medical benefit claims.

The total net position balance for both internal service funds as of June 30, 2024, was $3,560,836, an increase of $806,632 from the prior year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

Table 6
Capital Assets

	2024	2023	Change
Land	$ 602,074	$ 602,074	$ –
Construction in progress	3,579,174	3,336,322	242,852
Land improvements	11,607,932	11,499,878	108,054
Buildings	111,356,521	107,489,458	3,867,063
Furniture and equipment	6,732,713	5,922,333	810,380
Leases – equipment	129,616	–	129,616
Less accumulated depreciation/amortization	(57,898,824)	(53,556,345)	(4,342,479)
Total	$ 76,109,206	$ 75,293,720	$ 815,486
Depreciation/amortization expense	$ 4,258,008	$ 4,038,845	$ 219,163

Most of the activity in capital assets related to facilities maintenance projects financed with bonds issued at the end of the previous fiscal year. The change in furniture and equipment includes a change in accounting principle of $710,546, representing the net value of groups of similar assets purchased in prior years, but not capitalized, due to the individual asset values being under the District's capitalization threshold.

Long-Term Liabilities

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

Table 7
Outstanding Long-Term Liabilities

	2024	2023	Change
General obligation bonds payable	$ 51,675,000	$ 56,655,000	$ (4,980,000)
Premium (discount) on bonds	2,897,505	3,462,804	(565,299)
Financed purchases payable	2,470,703	2,807,004	(336,301)
Lease liabilities	111,297	–	111,297
Net pension liabilities	31,026,316	32,777,883	(1,751,567)
Net OPEB liability	4,873,776	4,730,610	143,166
Severance payable	809,729	1,045,661	(235,932)
Total	$ 93,864,326	$ 101,478,962	$ (7,614,636)

The overall decrease in long-term liabilities was due to scheduled debt service payments with minimal new debt issued during the year, along with decreases in long-term employee pension plan liabilities.

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

Table 8
Limitations on Debt

District's market value	$ 5,735,636,149
Limit rate	15.0%
Legal debt limit	$ 860,345,422

Additional details of the District's capital assets and long-term debt activity can be found in Notes 4 and 5 of the notes to basic financial statements, respectively.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $143, or 2.00 percent, per pupil to the basic general education funding formula for fiscal year 2025.

The amount of funding a district receives is also dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This ACFR is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Business Office, Independent School District No. 278, 685 Old Crystal Bay Road North, Long Lake, Minnesota 55356.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	Governmental Activities 2024	Governmental Activities 2023
Assets		
Cash and temporary investments	$ 25,408,882	$ 25,303,982
Receivables		
Current taxes	11,066,892	10,077,534
Delinquent taxes	245,584	320,204
Accounts and interest	567,783	545,753
Due from other governmental units	4,041,512	3,409,663
Due from Post-Employment Benefits Trust Fund	543,271	309,967
Lease	51,407	86,810
Inventory	86,919	126,756
Prepaid items	294,141	230,785
Capital assets		
Not depreciated/amortized	4,181,248	3,938,396
Depreciated/amortized, net	71,927,958	71,355,324
Total capital assets, net	76,109,206	75,293,720
Total assets	118,415,597	115,705,174
Deferred outflows of resources		
Pension plan deferments	7,278,803	10,186,663
OPEB plan deferments	1,426,115	1,872,203
Total deferred outflows of resources	8,704,918	12,058,866
Total assets and deferred outflows of resources	$ 127,120,515	$ 127,764,040
Liabilities		
Salaries payable	$ 1,200,147	$ 1,225,836
Accounts and contracts payable	3,125,170	1,975,922
Accrued interest payable	779,844	774,269
Due to other governmental units	151,182	221,563
Unearned revenue	937,332	940,555
Long-term liabilities		
Due within one year	6,436,916	5,386,460
Due in more than one year	87,427,410	96,092,502
Total long-term liabilities	93,864,326	101,478,962
Total liabilities	100,058,001	106,617,107
Deferred inflows of resources		
Lease revenue for subsequent years	51,407	86,810
Property taxes levied for subsequent year	21,260,862	19,757,456
Pension plan deferments	2,556,177	5,604,304
OPEB plan deferments	434,049	596,938
Total deferred inflows of resources	24,302,495	26,045,508
Net position		
Net investment in capital assets	23,413,394	19,909,838
Restricted for		
Capital asset acquisition	1,409,637	778,132
Debt service	402,553	749,073
Food service	1,121,853	1,012,262
Community service	1,447,000	1,382,187
Other purposes (state funding restrictions)	850,628	911,999
Unrestricted	(25,885,046)	(29,642,066)
Total net position	2,760,019	(4,898,575)
Total liabilities, deferred inflows of resources, and net position	$ 127,120,515	$ 127,764,040

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	2024				2023
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 1,406,570	$ –	$ –	$ (1,406,570)	$ (1,103,069)
District support services	1,732,881	–	–	(1,732,881)	(1,820,703)
Elementary and secondary regular instruction	22,711,651	649,123	1,104,543	(20,957,985)	(17,407,577)
Vocational education instruction	389,463	–	–	(389,463)	(252,683)
Special education instruction	5,520,346	–	4,952,027	(568,319)	(211,735)
Instructional support services	3,570,300	–	667,968	(2,902,332)	(2,857,172)
Pupil support services	3,801,473	–	239,241	(3,562,232)	(2,856,232)
Sites and buildings	6,889,268	569,944	242,910	(6,076,414)	(5,895,887)
Fiscal and other fixed cost programs	431,604	–	–	(431,604)	(380,595)
Food service	2,341,080	655,980	1,820,326	135,226	(21,521)
Community service	4,020,026	3,253,544	427,383	(339,099)	128,174
Interest and fiscal charges	1,449,282	–	–	(1,449,282)	(1,539,703)
Total governmental activities	$ 54,263,944	$ 5,128,591	$ 9,454,398	(39,680,955)	(34,218,703)
General revenue					
Taxes					
Property taxes, levied for general purposes				14,285,290	13,032,373
Property taxes, levied for community service				295,743	319,739
Property taxes, levied for debt service				6,347,594	6,593,822
General grants and aids				23,266,010	22,156,658
Other general revenues				1,318,240	1,170,397
Investment earnings				1,116,126	538,220
Total general revenue				46,629,003	43,811,209
Change in net position				6,948,048	9,592,506
Net position – beginning, previously reported				(4,898,575)	(14,491,081)
Change in accounting principle				710,546	–
Net position – beginning, restated				(4,188,029)	(14,491,081)
Net position – ending				$ 2,760,019	$ (4,898,575)

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 8,538,775	$ 4,325,159	$ 5,140,135
Receivables			
Current taxes	6,908,227	–	3,994,401
Delinquent taxes	160,576	–	81,209
Accounts and interest	456,012	–	–
Due from other governmental units	3,902,738	–	3,497
Due from other funds	543,271	–	–
Lease	–	–	–
Inventory	48,548	–	–
Prepaid items	290,266	–	–
Total assets	$ 20,848,413	$ 4,325,159	$ 9,219,242
Liabilities			
Salaries and compensated absences payable	$ 1,101,081	$ –	$ –
Accounts and contracts payable	1,491,938	1,093,663	–
Due to other governmental units	140,784	–	–
Unearned revenue	184,388	–	–
Total liabilities	2,918,191	1,093,663	–
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	137,994	–	68,048
Lease revenue for subsequent years	–	–	–
Property taxes levied for subsequent year	12,893,513	–	8,036,845
Total deferred inflows of resources	13,031,507	–	8,104,893
Fund balances			
Nonspendable	338,814	–	–
Restricted	1,887,462	3,231,496	1,114,349
Assigned	421,393	–	–
Unassigned	2,251,046	–	–
Total fund balances	4,898,715	3,231,496	1,114,349
Total liabilities, deferred inflows of resources, and fund balances	$ 20,848,413	$ 4,325,159	$ 9,219,242

Nonmajor Funds	Total Governmental Funds 2024	Total Governmental Funds 2023
$ 3,121,758	$ 21,125,827	$ 21,710,044
164,264	11,066,892	10,077,534
3,799	245,584	320,204
8,183	464,195	535,392
135,277	4,041,512	3,409,663
–	543,271	309,967
51,407	51,407	86,810
38,371	86,919	126,756
3,875	294,141	230,785
$ 3,526,934	$ 37,919,748	$ 36,807,155
$ 99,066	$ 1,200,147	$ 1,225,836
111,323	2,696,924	1,517,348
10,398	151,182	221,563
355,383	539,771	549,034
576,170	4,588,024	3,513,781
3,186	209,228	218,183
51,407	51,407	86,810
330,504	21,260,862	19,757,456
385,097	21,521,497	20,062,449
42,246	381,060	357,541
2,523,421	8,756,728	11,128,642
–	421,393	280,814
–	2,251,046	1,463,928
2,565,667	11,810,227	13,230,925
$ 3,526,934	$ 37,919,748	$ 36,807,155

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INDEPENDENT SCHOOL DISTRICT NO. 278

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

	2024	2023
Total fund balances – governmental funds	$ 11,810,227	$ 13,230,925
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	134,008,030	128,850,065
Accumulated depreciation/amortization	(57,898,824)	(53,556,345)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(51,675,000)	(56,655,000)
(Premium) discount on bonds	(2,897,505)	(3,462,804)
Financed purchases payable	(2,470,703)	(2,807,004)
Lease liabilities payable	(111,297)	–
Net pension liabilities	(31,026,316)	(32,777,883)
Net OPEB liability	(4,873,776)	(4,730,610)
Severance payable	(809,729)	(1,045,661)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(779,844)	(774,269)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	3,560,836	2,754,204
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	7,278,803	10,186,663
Deferred outflows of resources – OPEB plan deferments	1,426,115	1,872,203
Deferred inflows of resources – delinquent property taxes	209,228	218,183
Deferred inflows of resources – pension plan deferments	(2,556,177)	(5,604,304)
Deferred inflows of resources – OPEB plan deferments	(434,049)	(596,938)
Total net position – governmental activities	$ 2,760,019	$ (4,898,575)

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 14,288,028	$ –	$ 6,353,510
Investment earnings	308,291	305,259	192,944
Other	2,500,844	–	–
State sources	29,505,433	–	34,962
Federal sources	805,868	–	–
Total revenue	47,408,464	305,259	6,581,416
Expenditures			
Current			
Administration	1,480,806	–	–
District support services	1,726,134	–	–
Elementary and secondary regular instruction	22,839,351	–	–
Vocational education instruction	413,269	–	–
Special education instruction	5,820,716	–	–
Instructional support services	3,656,837	–	–
Pupil support services	3,861,303	–	–
Sites and buildings	5,700,043	–	–
Fiscal and other fixed cost programs	431,604	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	2,782,233	–
Debt service			
Principal	354,620	–	4,980,000
Interest and fiscal charges	72,561	–	1,936,445
Total expenditures	46,357,244	2,782,233	6,916,445
Excess (deficiency) of revenue over expenditures	1,051,220	(2,476,974)	(335,029)
Other financing sources			
Debt issued	129,616	–	–
Premium on debt issued	–	–	–
Insurance recovery	29,938	–	–
Sale of capital assets	5,826	–	–
Total other financing sources	165,380	–	–
Net change in fund balances	1,216,600	(2,476,974)	(335,029)
Beginning of year	3,682,115	5,708,470	1,449,378
End of year	$ 4,898,715	$ 3,231,496	$ 1,114,349

Nonmajor Funds	Total Governmental Funds 2024	Total Governmental Funds 2023
$ 296,044	$ 20,937,582	$ 19,923,152
133,904	940,398	454,598
3,909,524	6,410,368	7,125,042
1,558,152	31,098,547	27,584,902
689,557	1,495,425	1,791,038
6,587,181	60,882,320	56,878,732
–	1,480,806	1,523,374
–	1,726,134	1,785,053
–	22,839,351	21,916,956
–	413,269	331,450
–	5,820,716	5,477,134
–	3,656,837	3,622,601
–	3,861,303	3,356,979
–	5,700,043	6,057,177
–	431,604	380,595
2,278,705	2,278,705	2,057,647
3,987,970	3,987,970	3,524,292
146,500	2,928,733	1,267,772
–	5,334,620	4,949,720
–	2,009,006	2,125,872
6,413,175	62,469,097	58,376,622
174,006	(1,586,777)	(1,497,890)
–	129,616	5,555,000
–	–	485,059
–	29,938	500
699	6,525	46,851
699	166,079	6,087,410
174,705	(1,420,698)	4,589,520
2,390,962	13,230,925	8,641,405
$ 2,565,667	$ 11,810,227	$ 13,230,925

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INDEPENDENT SCHOOL DISTRICT NO. 278

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

	2024	2023
Total net change in fund balances – governmental funds	$ (1,420,698)	$ 4,589,520
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays and contributions are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase and capital contributions are not reported in the governmental fund financial statements.		
Capital outlays	4,415,016	3,231,028
Depreciation expense	(4,258,008)	(4,038,845)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(52,068)	(18,925)
The amount of debt issued is reported in the governmental funds as a source of financing, but constitutes a long-term liability in the governmental activities.		
Bonds issued	–	(5,555,000)
Leases issued	(129,616)	–
Repayment of long-term liabilities does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	4,980,000	4,465,000
Financed purchases payable	336,301	484,720
Lease liabilities payable	18,319	–
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liabilities	1,751,567	(14,830,303)
Net OPEB liability	(143,166)	(2,311,630)
Severance payable	235,932	113,372
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	565,299	28,439
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	(5,575)	72,671
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	806,632	1,028,912
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(2,907,860)	(1,475,891)
Deferred outflows of resources – OPEB plan deferments	(446,088)	1,472,005
Deferred inflows of resources – delinquent property taxes	(8,955)	22,782
Deferred inflows of resources – pension plan deferments	3,048,127	22,137,631
Deferred inflows of resources – OPEB plan deferments	162,889	177,020
Change in net position – governmental activities	$ 6,948,048	$ 9,592,506

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INDEPENDENT SCHOOL DISTRICT NO. 278

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

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 13,618,113	$ 14,236,003	$ 14,288,028	$ 52,025
Investment earnings	200,000	200,000	308,291	108,291
Other	1,942,750	1,942,750	2,500,844	558,094
State sources	29,719,950	29,840,810	29,505,433	(335,377)
Federal sources	869,440	1,122,166	805,868	(316,298)
Total revenue	46,350,253	47,341,729	47,408,464	66,735
Expenditures				
Current				
Administration	1,449,600	1,497,600	1,480,806	(16,794)
District support services	2,180,994	2,030,994	1,726,134	(304,860)
Elementary and secondary regular instruction	22,394,240	22,754,557	22,839,351	84,794
Vocational education instruction	346,850	346,850	413,269	66,419
Special education instruction	6,158,940	6,220,179	5,820,716	(399,463)
Instructional support services	3,149,856	3,532,619	3,656,837	124,218
Pupil support services	3,574,310	3,639,610	3,861,303	221,693
Sites and buildings	5,865,803	6,041,803	5,700,043	(341,760)
Fiscal and other fixed cost programs	375,000	375,000	431,604	56,604
Debt service				
Principal	606,407	606,407	354,620	(251,787)
Interest and fiscal charges	80,546	80,546	72,561	(7,985)
Total expenditures	46,182,546	47,126,165	46,357,244	(768,921)
Excess of revenue over expenditures	167,707	215,564	1,051,220	835,656
Other financing sources				
Debt issued	–	–	129,616	129,616
Insurance recovery	–	–	29,938	29,938
Sale of capital assets	–	–	5,826	5,826
Total other financing sources	–	–	165,380	165,380
Net change in fund balances	$ 167,707	$ 215,564	1,216,600	$ 1,001,036
Fund balances				
Beginning of year			3,682,115	
End of year			$ 4,898,715	

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	Internal Service Funds	
	2024	2023
Assets		
Current assets		
Cash and cash equivalents	$ 4,283,055	$ 3,593,938
Receivables		
Accounts and interest	103,588	10,361
Total current assets	4,386,643	3,604,299
Liabilities		
Current liabilities		
Accounts and contracts payable	428,246	458,574
Unearned revenue	397,561	391,521
Total current liabilities	825,807	850,095
Net position		
Unrestricted	$ 3,560,836	$ 2,754,204

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

	Internal Service Funds	
	2024	2023
Operating revenue		
Charges for services		
Assessed to governmental funds	$ 4,989,418	$ 4,863,789
Operating expenses		
Administrative expenses	47,612	35,000
Dental benefit claims	318,272	310,248
Medical benefit claims	3,992,630	3,573,251
Total operating expenses	4,358,514	3,918,499
Operating income	630,904	945,290
Nonoperating revenue		
Investment earnings	175,728	83,622
Change in net position	806,632	1,028,912
Net position		
Beginning of year	2,754,204	1,725,292
End of year	$ 3,560,836	$ 2,754,204

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

	Internal Service Funds 2024	Internal Service Funds 2023
Cash flows from operating activities		
Received from assessments made to governmental funds	$ 4,902,231	$ 4,858,804
Payments for administrative costs	(47,612)	(35,000)
Payments for dental claims	(310,709)	(304,944)
Payments for medical claims	(4,030,521)	(3,783,285)
Net cash flows from operating activities	513,389	735,575
Cash flows from investing activities		
Interest on investments	175,728	83,622
Net change in cash and cash equivalents	689,117	819,197
Cash and cash equivalents		
Beginning of year	3,593,938	2,774,741
End of year	$ 4,283,055	$ 3,593,938
Reconciliation of operating income to net cash flows from operating activities		
Operating income	$ 630,904	$ 945,290
Adjustments to reconcile operating income to net cash flows from operating activities		
Accounts and interest receivable	(93,227)	(1,054)
Accounts and contracts payable	(30,328)	(204,730)
Unearned revenue	6,040	(3,931)
Net cash flows from operating activities	$ 513,389	$ 735,575

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 278

Statement of Fiduciary Net Position
Fiduciary Fund
as of June 30, 2024

	Custodial Fund	Post-Employment Benefits Trust Fund
Assets		
Cash and investments held by trustee		
Cash and temporary investments	$ –	$ 360,000
Investments at fair value		
U.S. treasury securities	–	859,333
Money market	–	1,369,180
State and local general obligations	–	747,018
Accounts and interest receivable	–	27,861
Total assets	–	3,363,392
Liabilities		
Due to governmental funds	–	543,271
Net position		
Restricted for OPEB	$ –	$ 2,820,121

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

	Custodial Fund	Post-Employment Benefits Trust Fund
Additions		
Contributions		
Miscellaneous	$ 7,655	$ –
Investment earnings	–	152,817
Total additions	7,655	152,817
Deductions		
Miscellaneous	7,655	–
Benefits	–	543,271
Total deductions	7,655	543,271
Change in net position	–	(390,454)
Net position		
Beginning of year	–	3,210,575
End of year	$ –	$ 2,820,121

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 278 (the District) was formed and operates pursuant to applicable Minnesota laws. The District is governed by a School Board elected by voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported instead as general revenues.

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

Depreciation/amortization expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest is considered an indirect expense and is reported separately on the Statement of Activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Debt proceeds are reported as other financing sources.

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

Internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

Fiduciary funds are presented in the fiduciary fund financial statements by type. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The District maintains two internal accounts within the General Fund. The Operating Account is used to account for the general operations of the District. The Capital Expenditure Account is used to account for the maintenance of facilities, equipment purchases, and pay-as-you-go long-term facilities maintenance projects.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities, generally authorized by bond issue.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general obligation debt principal, interest, and related costs. The District maintains a separate Other Post-Employment Benefits (OPEB) Debt Service Account within the Debt Service Fund to account for OPEB-related debt activity. All other debt service is reported in the Regular Debt Service Account.

Nonmajor Governmental Funds

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

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

Proprietary Funds

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds are used to account for and finance the self-insured risk of loss of the District's employee dental and medical healthcare plans.

Fiduciary Funds

Custodial Fund – The Custodial Fund is used as a flow through mechanism in which the District receives funds and distributes these funds to an outside organization, with no financial benefit to the District.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates

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

F. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Changes to total appropriations at the fund level requires School Board approval. The School Board must approve expenditures exceeding budget at the fund level by resolution or through the disbursement approval process. Budgeted expenditure appropriations lapse at year-end. During the fiscal year ended June 30, 2024, expenditures exceeded budgeted amounts in the Food Service Special Revenue Fund, Community Service Special Revenue Fund, and Debt Service Fund by $238,064, $672,713, and $408,408, respectively. Revenues and other financing sources in excess of budget, along with available fund balances, funded these variances.

G. Cash and Temporary Investments

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

Cash and investments held by trustee includes balances held in segregated accounts established for specific purposes. In the Post-Employment Benefits Trust Fund, this represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Interest earned on these investments is allocated directly to the respective escrow account.

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

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

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Receivables

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

At year-end, the District reported the following receivables due from other governmental units:

Due from the MDE	$	3,677,840
Due from other Minnesota school districts		50,097
Due from other governmental units		313,575
Total due from other governmental units	$	4,041,512

I. Inventory

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, fuel, and surplus commodities received from the federal government. Purchased food, supplies, and fuel are recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

J. Prepaid Items

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

K. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $1,006,030 of the property tax levy collectible in 2024 as revenue to the District in fiscal year 2023–2024. The remaining portion of the taxes collectible in 2024 is recorded as deferred inflow of resources (property taxes levied for subsequent year).

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

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

L. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Lease assets are recorded based on the measurement of payments applicable to the lease term. The District defines capital assets as those with an initial, individual cost of $5,000 or more that benefit more than one fiscal year. Groups of similar assets acquired at or near the same time for a single objective, with individual acquisition costs below this threshold, are also capitalized if the cost of the assets are considered significant in the aggregate. 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. The District does not possess material amounts of infrastructure capital assets, such as sidewalks or parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated/amortized using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation/amortization purposes. Useful lives vary, ranging from 10 to 50 years for land improvements and buildings, and 5 to 25 years for furniture and equipment. Lease assets are amortized over the term of the lease or over the useful life of the applicable asset class previously described, if future ownership is anticipated. Land and construction in progress are not depreciated.

M. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period as other financing sources or uses, respectively. The face amount of debt issued is reported as an other financing source.

N. Employee Benefits

1. **Compensated Absences** – Under the terms of certain collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates. Vacation and sick pay are accrued in the governmental funds to the extent they have been used or otherwise matured prior to year-end. Because teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no liability for unused vacation is recorded in the financial statements. Some employee bargaining groups are eligible to be compensated for unused sick leave upon termination subject to certain conditions. Convertible sick leave is recorded as a liability (severance payable) in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future.

2. **Post-Employment Healthcare Benefits** – The District provides post-employment healthcare benefits to eligible employee groups in accordance with provisions in certain collectively bargained contracts based on years of service and/or minimum age requirements. See the Other Post-Employment Benefits (OPEB) Plan note for further information.

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

3. **State-Wide Pension Plans** – District employees participate in cost-sharing, multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA), to which the District contributes. See the Defined Benefit Pension Plans – State-Wide note for further information.

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

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

O. Risk Management

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current fiscal year.

2. **Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and medical health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

   The District makes premium payments that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

   District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have incurred, but not reported. Because actual claim liabilities depend on complex factors, such 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. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the balance of dental claim liabilities for the last two years were as follows:

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
June 30, 2023	$ 17,543	$ 310,248	$ 304,944	$ 22,847
June 30, 2024	$ 22,847	$ 318,272	$ 310,709	$ 30,410

Changes in the balance of medical claim liabilities for the last two years were as follows:

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
June 30, 2023	$ 645,761	$ 3,573,251	$ 3,783,285	$ 435,727
June 30, 2024	$ 435,727	$ 3,992,630	$ 4,030,521	$ 397,836

P. Deferred Outflows/Inflows of Resources

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

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

The District reports deferred inflows of resources related to lease receivables in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Lessors are required to recognize deferred inflows of resources corresponding to lease receivables. These amounts are deferred and amortized in a systematic and rationale manner over the term of the lease.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Net Position Components and Flow Assumption

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

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

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

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

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

R. Fund Balance Classifications and Flow Assumption

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

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

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

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

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

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

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

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use the resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Prior Period Comparative Financial Information/Reclassification

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

T. Change in Accounting Principle

During the year ended June 30, 2024, the District implemented new accounting guidance for capitalizing purchases of groups of similar assets. This recent change in authoritative literature, which provides new guidance on accounting and financial reporting for capital assets, requires a government to capitalize groups of similar assets purchased at or near the same time, that are individually below the District's capitalization threshold, if the aggregate cost is significant. In prior periods, the District only capitalized assets whose individual cost exceeded its capitalization policy threshold. Certain amounts necessary to fully restate fiscal year 2023 financial information are not determinable; therefore, prior year comparative amounts have not been restated. The implementation of this new guidance resulted in the District reporting certain groups of similar capital assets acquired in previous years and accumulated depreciation thereon, increasing beginning net position by $710,546 in the government-wide financial statements in the current year. See Note 3 for additional details on this change in the current year.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$ 337,312
Investments	28,407,101
Total cash and investments	$ 28,744,413

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

Statement of Net Position	
Cash and temporary investments	$ 25,408,882
Statement of Fiduciary Net Position	
Cash and investments held by trustee	3,335,531
Total cash and investments	$ 28,744,413

B. Deposits

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

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

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

At year-end, the carrying amount of the District's deposits was $337,312, while the balance on the bank records was $1,394,904. At June 30, 2024, all deposits were fully covered by federal deposit insurance, surety bonds, or collateral held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Rating	Rating Agency	Fair Value Measurements Using	Interest Risk – Maturity Duration in Years Less Than 1	Interest Risk – Maturity Duration in Years 1 to 5	Carrying Value
U.S. treasuries	Not Rated		Level 2	$ 390,270	$ 469,063	$ 859,333
State and local obligations	AA	S&P	Level 2	$ 747,018	$ –	747,018
Investment pools/mutual funds						
MSDLAF Liquid Class	AAA	S&P	Amortized Cost	No Maturity Date		11,927,412
MSDLAF MAX Class	AAA	S&P	Amortized Cost	No Maturity Date		2,373
MNTrust Investment Shares Portfolio	AAA	S&P	Amortized Cost	No Maturity Date		12,366,663
MNTrust Term Series Flex	Not Rated		Amortized Cost	No Maturity Date		1,135,122
Money Market Mutual Fund	AAA	S&P	Amortized Cost	No Maturity Date		1,369,180
Total investments						$ 28,407,101

The District's investments include external investment pools managed by Minnesota Trust (MNTrust) and the Minnesota School District Liquid Asset Fund (MSDLAF), which are regulated by Minnesota Statutes, but not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. MNTrust Term Series Flex may be withdrawn on a weekly basis with a one-day minimum withdrawal notice.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

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

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd.7.

In addition to statutory restrictions, the District's investment policy limits the types of investments to United States securities, state and local securities, commercial paper, and time deposits, as defined in Minnesota Statutes § 118A.04.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5.0 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk.

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

NOTE 3 – LEASE RECEIVABLE

The District has entered into a lease agreement to rent space at its Discovery Center to the City of Maple Plain through October 31, 2024, with a one-year extension period through October 31, 2025. The lease calls for monthly payments at varying amounts with an estimated annual interest rate of 3.72 percent. During the current year, the District received principal and interest payments of $38,036 in the Community Service Special Revenue Fund.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year is as follows:

	Beginning of Year	Change in Accounting Principle	Additions	Deletions	Completed Construction	End of Year
Capital assets, not depreciated/amortized						
Land	$ 602,074	$ –	$ –	$ –	$ –	$ 602,074
Construction in progress	3,336,322	–	3,822,106	–	(3,579,254)	3,579,174
Total capital assets, not depreciated/amortized	3,938,396	–	3,822,106	–	(3,579,254)	4,181,248
Capital assets, depreciated/amortized						
Land improvements	11,499,878	–	108,054	–	–	11,607,932
Buildings	107,489,458	936,984	96,610	(93,093)	2,926,562	111,356,521
Furniture and equipment	5,922,333	–	258,630	(100,942)	652,692	6,732,713
Leases – equipment	–	–	129,616	–	–	129,616
Total capital assets, depreciated/amortized	124,911,669	936,984	592,910	(194,035)	3,579,254	129,826,782
Less accumulated depreciation/ amortization						
Land improvements	(3,368,614)	–	(515,528)	–	–	(3,884,142)
Buildings	(46,164,555)	(226,438)	(3,217,562)	42,769	–	(49,565,786)
Furniture and equipment	(4,023,176)	–	(505,476)	99,198	–	(4,429,454)
Leases – equipment	–	–	(19,442)	–	–	(19,442)
Total accumulated depreciation/amortization	(53,556,345)	(226,438)	(4,258,008)	141,967	–	(57,898,824)
Net capital assets, depreciated/amortized	71,355,324	710,546	(3,665,098)	(52,068)	3,579,254	71,927,958
Total capital assets, net	$ 75,293,720	$ 710,546	$ 157,008	$ (52,068)	$ –	$ 76,109,206

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

District support services	$ 17,981
Elementary and secondary regular instruction	1,672,790
Special education instruction	2,308
Instructional support services	88,453
Sites and buildings	2,424,131
Food service	38,495
Community service	13,850
Total depreciation expense	$ 4,258,008

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Bond Issue	Issue Date	Interest Rate	Original Principal	Final Maturity	Principal Outstanding
2016A G.O. Refunding	08/04/2016	2.50–4.00%	$ 36,450,000	02/01/2029	$ 17,390,000
2017A G.O. Building	02/22/2017	3.00–5.00%	$ 27,375,000	02/01/2033	23,945,000
2017B G.O. Facilities Maintenance	05/18/2017	4.00–5.00%	$ 2,865,000	02/01/2027	1,010,000
2018A G.O. Taxable OPEB Refunding	11/07/2018	2.95–3.80%	$ 2,990,000	02/01/2029	1,600,000
2018B G.O. Tax Abatement	11/07/2018	3.00–5.00%	$ 1,900,000	02/01/2029	1,060,000
2021A G.O. Facilities Maintenance	12/02/2021	2.00–3.00%	$ 1,440,000	02/01/2030	1,440,000
2023A G.O. Facilities Maintenance	06/01/2023	4.00–5.00%	$ 5,555,000	02/01/2032	5,230,000
Total general obligation bonds payable					$ 51,675,000

These bonds were issued to finance acquisition, construction, or improvement of capital facilities, refinance (refund) previous bond issues, or finance OPEB. Assets of the Debt Service Fund, together with future ad valorem tax levies, are dedicated for the retirement of these bonds. Authorized future debt service levies, equal to 105 percent of the principal and interest due each year, are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

B. Financed Purchases Payable

During the 2020 fiscal year, the District entered into an agreement with the City of Orono to finance road improvements valued at $774,316. The agreement calls for eight annual payments with a final maturity in fiscal 2027, bears an interest rate of 1.00 percent, and will be repaid by the General Fund.

In May 2020, the District entered into an agreement to finance the purchase and renovation of a transportation facility valued at $2,083,000. The agreement has a 15-year term with a final maturity of February 2035, bears an interest rate of 2.90 percent, and will be repaid by the General Fund.

In January 2022, the District entered into an agreement to finance the purchase of LED lighting upgrades throughout the District valued at $936,984. The lease has a 9-year term with a final maturity of February 2030, bears an interest rate of 2.416 percent, and will be repaid by the General Fund.

C. Lease Liabilities Payable

In October 2023, the District entered into a lease agreement for copiers valued at $129,616. The agreement calls for 60 monthly payments through September 2028, bears an interest rate of 3.22 percent, and will be repaid through the General Fund

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: compensated absences, pensions, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

District employees participate in state-wide, cost-sharing, multiple-employer plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense for these plans as of and for the year ended June 30, 2024:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 4,523,837	$ 1,502,120	$ 1,980,897	$ 645,397
TRA	26,502,479	5,776,683	575,280	138,842
Total	$ 31,026,316	$ 7,278,803	$ 2,556,177	$ 784,239

E. Minimum Debt Payments

Future principal and interest payments for general obligation bonds, financed purchases payable, and lease liabilities payable are:

Year Ending	General Obligation Bonds		Financed Purchases Payable		Lease Liabilities Payable	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 6,060,000	$ 1,806,920	$ 313,746	$ 62,316	$ 24,836	$ 3,219
2026	6,280,000	1,546,898	320,569	55,493	25,648	2,408
2027	5,980,000	1,280,947	327,561	48,500	26,486	1,570
2028	6,115,000	1,099,303	233,532	41,334	27,351	704
2029	6,300,000	906,467	239,865	35,001	6,976	38
2030–2034	20,940,000	1,652,350	868,403	89,140	–	–
2035	–	–	167,027	3,642	–	–
	$ 51,675,000	$ 8,292,885	$ 2,470,703	$ 335,426	$ 111,297	$ 7,939

F. Changes in Long-Term Liabilities

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
General obligation bonds payable	$ 56,655,000	$ –	$ 4,980,000	$ 51,675,000	$ 6,060,000
Premium (discount) on bonds	3,462,804	–	565,299	2,897,505	–
Financed purchases payable	2,807,004	–	336,301	2,470,703	313,746
Lease liabilities payable	–	129,616	18,319	111,297	24,836
Net pension liabilities	32,777,883	4,722,260	6,473,827	31,026,316	–
Net OPEB liability	4,730,610	609,164	465,998	4,873,776	–
Severance payable	1,045,661	78,624	314,556	809,729	38,334
	$ 101,478,962	$ 5,539,664	$ 13,154,300	$ 93,864,326	$ 6,436,916

NOTE 6 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions with an accumulated deficit balance at June 30, are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

A. Classifications

At June 30, 2024, a summary of the District's governmental fund balance classifications is as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ 48,548	$ –	$ –	$ 38,371	$ 86,919
Prepaid items	290,266	–	–	3,875	294,141
Total nonspendable	338,814	–	–	42,246	381,060
Restricted					
Student activities	100,045	–	–	–	100,045
Scholarships	737,523	–	–	–	737,523
Operating capital	494,282	–	–	–	494,282
Safe schools levy	13,060	–	–	–	13,060
Long-term facilities maintenance	542,552	2,627,566	–	–	3,170,118
Building construction	–	603,930	–	–	603,930
Food service	–	–	–	1,083,002	1,083,002
Community education programs	–	–	–	1,290,595	1,290,595
Early childhood family education programs	–	–	–	86,301	86,301
School readiness	–	–	–	63,523	63,523
Debt service	–	–	1,114,349	–	1,114,349
Total restricted	1,887,462	3,231,496	1,114,349	2,523,421	8,756,728
Assigned					
Curriculum and development	117,663	–	–	–	117,663
Athletics carryover	28,141	–	–	–	28,141
Wellness	100,589	–	–	–	100,589
Separation/retirement benefits	175,000	–	–	–	175,000
Total assigned	421,393	–	–	–	421,393
Unassigned					
Unassigned	2,356,618	–	–	–	2,356,618
Restricted for capital projects levy deficit	(105,572)	–	–	–	(105,572)
Total unassigned	2,251,046	–	–	–	2,251,046
Total	$ 4,898,715	$ 3,231,496	$ 1,114,349	$ 2,565,667	$ 11,810,227

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance (excluding any restricted account deficits) of 5.0 percent of the annual projected expenditures. At June 30, 2024, the unassigned fund balance was 4.9 percent of the 2025 budgeted General Fund expenditures.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

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

1. GERF Benefits

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

Benefit increases are provided to benefit recipients each January. The post-retirement increase is equal to 50.0 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.0 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase, will receive the full increase. For recipients receiving the annuity or benefit for at least one month, but less than a full year as of the June 30 before the effective date of the increase, will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Tier II Benefits

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

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employee and employer contributions. Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2024, were $531,370. The District’s contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2024, were $1,893,751. The District’s contributions were equal to the required contributions for each year as set by state statutes.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2024, the District reported a liability of $4,523,837 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled $124,661. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.0809 percent at the end of the measurement period and 0.0878 percent for the beginning of the period.

District's proportionate share of the net pension liability	$ 4,523,837
State's proportionate share of the net pension liability associated with the District	124,661
Total	$ 4,648,498

For the year ended June 30, 2024, the District recognized pension expense of $644,837 for its proportionate share of the GERF's pension expense. The District also recognized an additional $560 as pension expense and grant revenue for its proportionate share of the state of Minnesota's pension expense for the annual $16 million contribution.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 151,607	$ 34,900
Changes in actuarial assumptions	819,143	1,239,945
Net collective difference between projected and actual investment earnings on pension plan investments	–	198,934
Changes in proportion	–	507,118
District's contributions to the GERF subsequent to the measurement date	531,370	–
Total	$ 1,502,120	$ 1,980,897

The $531,370 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2025	$ (40,247)
2026	$ (890,188)
2027	$ 18,426
2028	$ (98,138)

2. TRA Pension Costs

At June 30, 2024, the District reported a liability of $26,502,479 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.3210 percent at the end of the measurement period and 0.3225 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 26,502,479
State's proportionate share of the net pension liability associated with the District	1,856,539
Total	$ 28,359,018

For the year ended June 30, 2024, the District recognized negative pension expense of $122,573. It also recognized $261,415 as an increase to pension expense for the support provided by direct aid.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 258,508	$ 384,436
Changes in actuarial assumptions	3,093,935	–
Net collective difference between projected and actual investment earnings on pension plan investments	–	90,751
Changes in proportion	530,489	100,093
District's contributions to the TRA subsequent to the measurement date	1,893,751	–
Total	$ 5,776,683	$ 575,280

A total of $1,893,751 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2025	$ 535,819
2026	$ 60,266
2027	$ 3,118,920
2028	$ (338,830)
2029	$ (68,523)

E. Long-Term Expected Return on Investment

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

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

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

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

1. GERF

The long-term rate of return on pension plan investments used in the determination of the total liability is 7.00 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.00 percent was deemed to be within that range of reasonableness for financial reporting purposes.

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

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

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

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

2. TRA

Salary increases were based on a service-related table.

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

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

1. **GERF**

   CHANGES IN PLAN PROVISIONS

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

   CHANGES IN ACTUARIAL ASSUMPTIONS

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

2. **TRA**

   CHANGES IN ACTUARIAL ASSUMPTIONS

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

G. Discount Rate

1. **GERF**

   The discount rate used to measure the total pension liability in 2023 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. **TRA**

   The discount rate used to measure the total pension liability was 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2023 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.00%	7.00%	8.00%
District's proportionate share of the GERF net pension liability	$ 8,003,032	$ 4,523,837	$ 1,662,068
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	$ 42,269,505	$ 26,502,479	$ 13,595,249

I. Pension Plan Fiduciary Net Position

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

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

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

A. Plan Description

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

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

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

B. Benefits Provided

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

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

C. Contributions

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

D. Membership

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

Retirees and beneficiaries receiving benefits	33
Active plan members	358
Total members	391

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as July 1, 2022, and update procedures were used to roll forward the total OPEB liability to the measurement date. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	$ 7,693,897
Plan fiduciary net position	(2,820,121)
District's net OPEB liability	$ 4,873,776
Plan fiduciary net position as a percentage of the total OPEB liability	36.7%

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

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, and a measurement date as of June 30, 2024, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	4.10%
Expected long-term investment return	4.00%
20-year municipal bond yield	4.10%
Inflation rate	2.50%
Salary increases	Service graded table
Healthcare trend rate	6.00% grading to 5.00% over 5 years, and then to 4.00% over the next 48 years

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

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

The long-term expected rate of return on OPEB Plan investments has been set based on the plan's target investment allocation, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed income	95.00 %	4.00 %
Cash	5.00	3.00 %
Total	100.00 %	4.00 %

Assumption changes since the prior measurement date include the following:

- The discount rate was changed from 4.00 percent to 4.10 percent.
- The expected long-term investment return was changed from 5.00 percent to 4.00 percent.

Plan changes since the prior measurement date include the following:

- Retired teachers receiving a district-paid subsidy to post-employment medical insurance are now limited to $1,600/month if hired before July 1, 2003, and $800/month if hired before June 30, 2017.
- Retiring teachers hired before July 1, 2003, now receive 30 days of pay paid to a Health Care Savings Plan at the time of retirement.
- Retiring teachers hired after June 30, 2003, but before June 30, 2017, now receive an additional monthly subsidy to post-employment medical insurance calculated as the retiree's accumulated unused sick leave at the time of retirement in excess of 60 days, up to 260 days, times $90 divided by the number of months between retirement and Medicare eligibility.

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

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 4.80 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 4.10 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been considered. The District discount rate used at the prior measurement date was 4.00 percent.

I. Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Beginning balance – July 1, 2023	$ 7,941,185	$ 3,210,575	$ 4,730,610
Changes for the year			
Service cost	292,720	–	292,720
Interest cost	316,444	–	316,444
Assumption changes	(16,487)	–	(16,487)
Plan changes	(187,947)	–	(187,947)
Contributions – paid through operating funds	–	108,747	(108,747)
Projected investment return	–	128,423	(128,423)
Differences between expected and actual experience	–	24,394	(24,394)
Benefit payments – paid through trust	(652,018)	(652,018)	–
Total net changes	(247,288)	(390,454)	143,166
Ending balance – June 30, 2024	$ 7,693,897	$ 2,820,121	$ 4,873,776

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

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

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
OPEB discount rate	3.10%	4.10%	5.10%
Net OPEB liability	$ 5,235,342	$ 4,873,776	$ 4,520,956

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (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 trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare trend rates:

	1% Decrease in Healthcare Trend Rate	Current Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Healthcare trend rate	5.00% grading to 4.00%, then 3.00%	6.00% grading to 5.00%, then 4.00%	7.00% grading to 6.00%, then 5.00%
Net OPEB liability	$ 4,423,981	$ 4,873,776	$ 5,390,327

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

For the current year ended, the District recognized OPEB expense of $535,112. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,155,137	$ 125,077
Changes in actuarial assumptions	109,920	308,972
Differences between projected and actual investment earnings	161,058	–
Total	$ 1,426,115	$ 434,049

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

Year Ending June 30,	OPEB Expense Amount
2025	$ 242,237
2026	$ 225,509
2027	$ 236,037
2028	$ 292,990
2029	$ (2,356)
Thereafter	$ (2,351)

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan, which is classified as a "cafeteria plan" (the Plan) under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependent care benefits.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the Plan, whether or not such contributions have been made.

Payments of health insurance premiums are made by the District directly to the designated insurance companies and are accounted for in the General Fund. Amounts withheld for medical and dependent care reimbursement are accounted for by an independent contract plan administrator. Payments are made to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical and dependent care reimbursement activity plan is included in the financial statements in the General Fund.

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

NOTE 10 – INTERFUND BALANCES

The District's General Fund has a receivable of $543,271 at year-end due from the Post-Employment Benefits Trust Fund to reimburse OPEB costs. Interfund receivables and payables reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements. However, receivables and payables between the District's governmental activities and the fiduciary funds are not eliminated.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. Legal Claims

The District has the usual and customary legal claims pending at year-end, mostly of a minor nature and/or covered by insurance. The District's government-wide financial statements include an estimated liability related to current legal claims. Although the outcomes of these claims are not presently determinable, the District does not believe the resolution of these matters will not have a material adverse effect on its financial position beyond the estimated liability accrued.

C. Power Purchase Commitment

During fiscal years 2020 and 2021, the District entered into various power purchase agreements to purchase the energy generated by solar panels contributed to the District and installed on various buildings of the District. Future power purchase payments are as follows:

Year Ending June 30,	Amount
2025	$ 79,997
2026	81,091
2027	82,823
2028	84,907
2029	87,059
2030–2034	442,073
2035–2039	415,793
2040–2041	92,097
	$ 1,365,840

D. Contract Commitments

The District is committed to a number of contracts awarded for various construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2024 was approximately $3,454,933.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 278

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0826%	$ 3,880,134	$ –	$ 3,880,134	$ 4,348,782	89.22%	78.70%
06/30/2016	06/30/2015	0.0792%	$ 4,104,555	$ –	$ 4,104,555	$ 4,653,351	88.21%	78.20%
06/30/2017	06/30/2016	0.0824%	$ 6,690,471	$ 87,405	$ 6,777,876	$ 4,848,272	138.00%	68.90%
06/30/2018	06/30/2017	0.0832%	$ 5,311,432	$ 66,776	$ 5,378,208	$ 5,318,213	99.87%	75.90%
06/30/2019	06/30/2018	0.0811%	$ 4,499,096	$ 147,648	$ 4,646,744	$ 5,453,435	82.50%	79.50%
06/30/2020	06/30/2019	0.0843%	$ 4,660,759	$ 144,827	$ 4,805,586	$ 5,964,762	78.14%	80.20%
06/30/2021	06/30/2020	0.0931%	$ 5,581,770	$ 172,174	$ 5,753,944	$ 6,629,796	84.19%	79.10%
06/30/2022	06/30/2021	0.0906%	$ 3,869,026	$ 118,068	$ 3,987,094	$ 6,518,565	59.35%	87.00%
06/30/2023	06/30/2022	0.0878%	$ 6,953,789	$ 203,923	$ 7,157,712	$ 6,579,960	105.68%	76.70%
06/30/2024	06/30/2023	0.0809%	$ 4,523,837	$ 124,661	$ 4,648,498	$ 6,413,978	70.53%	83.10%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 343,252	$ 343,252	$ –	$ 4,653,351	7.38%
06/30/2016	$ 363,557	$ 363,557	$ –	$ 4,848,272	7.50%
06/30/2017	$ 398,006	$ 398,006	$ –	$ 5,318,213	7.48%
06/30/2018	$ 408,983	$ 408,983	$ –	$ 5,453,435	7.50%
06/30/2019	$ 447,359	$ 447,359	$ –	$ 5,964,762	7.50%
06/30/2020	$ 497,236	$ 497,236	$ –	$ 6,629,796	7.50%
06/30/2021	$ 488,568	$ 488,568	$ –	$ 6,518,565	7.50%
06/30/2022	$ 493,497	$ 493,497	$ –	$ 6,579,960	7.50%
06/30/2023	$ 481,463	$ 481,463	$ –	$ 6,413,978	7.51%
06/30/2024	$ 531,370	$ 531,370	$ –	$ 7,084,724	7.50%

INDEPENDENT SCHOOL DISTRICT NO. 278

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

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.3080%	$ 14,192,418	$ 998,516	$ 15,190,934	$ 14,057,289	100.96%	81.50%
06/30/2016	06/30/2015	0.2900%	$ 17,939,368	$ 2,200,629	$ 20,139,997	$ 14,720,573	121.87%	76.80%
06/30/2017	06/30/2016	0.2953%	$ 70,436,096	$ 7,069,067	$ 77,505,163	$ 15,468,330	455.36%	44.88%
06/30/2018	06/30/2017	0.2981%	$ 59,506,168	$ 5,751,982	$ 65,258,150	$ 16,096,552	369.68%	51.57%
06/30/2019	06/30/2018	0.3016%	$ 18,943,303	$ 1,779,586	$ 20,722,889	$ 16,664,426	113.68%	78.07%
06/30/2020	06/30/2019	0.3064%	$ 19,530,000	$ 1,728,266	$ 21,258,266	$ 17,400,046	112.24%	78.21%
06/30/2021	06/30/2020	0.3133%	$ 23,147,024	$ 1,940,042	$ 25,087,066	$ 18,209,246	127.12%	75.48%
06/30/2022	06/30/2021	0.3217%	$ 14,078,554	$ 1,187,260	$ 15,265,814	$ 19,250,809	73.13%	86.63%
06/30/2023	06/30/2022	0.3225%	$ 25,824,094	$ 1,914,995	$ 27,739,089	$ 19,933,215	129.55%	76.17%
06/30/2024	06/30/2023	0.3210%	$ 26,502,479	$ 1,856,539	$ 28,359,018	$ 20,579,040	128.78%	76.42%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 1,104,043	$ 1,104,043	$ –	$ 14,720,573	7.50%
06/30/2016	$ 1,160,919	$ 1,160,919	$ –	$ 15,468,330	7.51%
06/30/2017	$ 1,209,519	$ 1,209,519	$ –	$ 16,096,552	7.51%
06/30/2018	$ 1,249,682	$ 1,249,682	$ –	$ 16,664,426	7.50%
06/30/2019	$ 1,340,741	$ 1,340,741	$ –	$ 17,400,046	7.71%
06/30/2020	$ 1,442,163	$ 1,442,163	$ –	$ 18,209,246	7.92%
06/30/2021	$ 1,565,042	$ 1,565,042	$ –	$ 19,250,809	8.13%
06/30/2022	$ 1,661,391	$ 1,661,391	$ –	$ 19,933,215	8.33%
06/30/2023	$ 1,759,936	$ 1,759,936	$ –	$ 20,579,040	8.55%
06/30/2024	$ 1,893,751	$ 1,893,751	$ –	$ 21,669,771	8.74%

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

	District Fiscal Year Ended June 30,							
	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability								
Service cost	$ 292,720	$ 305,530	$ 282,171	$ 350,244	$ 366,288	$ 327,523	$ 327,106	$ 345,050
Interest cost	316,444	228,921	140,132	169,397	189,014	191,824	161,748	156,808
Assumption changes	(16,487)	68,667	(468,221)	(182,203)	183,261	82,521	(177,738)	–
Plan changes	(187,947)	43,071	–	–	–	1,361	–	–
Differences between expected and actual experience	–	1,732,707	–	(338,798)	–	(85,035)	–	–
Benefit payments – paid through operating funds	–	–	(90,092)	(25,741)	(30,000)	–	–	(327,157)
Benefit payments – paid through trust	(652,018)	(309,967)	(246,637)	(310,904)	(128,505)	(341,944)	(274,363)	–
Net change in total OPEB liability	(247,288)	2,068,929	(382,647)	(338,005)	580,058	176,250	36,753	174,701
Total OPEB liability – beginning of year	7,941,185	5,872,256	6,254,903	6,592,908	6,012,850	5,836,600	5,799,847	5,625,146
Total OPEB liability – end of year	7,693,897	7,941,185	5,872,256	6,254,903	6,592,908	6,012,850	5,836,600	5,799,847
Plan fiduciary net position								
Contributions – paid through operating funds	108,747	–	90,092	25,741	30,000	–	–	327,157
Net investment income	128,423	172,664	151,944	118,225	118,526	63,808	64,243	41,707
Differences between expected and actual experience	24,394	(105,398)	(250,626)	(85,439)	(411)	–	–	–
Benefit payments	(652,018)	(309,967)	(336,729)	(336,645)	(158,505)	(341,944)	(274,363)	(327,157)
Net change in plan fiduciary net position	(390,454)	(242,701)	(345,319)	(278,118)	(10,390)	(278,136)	(210,120)	41,707
Plan fiduciary net position – beginning of year	3,210,575	3,453,276	3,798,595	4,076,713	4,087,103	4,365,239	4,575,359	4,533,652
Plan fiduciary net position – end of year	2,820,121	3,210,575	3,453,276	3,798,595	4,076,713	4,087,103	4,365,239	4,575,359
Net OPEB liability (asset)	$ 4,873,776	$ 4,730,610	$ 2,418,980	$ 2,456,308	$ 2,516,195	$ 1,925,747	$ 1,471,361	$ 1,224,488
Plan fiduciary net position as a percentage of the total OPEB liability	36.65%	40.43%	58.81%	60.73%	61.83%	67.97%	74.79%	78.89%
Covered-employee payroll	$25,443,977	$24,702,891	$24,506,490	$23,792,709	$22,528,956	$21,872,773	$20,730,611	$20,126,807
Net OPEB liability as a percentage of covered-employee payroll	19.15%	19.15%	9.87%	10.32%	11.17%	8.80%	7.10%	6.08%

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

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

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	0.92 %
2018	1.40 %
2019	1.50 %
2020	2.90 %
2021	0.80 %
2022	(2.60) %
2023	1.90 %
2024	4.80 %

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

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PERA – GENERAL EMPLOYEES RETIREMENT FUND

2023 CHANGES IN PLAN PROVISIONS

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

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2020 CHANGES IN PLAN PROVISIONS

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

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five, and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2020 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 Table to the Pub-2010 General Mortality Table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality Table to the Pub-2010 General/Teacher Disabled Annuitant Mortality Table, with adjustments.
- The mortality improvement scale was changed from MP-2018 to MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent joint and survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent joint and survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

2019 CHANGES IN PLAN PROVISIONS

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

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year, with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Retirement Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892.0 million. Upon consolidation, state and employer contributions were revised; the state's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

TEACHERS RETIREMENT ASSOCIATION (TRA)

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2018 CHANGES IN PLAN PROVISIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit, are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

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

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

OTHER POST-EMPLOYMENT BENEFITS PLAN

2024 CHANGES IN PLAN PROVISIONS

- Retired teachers receiving a district-paid subsidy to post-employment medical insurance are now limited to $1,600/month if hired before July 1, 2003, and $800/month if hired before June 30, 2017.
- Retiring teachers hired before July 1, 2003, now receive 30 days of pay paid to a Health Care Savings Plan at the time of retirement.
- Retiring teachers hired after June 30, 2003, but before June 30, 2017, now receive an additional monthly subsidy to post-employment medical insurance calculated as the retiree's accumulated unused sick leave at the time of retirement in excess of 60 days, up to 260 days, times $90 divided by the number of months between retirement and Medicare eligibility.

2024 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 4.00 percent to 4.10 percent.
- The expected long-term investment return assumption was changed from 5.00 percent to 4.00 percent.

2023 CHANGES IN PLAN PROVISIONS

- The new superintendent has subsidized retiree medical benefits of full single premium coverage for the highest deductible plan for the earlier of nine years or Medicare eligibility.
- The post-employment subsidized medical benefit for principals hired after July 1, 2006 was updated to allow eligibility starting at 8 years instead of 12 on a reduced basis. Principals hired on or after July 1, 2022 will no longer be eligible for post-employment subsidized medical benefits.

2023 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.80 percent to 4.00 percent.
- The expected long-term investment return was changed from 4.00 percent to 5.00 percent.
- The salary scales for nonteachers were updated.
- Healthcare trend rates, mortality tables, and withdrawal rates were updated.

2022 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.20 percent to 3.80 percent.

2021 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.50 percent to 2.20 percent.
- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.

OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

2020 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.00 percent to 2.50 percent.
- The long-term rate of return assumption was changed to 2.90 percent from 2.40 percent.

2019 CHANGES IN PLAN PROVISIONS

- The District's post-employment medical subsidy for one retired employee was changed from up to $580 per month to the full district-paid single premiums.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The mortality table was updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- Healthcare trend rates were changed to better anticipate short-term and long-term medical increases. The trend rate on post-age 65 subsidies for three administrators was changed to 4.00 percent per year.
- The discount rate was changed from 3.20 percent to 3.00 percent.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.70 percent to 3.20 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement tables for only employees eligible to retire with Rule of 90 also were updated.
- The discount rate was changed from 3.50 percent to 2.70 percent.
- The percentage of food service employees who were assumed to continue on one of the District's medical plans post-employment was reduced from 50.00 percent to 10.00 percent.

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SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 278

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2024

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 1,170,749	$ 1,951,009	$ 3,121,758
Receivables			
Current taxes	–	164,264	164,264
Delinquent taxes	–	3,799	3,799
Accounts and interest	102	8,081	8,183
Due from other governmental units	–	135,277	135,277
Lease	–	51,407	51,407
Inventory	38,371	–	38,371
Prepaid items	480	3,395	3,875
Total assets	$ 1,209,702	$ 2,317,232	$ 3,526,934
Liabilities			
Salaries and compensated absences payable	$ 867	$ 98,199	$ 99,066
Accounts and contracts payable	15,498	95,825	111,323
Due to other governmental units	–	10,398	10,398
Unearned revenue	71,484	283,899	355,383
Total liabilities	87,849	488,321	576,170
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	3,186	3,186
Lease revenue for subsequent years	–	51,407	51,407
Property taxes levied for subsequent year	–	330,504	330,504
Total deferred inflows of resources	–	385,097	385,097
Fund balances			
Nonspendable	38,851	3,395	42,246
Restricted	1,083,002	1,440,419	2,523,421
Total fund balances	1,121,853	1,443,814	2,565,667
Total liabilities, deferred inflows of resources, and fund balances	$ 1,209,702	$ 2,317,232	$ 3,526,934

INDEPENDENT SCHOOL DISTRICT NO. 278

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2024

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 296,044	$ 296,044
Investment earnings	49,787	84,117	133,904
Other	655,980	3,253,544	3,909,524
State sources	1,240,719	317,433	1,558,152
Federal sources	579,607	109,950	689,557
Total revenue	2,526,093	4,061,088	6,587,181
Expenditures			
Current			
Food service	2,278,705	–	2,278,705
Community service	–	3,987,970	3,987,970
Capital outlay	138,496	8,004	146,500
Total expenditures	2,417,201	3,995,974	6,413,175
Excess of revenue over expenditures	108,892	65,114	174,006
Other financing sources			
Sale of capital assets	699	–	699
Net change in fund balances	109,591	65,114	174,705
Fund balances			
Beginning of year	1,012,262	1,378,700	2,390,962
End of year	$ 1,121,853	$ 1,443,814	$ 2,565,667

INDEPENDENT SCHOOL DISTRICT NO. 278

General Fund
Balance Sheet by Account
as of June 30, 2024
(With Comparative Totals as of June 30, 2023)

	2024			2023
	Operating	Capital Expenditure	Total	Total
Assets				
Cash and temporary investments	$ 7,114,451	$ 1,424,324	$ 8,538,775	$ 8,279,207
Receivables				
Current taxes	6,908,227	–	6,908,227	6,802,476
Delinquent taxes	160,576	–	160,576	206,568
Accounts and interest	456,012	–	456,012	527,836
Due from other governmental units	3,902,738	–	3,902,738	3,353,947
Due from other funds	543,271	–	543,271	309,967
Inventory	48,548	–	48,548	89,314
Prepaid items	233,697	56,569	290,266	225,472
Total assets	$ 19,367,520	$ 1,480,893	$ 20,848,413	$ 19,794,787
Liabilities				
Salaries and compensated absences payable	$ 1,101,081	$ –	$ 1,101,081	$ 1,117,841
Accounts and contracts payable	1,088,144	403,794	1,491,938	1,376,044
Due to other governmental units	140,784	–	140,784	221,563
Unearned revenue	184,388	–	184,388	186,447
Total liabilities	2,514,397	403,794	2,918,191	2,901,895
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	137,994	–	137,994	140,732
Property taxes levied for subsequent year	12,893,513	–	12,893,513	13,070,045
Total deferred inflows of resources	13,031,507	–	13,031,507	13,210,777
Fund balances				
Nonspendable for inventory	48,548	–	48,548	89,314
Nonspendable for prepaid items	233,697	56,569	290,266	225,472
Restricted for student activities	100,045	–	100,045	133,947
Restricted for scholarships	737,523	–	737,523	749,984
Restricted for operating capital	–	494,282	494,282	218,676
Restricted for safe schools levy	13,060	–	13,060	28,068
Restricted for long-term facilities maintenance	–	542,552	542,552	491,912
Assigned for curriculum and development	117,663	–	117,663	–
Assigned for athletics carryover	28,141	–	28,141	–
Assigned for wellness	100,589	–	100,589	105,814
Assigned for separation/retirement benefits	175,000	–	175,000	175,000
Unassigned – capital projects levy restricted account deficit	–	(105,572)	(105,572)	–
Unassigned	2,267,350	89,268	2,356,618	1,463,928
Total fund balances	3,821,616	1,077,099	4,898,715	3,682,115
Total liabilities, deferred inflows of resources, and fund balances	$ 19,367,520	$ 1,480,893	$ 20,848,413	$ 19,794,787

INDEPENDENT SCHOOL DISTRICT NO. 278

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Year Ended June 30, 2024
(With Comparative Totals for the Year Ended June 30, 2023)

	2024			2023
	Operating	Capital Expenditure	Total	Total
Revenue				
Local sources				
Property taxes	$ 10,711,797	$ 3,576,231	$ 14,288,028	$ 13,017,100
Investment earnings	308,291	–	308,291	200,735
Other	2,500,844	–	2,500,844	2,213,308
State sources	29,282,863	222,570	29,505,433	27,245,247
Federal sources	805,868	–	805,868	1,084,865
Total revenue	43,609,663	3,798,801	47,408,464	43,761,255
Expenditures				
Current				
Administration	1,480,806	–	1,480,806	1,523,374
District support services	1,512,091	214,043	1,726,134	1,785,053
Elementary and secondary regular instruction	22,378,159	461,192	22,839,351	21,916,956
Vocational education instruction	413,269	–	413,269	331,450
Special education instruction	5,820,716	–	5,820,716	5,477,134
Instructional support services	2,637,364	1,019,473	3,656,837	3,622,601
Pupil support services	3,849,533	11,770	3,861,303	3,356,979
Sites and buildings	3,857,630	1,842,413	5,700,043	6,057,177
Fiscal and other fixed cost programs	431,604	–	431,604	380,595
Debt service				
Principal	226,354	128,266	354,620	484,720
Interest and fiscal charges	65,380	7,181	72,561	83,943
Total expenditures	42,672,906	3,684,338	46,357,244	45,019,982
Excess (deficiency) of revenue over expenditures	936,757	114,463	1,051,220	(1,258,727)
Other financing sources				
Debt issued	–	129,616	129,616	–
Insurance recovery	29,938	–	29,938	500
Sale of capital assets	5,826	–	5,826	44,971
Total other financing sources	35,764	129,616	165,380	45,471
Net change in fund balances	972,521	244,079	1,216,600	(1,213,256)
Fund balances				
Beginning of year	2,849,095	833,020	3,682,115	4,895,371
End of year	$ 3,821,616	$ 1,077,099	$ 4,898,715	$ 3,682,115

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	2024			2023
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 10,661,575	$ 10,711,797	$ 50,222	$ 9,361,321
Investment earnings	200,000	308,291	108,291	200,735
Other	1,942,750	2,500,844	558,094	2,213,308
State sources	29,624,332	29,282,863	(341,469)	27,011,092
Federal sources	1,122,166	805,868	(316,298)	978,920
Total revenue	43,550,823	43,609,663	58,840	39,765,376
Expenditures				
Current				
Administration	1,497,600	1,480,806	(16,794)	1,523,374
District support services	1,846,190	1,512,091	(334,099)	1,483,701
Elementary and secondary regular instruction	22,529,557	22,378,159	(151,398)	21,635,469
Vocational education instruction	346,850	413,269	66,419	331,450
Special education instruction	6,220,179	5,820,716	(399,463)	5,477,134
Instructional support services	2,454,393	2,637,364	182,971	2,303,179
Pupil support services	3,639,610	3,849,533	209,923	3,356,979
Sites and buildings	4,121,790	3,857,630	(264,160)	3,936,362
Fiscal and other fixed cost programs	375,000	431,604	56,604	380,595
Debt service				
Principal	226,520	226,354	(166)	112,985
Interest and fiscal charges	77,570	65,380	(12,190)	20,129
Total expenditures	43,335,259	42,672,906	(662,353)	40,561,357
Excess (deficiency) of revenue over expenditures	215,564	936,757	721,193	(795,981)
Other financing sources				
Insurance recovery	–	29,938	29,938	500
Sale of capital assets	–	5,826	5,826	44,971
Total other financing sources	–	35,764	35,764	45,471
Net change in fund balances	$ 215,564	972,521	$ 756,957	(750,510)
Fund balances				
Beginning of year		2,849,095		3,599,605
End of year		$ 3,821,616		$ 2,849,095

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	2024			2023
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 3,574,428	$ 3,576,231	$ 1,803	$ 3,655,779
State sources	216,478	222,570	6,092	234,155
Federal sources	–	–	–	105,945
Total revenue	3,790,906	3,798,801	7,895	3,995,879
Expenditures				
Current				
District support services	184,804	214,043	29,239	301,352
Elementary and secondary regular instruction	225,000	461,192	236,192	281,487
Instructional support services	1,078,226	1,019,473	(58,753)	1,319,422
Pupil support services	–	11,770	11,770	–
Sites and buildings	1,920,013	1,842,413	(77,600)	2,120,815
Debt service				
Principal	379,887	128,266	(251,621)	371,735
Interest and fiscal charges	2,976	7,181	4,205	63,814
Total expenditures	3,790,906	3,684,338	(106,568)	4,458,625
Excess (deficiency) of revenue over expenditures	–	114,463	114,463	(462,746)
Other financing sources				
Debt issued	–	129,616	129,616	–
Net change in fund balances	$ –	244,079	$ 244,079	(462,746)
Fund balances				
Beginning of year		833,020		1,295,766
End of year		$ 1,077,099		$ 833,020

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	2024	2023
Assets		
Cash and temporary investments	$ 1,170,749	$ 1,024,093
Receivables		
Accounts and interest	102	320
Inventory	38,371	37,442
Prepaid items	480	5,313
Total assets	$ 1,209,702	$ 1,067,168
Liabilities		
Salaries and compensated absences payable	$ 867	$ –
Accounts and contracts payable	15,498	3,682
Unearned revenue	71,484	51,224
Total liabilities	87,849	54,906
Fund balances		
Nonspendable for inventory	38,371	37,442
Nonspendable for prepaid items	480	5,313
Restricted for food service	1,083,002	969,507
Total fund balances	1,121,853	1,012,262
Total liabilities and fund balances	$ 1,209,702	$ 1,067,168

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	2024			2023
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 6,500	$ 49,787	$ 43,287	$ 33,664
Other – primarily meal sales	827,000	655,980	(171,020)	1,488,412
State sources	930,637	1,240,719	310,082	72,149
Federal sources	340,000	579,607	239,607	612,438
Total revenue	2,104,137	2,526,093	421,956	2,206,663
Expenditures				
Current				
Salaries	687,137	679,048	(8,089)	684,979
Employee benefits	254,550	256,499	1,949	253,722
Purchased services	90,250	170,782	80,532	126,553
Supplies and materials	1,008,500	1,170,017	161,517	991,065
Other expenditures	1,700	2,359	659	1,328
Capital outlay	137,000	138,496	1,496	62,201
Total expenditures	2,179,137	2,417,201	238,064	2,119,848
Excess (deficiency) of revenue over expenditures	(75,000)	108,892	183,892	86,815
Other financing sources				
Sale of capital assets	–	699	699	1,880
Net change in fund balances	$ (75,000)	109,591	$ 184,591	88,695
Fund balances				
Beginning of year		1,012,262		923,567
End of year		$ 1,121,853		$ 1,012,262

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	2024	2023
Assets		
Cash and temporary investments	$ 1,951,009	$ 1,994,848
Receivables		
Current taxes	164,264	145,803
Delinquent taxes	3,799	5,162
Accounts and interest	8,081	7,236
Due from other governmental units	135,277	52,319
Lease	51,407	86,810
Prepaid items	3,395	–
Total assets	$ 2,317,232	$ 2,292,178
Liabilities		
Salaries and compensated absences payable	$ 98,199	$ 107,995
Accounts and contracts payable	95,825	106,105
Due to other governmental units	10,398	–
Unearned revenue	283,899	311,363
Total liabilities	488,321	525,463
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	3,186	3,487
Lease revenue for subsequent years	51,407	86,810
Property taxes levied for subsequent year	330,504	297,718
Total deferred inflows of resources	385,097	388,015
Fund balances		
Nonspendable for prepaid items	3,395	–
Restricted for community education programs	1,290,595	1,149,102
Restricted for early childhood family education programs	86,301	129,174
Restricted for school readiness	63,523	100,424
Total fund balances	1,443,814	1,378,700
Total liabilities, deferred inflows of resources, and fund balances	$ 2,317,232	$ 2,292,178

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	2024			2023
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 338,433	$ 296,044	$ (42,389)	$ 319,395
Investment earnings	–	84,117	84,117	44,971
Other – primarily tuition and fees	2,959,600	3,253,544	293,944	3,423,322
State sources	140,250	317,433	177,183	233,541
Federal sources	–	109,950	109,950	93,735
Total revenue	3,438,283	4,061,088	622,805	4,114,964
Expenditures				
Current				
Salaries	2,190,874	2,448,501	257,627	2,131,598
Employee benefits	399,000	426,195	27,195	356,497
Purchased services	519,817	892,062	372,245	800,062
Supplies and materials	169,995	183,427	13,432	183,441
Other expenditures	37,800	37,785	(15)	52,694
Capital outlay	5,775	8,004	2,229	1,698
Total expenditures	3,323,261	3,995,974	672,713	3,525,990
Net change in fund balances	$ 115,022	65,114	$ (49,908)	588,974
Fund balances				
Beginning of year		1,378,700		789,726
End of year		$ 1,443,814		$ 1,378,700

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	2024	2023
Assets		
Cash and temporary investments	$ 4,325,159	$ 5,739,987
Liabilities		
Accounts and contracts payable	$ 1,093,663	$ 31,517
Fund balances		
Restricted for long-term facilities maintenance	2,627,566	4,395,845
Restricted for building construction	603,930	1,312,625
Total fund balances	3,231,496	5,708,470
Total liabilities and fund balances	$ 4,325,159	$ 5,739,987

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	2024			2023
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 305,259	$ 305,259	$ 67,333
Expenditures				
Capital outlay				
Purchased services	50,000	313,789	263,789	201,768
Supplies and materials	–	1,101	1,101	–
Capital expenditures	5,589,675	2,467,343	(3,122,332)	1,002,105
Debt service				
Fiscal charges and other	68,794	–	(68,794)	96,569
Total expenditures	5,708,469	2,782,233	(2,926,236)	1,300,442
Excess (deficiency) of revenue over expenditures	(5,708,469)	(2,476,974)	3,231,495	(1,233,109)
Other financing sources				
Debt issued	–	–	–	5,555,000
Premium on debt issued	–	–	–	485,059
Total other financing sources	–	–	–	6,040,059
Net change in fund balances	$ (5,708,469)	(2,476,974)	$ 3,231,495	4,806,950
Fund balances				
Beginning of year		5,708,470		901,520
End of year		$ 3,231,496		$ 5,708,470

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INDEPENDENT SCHOOL DISTRICT NO. 278

Debt Service Fund
Balance Sheet by Account
as of June 30, 2024
(With Comparative Totals as of June 30, 2023)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2024	Totals 2023
Assets				
Cash and temporary investments	$ 4,868,855	$ 271,280	$ 5,140,135	$ 4,671,909
Receivables				
Current taxes	3,813,104	181,297	3,994,401	3,129,255
Delinquent taxes	76,414	4,795	81,209	108,474
Due from other governmental units	3,481	16	3,497	3,397
Total assets	$ 8,761,854	$ 457,388	$ 9,219,242	$ 7,913,035
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	$ 64,013	$ 4,035	$ 68,048	$ 73,964
Property taxes levied for subsequent year	7,672,070	364,775	8,036,845	6,389,693
Total deferred inflows of resources	7,736,083	368,810	8,104,893	6,463,657
Fund balances				
Restricted for debt service	1,025,771	88,578	1,114,349	1,449,378
Total deferred inflows of resources and fund balances	$ 8,761,854	$ 457,388	$ 9,219,242	$ 7,913,035

INDEPENDENT SCHOOL DISTRICT NO. 278

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

		2024	
		Actual	
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	$ 6,393,784	$ 5,986,343	$ 367,167
Investment earnings	–	182,549	10,395
State sources	–	34,800	162
Total revenue	6,393,784	6,203,692	377,724
Expenditures			
Debt service			
Principal	4,655,000	4,680,000	300,000
Interest	1,853,037	1,860,838	68,033
Fiscal charges and other	–	7,100	474
Total expenditures	6,508,037	6,547,938	368,507
Net change in fund balances	$ (114,253)	(344,246)	9,217
Fund balances			
Beginning of year		1,370,017	79,361
End of year		$ 1,025,771	$ 88,578

		2023
Total	Over (Under) Budget	Actual
$ 6,353,510	$ (40,274)	$ 6,586,657
192,944	192,944	107,895
34,962	34,962	33,965
6,581,416	187,632	6,728,517
4,980,000	325,000	4,465,000
1,928,871	75,834	1,939,536
7,574	7,574	5,824
6,916,445	408,408	6,410,360
(335,029)	$ (220,776)	318,157
1,449,378		1,131,221
$ 1,114,349		$ 1,449,378

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	Internal Service Funds			
	Dental	Medical	Totals	
	Self-Insurance	Self-Insurance	2024	2023
Assets				
Current assets				
Cash and cash equivalents	$ 213,621	$ 4,069,434	$ 4,283,055	$ 3,593,938
Receivables				
Accounts and interest	2,516	101,072	103,588	10,361
Total current assets	216,137	4,170,506	4,386,643	3,604,299
Liabilities				
Current liabilities				
Accounts and contracts payable	30,410	397,836	428,246	458,574
Unearned revenue	25,079	372,482	397,561	391,521
Total current liabilities	55,489	770,318	825,807	850,095
Net position				
Unrestricted	$ 160,648	$ 3,400,188	$ 3,560,836	$ 2,754,204

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	Internal Service Funds			
	Dental	Medical	Totals	
	Self-Insurance	Self-Insurance	2024	2023
Operating revenue				
Charges for services				
Assessed to governmental funds	$ 293,778	$ 4,695,640	$ 4,989,418	$ 4,863,789
Operating expenses				
Administrative expenses	–	47,612	47,612	35,000
Dental benefit claims	318,272	–	318,272	310,248
Medical benefit claims	–	3,992,630	3,992,630	3,573,251
Total operating expenses	318,272	4,040,242	4,358,514	3,918,499
Operating income (loss)	(24,494)	655,398	630,904	945,290
Nonoperating revenue				
Investment earnings	8,970	166,758	175,728	83,622
Change in net position	(15,524)	822,156	806,632	1,028,912
Net position				
Beginning of year	176,172	2,578,032	2,754,204	1,725,292
End of year	$ 160,648	$ 3,400,188	$ 3,560,836	$ 2,754,204

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	Internal Service Funds			
	Dental Self-Insurance	Medical Self-Insurance	Totals 2024	Totals 2023
Cash flows from operating activities				
Contributions from governmental funds	$ 294,057	$ 4,608,174	$ 4,902,231	$ 4,858,804
Payments to employees	–	(47,612)	(47,612)	(35,000)
Payments for dental claims	(310,709)	–	(310,709)	(304,944)
Payments for medical claims	–	(4,030,521)	(4,030,521)	(3,783,285)
Net cash flows from operating activities	(16,652)	530,041	513,389	735,575
Cash flows from investing activities				
Interest on investments	8,970	166,758	175,728	83,622
Net change in cash and cash equivalents	(7,682)	696,799	689,117	819,197
Cash and cash equivalents				
Beginning of year	221,303	3,372,635	3,593,938	2,774,741
End of year	$ 213,621	$ 4,069,434	$ 4,283,055	$ 3,593,938
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	$ (24,494)	$ 655,398	$ 630,904	$ 945,290
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and interest receivable	(155)	(93,072)	(93,227)	(1,054)
Accounts and contracts payable	7,563	(37,891)	(30,328)	(204,730)
Unearned revenue	434	5,606	6,040	(3,931)
Net cash flows from operating activities	$ (16,652)	$ 530,041	$ 513,389	$ 735,575

STATISTICAL SECTION

(UNAUDITED)

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STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 278's (the District) Annual Comprehensive Financial Report (ACFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Indicators

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

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

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	Fiscal Year			
	2015	2016	2017	2018
Governmental activities				
Net investment in capital assets	$ 7,868,907	$ 8,753,841	$ 6,534,251	$ 7,778,439
Restricted	3,844,782	2,979,828	4,065,675	3,560,209
Unrestricted	(15,287,877)	(15,210,721)	(29,672,163)	(38,266,096)
Total governmental activities net position	$ (3,574,188)	$ (3,477,052)	$ (19,072,237)	$ (26,927,448)

Note 1: The District implemented GASB Statement No. 75 in fiscal 2017. The District reported a change in accounting principle as a result of implementing this standard that decreased unrestricted net position by approximately $5.2 million. Prior years were not restated.

Note 2: The District implemented GASB Statement No. 84 in fiscal 2020. The District reported a change in accounting principle as a result of implementing this standard that increased unrestricted net position by approximately $863 thousand. Prior years were not restated.

2019	2020	2021	2022	2023	2024
$ 9,268,412	$ 13,126,922	$ 14,642,963	$ 16,858,664	$ 19,909,838	$ 23,413,394
3,223,874	3,272,665	3,592,808	4,180,193	4,833,653	5,231,671
(29,473,464)	(32,124,340)	(35,093,654)	(35,529,938)	(29,642,066)	(25,885,046)
$ (16,981,178)	$ (15,724,753)	$ (16,857,883)	$ (14,491,081)	$ (4,898,575)	$ 2,760,019

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	Fiscal Year			
	2015	2016	2017	2018
Governmental activities				
Expenses				
Administration	$ 1,419,501	$ 1,210,448	$ 2,051,816	$ 1,644,415
District support services	1,352,392	1,452,785	1,727,629	1,883,055
Elementary and secondary regular instruction	17,853,192	19,243,525	26,536,175	26,417,988
Vocational education instruction	252,752	266,949	398,942	398,458
Special education instruction	3,847,621	4,172,151	5,783,842	5,835,792
Instructional support services	1,947,093	2,170,518	2,694,470	2,678,015
Pupil support services	2,517,343	2,632,360	2,934,532	3,003,901
Sites and buildings	3,954,424	4,543,936	5,148,314	5,437,461
Fiscal and other fixed cost programs	163,768	130,476	153,893	218,719
Food service	1,484,656	1,584,898	1,599,610	1,550,110
Community service	3,056,864	3,137,082	3,155,738	3,224,093
Interest and fiscal charges	2,298,810	2,205,783	3,666,352	3,077,375
Total governmental activities expenses	40,148,416	42,750,911	55,851,313	55,369,382
Program revenues				
Charges for services				
District support services	–	–	–	–
Elementary and secondary regular instruction	505,005	454,212	443,288	434,607
Instructional support services	95,393	94,186	98,355	84,414
Sites and buildings	41,627	54,161	91,946	200,841
Food service	1,154,225	1,185,196	1,217,362	1,185,258
Community service	2,732,277	2,792,652	2,525,272	2,789,796
Operating grants and contributions	4,910,953	5,026,723	6,092,995	5,415,378
Capital grants and contributions	–	–	–	–
Total governmental activities program revenues	9,439,480	9,607,130	10,469,218	10,110,294
Net (expense) revenue	(30,708,936)	(33,143,781)	(45,382,095)	(45,259,088)
General revenues and other changes in net position				
Property taxes	13,006,374	13,757,445	14,859,066	16,538,863
General grants and aids	17,755,988	18,724,777	19,186,103	19,324,330
Investment earnings and other	998,139	758,695	945,725	1,540,684
Total general revenues and other changes in net position	31,760,501	33,240,917	34,990,894	37,403,877
Change in net position	$ 1,051,565	$ 97,136	$(10,391,201)	$ (7,855,211)

2019	2020	2021	2022	2023	2024
$ 1,144,834	$ 1,403,513	$ 1,275,496	$ 1,287,348	$ 1,103,069	$ 1,406,570
1,646,977	1,648,088	1,852,492	1,642,438	1,820,703	1,732,881
13,956,796	22,661,409	24,069,192	22,274,269	18,979,166	22,711,651
177,043	347,654	331,595	315,597	252,683	389,463
3,378,768	5,264,305	5,527,089	5,207,582	4,559,711	5,520,346
1,959,811	3,140,503	3,382,107	3,110,810	3,395,738	3,570,300
2,798,029	2,933,397	3,019,411	3,252,262	3,042,348	3,801,473
6,720,625	6,168,157	7,549,377	7,211,171	6,705,360	6,889,268
401,279	282,859	261,386	310,842	380,595	431,604
1,609,297	1,480,033	1,451,151	1,969,449	2,194,520	2,341,080
3,162,147	3,366,310	2,631,274	3,081,871	3,622,424	4,020,026
2,233,460	1,924,200	1,768,372	1,670,286	1,539,703	1,449,282
39,189,066	50,620,428	53,118,942	51,333,925	47,596,020	54,263,944
14,272	–	–	–	–	–
417,156	316,534	351,416	483,574	527,344	649,123
75,261	82,131	43,188	31,100	–	–
521,310	437,382	339,600	271,469	562,918	569,944
1,270,204	985,830	185,319	580,397	1,488,412	655,980
2,832,132	2,368,221	2,159,022	2,804,352	3,423,322	3,253,544
5,662,594	5,893,622	7,174,251	8,182,370	7,375,321	9,454,398
–	1,112,400	281,000	–	–	–
10,792,929	11,196,120	10,533,796	12,353,262	13,377,317	14,582,989
(28,396,137)	(39,424,308)	(42,585,146)	(38,980,663)	(34,218,703)	(39,680,955)
17,410,629	18,123,809	18,831,741	18,986,320	19,945,934	20,928,627
19,144,727	20,455,376	22,038,701	21,443,639	22,156,658	23,266,010
1,787,051	1,238,508	581,574	917,506	1,708,617	2,434,366
38,342,407	39,817,693	41,452,016	41,347,465	43,811,209	46,629,003
$ 9,946,270	$ 393,385	$ (1,133,130)	$ 2,366,802	$ 9,592,506	$ 6,948,048

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INDEPENDENT SCHOOL DISTRICT NO. 278

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

	Property Tax			
Fiscal Year	General Purposes	Community Service	Debt Service	Total
2015	$ 8,271,967	$ 266,886	$ 4,467,521	$ 13,006,374
2016	8,811,854	277,619	4,667,972	13,757,445
2017	9,730,224	270,784	4,585,058	14,586,066
2018	10,655,450	268,792	5,614,621	16,538,863
2019	11,064,867	279,156	6,066,606	17,410,629
2020	11,669,219	283,184	6,171,406	18,123,809
2021	12,176,370	301,550	6,353,821	18,831,741
2022	12,082,028	308,878	6,595,414	18,986,320
2023	13,032,373	319,739	6,593,822	19,945,934
2024	14,285,290	295,743	6,347,594	20,928,627

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	Fiscal Year			
	2015	2016	2017	2018
General Fund				
Nonspendable	$ 297,934	$ 233,587	$ 568,630	$ 270,511
Restricted	2,453,121	1,669,709	1,805,594	1,953,557
Assigned	1,420,294	1,289,948	903,865	651,831
Unassigned	4,767,214	4,725,281	4,935,360	5,812,592
Total General Fund	$ 8,938,563	$ 7,918,525	$ 8,213,449	$ 8,688,491
All other governmental funds				
Nonspendable	$ 35,421	$ 37,822	$ 25,244	$ 46,997
Restricted	1,826,739	1,818,629	66,575,361	16,817,658
Total all other governmental funds	$ 1,862,160	$ 1,856,451	$ 66,600,605	$ 16,864,655
Total all governmental funds	$ 10,800,723	$ 9,774,976	$ 74,814,054	$ 25,553,146

2019	2020	2021	2022	2023	2024
$ 225,691	$ 201,063	$ 603,343	$ 238,308	$ 314,786	$ 338,814
1,918,520	2,582,045	2,617,404	2,112,326	1,622,587	1,887,462
1,130,600	1,258,883	1,280,879	796,041	280,814	421,393
6,098,956	5,522,578	3,510,032	1,748,696	1,463,928	2,251,046
$ 9,373,767	$ 9,564,569	$ 8,011,658	$ 4,895,371	$ 3,682,115	$ 4,898,715
$ 28,731	$ 58,342	$ 39,309	$ 29,083	$ 42,755	$ 42,246
3,264,222	1,808,797	1,757,574	3,716,951	9,506,055	6,869,266
$ 3,292,953	$ 1,867,139	$ 1,796,883	$ 3,746,034	$ 9,548,810	$ 6,911,512
$ 12,666,720	$ 11,431,708	$ 9,808,541	$ 8,641,405	$ 13,230,925	$ 11,810,227

INDEPENDENT SCHOOL DISTRICT NO. 278

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

				Fiscal Year
	2015	2016	2017	2018
Revenues				
Local sources				
Property taxes	$ 12,994,742	$ 13,771,864	$ 14,862,494	$ 16,476,583
Investment earnings	18,875	37,152	238,884	707,479
Other	5,507,722	5,301,775	5,082,564	5,527,204
State sources	21,632,879	22,849,359	23,472,665	23,888,544
Federal sources	990,504	902,141	913,924	860,304
Total revenues	41,144,722	42,862,291	44,570,531	47,460,114
Expenditures				
Current				
Administration	1,292,593	1,292,336	1,311,624	1,408,662
District support services	1,389,978	1,464,316	1,645,753	1,822,054
Elementary and secondary regular instruction	16,190,951	17,504,473	17,599,749	18,155,931
Vocational education instruction	256,702	268,482	271,638	283,104
Special education instruction	3,892,207	4,169,778	4,342,829	4,436,551
Instructional support services	1,956,114	2,166,451	2,207,738	2,255,018
Pupil support services	2,528,801	2,634,668	2,622,242	2,737,127
Sites and buildings	4,091,578	4,726,177	4,461,292	6,344,981
Fiscal and other fixed cost programs	163,768	130,476	153,893	218,719
Food service	1,418,152	1,520,656	1,510,636	1,489,003
Community service	3,017,133	2,941,196	2,810,283	3,015,234
Capital outlay	39,522	253,428	1,384,838	15,352,154
Debt service				
Principal	2,319,616	2,579,414	2,854,443	3,356,843
Interest and fiscal charges	2,328,633	2,239,597	3,356,288	4,114,072
Total expenditures	40,885,748	43,891,448	46,533,246	64,989,453
Excess of revenues over (under) expenditures	258,974	(1,029,157)	(1,962,715)	(17,529,339)
Other financing sources (uses)				
Sale of capital assets	–	3,410	275	10,931
Debt issued	–	–	30,240,000	–
Refunding debt issued	–	–	36,450,000	–
Premium on debt issued	–	–	6,161,518	–
Financed purchases issued	–	–	–	1,767,500
Insurance recovery	–	–	–	–
Payment to refunded bond escrow agent	–	–	(5,850,000)	(33,510,000)
Total other financing sources (uses)	–	3,410	67,001,793	(31,731,569)
Net change in fund balances	$ 258,974	$ (1,025,747)	$ 65,039,078	$ (49,260,908)
Debt service as a percentage of noncapital expenditures	11.6%	11.3%	13.8%	15.7%

2019	2020	2021	2022	2023	2024
$ 17,370,790	$ 18,063,642	$ 18,836,566	$ 19,026,382	$ 19,923,152	$ 20,937,582
575,422	262,130	34,621	6,334	454,598	940,398
6,334,523	5,147,528	3,621,853	5,080,778	7,125,042	6,410,368
25,303,879	25,459,123	25,870,635	26,412,688	27,584,902	31,098,547
841,851	880,248	3,285,828	3,364,020	1,791,038	1,495,425
50,426,465	49,812,671	51,649,503	53,890,202	56,878,732	60,882,320
1,448,004	1,280,235	1,413,349	1,341,917	1,523,374	1,480,806
1,742,369	1,601,987	1,841,898	1,680,112	1,785,053	1,726,134
18,727,494	19,655,478	20,868,620	22,063,752	21,916,956	22,839,351
288,572	324,158	309,948	330,820	331,450	413,269
4,615,399	5,049,917	5,272,650	5,439,144	5,477,134	5,820,716
2,434,834	3,027,103	3,344,117	3,207,638	3,622,601	3,656,837
3,033,796	2,887,476	2,973,843	3,299,446	3,356,979	3,861,303
5,696,569	6,963,976	6,572,924	6,202,945	6,057,177	5,700,043
401,279	282,859	261,386	310,842	380,595	431,604
1,551,564	1,446,787	1,411,624	1,937,695	2,057,647	2,278,705
3,263,556	3,224,353	2,586,044	3,138,045	3,524,292	3,987,970
15,547,052	905,169	388,788	670,954	1,267,772	2,928,733
3,997,044	4,243,796	4,662,490	4,797,012	4,949,720	5,334,620
2,739,097	2,529,077	2,301,973	2,226,019	2,125,872	2,009,006
65,486,629	53,422,371	54,209,654	56,646,341	58,376,622	62,469,097
(15,060,164)	(3,609,700)	(2,560,151)	(2,756,139)	(1,497,890)	(1,586,777)
–	7,315	–	–	46,851	6,525
1,900,000	–	–	1,440,000	5,555,000	129,616
2,990,000	1,543,142	–	–	–	–
110,336	–	–	148,503	485,059	–
123,402	1,487,409	936,984	–	–	–
–	–	–	500	500	29,938
(2,950,000)	(1,526,218)	–	–	–	–
2,173,738	1,511,648	936,984	1,589,003	6,087,410	166,079
$ (12,886,426)	$ (2,098,052)	$ (1,623,167)	$ (1,167,136)	$ 4,589,520	$ (1,420,698)
13.5%	13.4%	13.2%	12.8%	12.8%	12.6%

INDEPENDENT SCHOOL DISTRICT NO. 278

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

	Property Tax			
Fiscal Year	General Fund	Community Service Fund	Debt Service Fund	Total
2015	$ 8,264,484	$ 266,720	$ 4,463,538	$ 12,994,742
2016	8,820,421	278,040	4,673,403	13,771,864
2017	9,735,050	270,784	4,856,660	14,862,494
2018	10,616,722	267,866	5,591,995	16,476,583
2019	11,035,340	278,578	6,056,872	17,370,790
2020	11,632,385	282,388	6,148,869	18,063,642
2021	12,172,044	301,998	6,362,524	18,836,566
2022	12,112,049	309,353	6,604,980	19,026,382
2023	13,017,100	319,395	6,586,657	19,923,152
2024	14,288,028	296,044	6,353,510	20,937,582

INDEPENDENT SCHOOL DISTRICT NO. 278

Assessed and Actual Value of Taxable Property
Last Ten Fiscal Years

Payable Year	(1) Real Estate Property	(2) Personal Property	Total Tax Capacity Value	Total Direct Tax Rate
2015	$ 34,834,094	$ 325,356	$ 35,159,450	22.601 %
2016	36,175,699	334,353	36,510,052	23.166
2017	38,769,896	347,527	39,117,423	23.352
2018	40,886,558	379,128	41,265,686	24.024
2019	42,187,119	432,976	42,620,095	23.552
2020	44,353,478	418,896	44,772,374	23.109
2021	47,318,767	457,064	47,775,831	22.657
2022	49,801,785	284,778	50,086,563	23.903
2023	59,793,198	342,079	60,135,277	18.934
2024	67,899,469	293,273	68,192,742	18.811

(1) Real estate property includes residential, agricultural, public utility, railroad operating property, all other commercial and industrial property, nonhomestead residential/multiple dwelling, and commercial and seasonal recreational property.

(2) Personal property includes certain utility systems, railroad docks and wharves, certain manufactured homes, and flight property.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 278

Property Tax Rates – Direct and Overlapping Governments
Last Ten Fiscal Years

Tax Collection Calendar Year	ISD No. 278 Certified Levies			Total Direct School Tax Rate (1)	Overlapping Rates (1)		
	General Fund	Community Service	General Obligation Debt Service		City of Independence	City of Long Lake	City of Maple Plain
2015	$ 8,695,765	$ 278,445	$ 4,681,099	22.601	38.856	44.491	80.776
2016	9,575,016	270,461	4,851,771	23.166	39.788	43.796	76.817
2017	10,604,537	268,492	5,606,134	23.352	39.967	39.180	75.349
2018	11,032,761	280,275	6,096,166	24.024	40.448	37.157	66.514
2019	11,506,020	283,918	6,187,223	23.552	40.361	36.417	63.221
2020	11,949,765	302,453	6,372,351	23.109	39.944	36.576	58.571
2021	12,091,007	311,621	6,653,004	22.657	40.368	36.056	55.448
2022	13,008,380	320,328	6,614,329	23.903	39.162	35.957	54.716
2023	13,895,487	297,767	6,393,784	18.934	33.784	33.441	52.443
2024	13,904,524	330,749	8,042,785	18.811	32.356	33.668	45.322

(1) Tax rates shown above are tax capacity rates only, and do not include tax rates for taxes that are spread on referendum market value.

(2) Special districts include Metropolitan Mosquito Control District, Metropolitan Council, Metro Transit, Park Museum, Hennepin County Regional Railroad Authority, and Hennepin Housing and Redevelopment Authority.

(3) The total rate shown above is for property in the City of Orono.

Source: Hennepin County

City of Medina	City of Minnetonka Beach	City of Orono	City of Wayzata	Hennepin County	Three Rivers Park District	Other (2)	Direct and Overlapping Tax Rate (3)
23.577	26.798	17.387	25.705	46.398	3.789	5.996	96.1710
23.301	27.030	17.325	24.673	45.356	3.601	3.929	93.3770
22.270	25.948	16.759	23.352	44.087	3.365	5.929	93.4920
21.521	24.613	16.555	21.749	42.808	3.161	5.812	92.3600
21.529	24.710	16.406	21.672	41.861	2.961	5.589	90.3690
22.493	24.179	16.512	21.055	41.084	2.859	5.360	88.9240
22.468	22.621	16.780	20.644	38.210	2.793	5.020	85.4600
22.598	22.808	16.820	21.381	38.535	2.787	5.062	87.1070
22.559	20.771	16.569	19.468	34.542	2.473	4.471	76.9890
20.357	20.823	16.349	19.224	34.681	2.399	4.324	76.5640

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INDEPENDENT SCHOOL DISTRICT NO. 278

Principal Property Taxpayers
Current Year and Nine Years Ago

	2024			2015		
Taxpayer	Net Tax Capacity	Rank	Percentage of Tax Capacity Value	Net Tax Capacity	Rank	Percentage of Tax Capacity Value
Brackett Point Property LLC	$ 325,711	1	0.48 %	$ –	–	– %
Private residence	221,239	2	0.32	119,275	2	0.34
Private residence	203,075	3	0.30	–	–	–
WJM Properties	192,750	4	0.28	97,010	6	0.28
Private residence	180,720	5	0.27	–	–	–
1725 Bohns Point LLC	161,846	6	0.24	–	–	–
Private residence	154,544	7	0.23	95,550	7	0.27
Stonebay Senior Liv LLC	150,075	8	0.22	–	–	–
Metro Storage HHF Venture	149,050	9	0.22	–	–	–
Private residence	147,146	10	0.22	–	–	–
Private residence	–	–	–	204,863	1	0.58
Private residence	–	–	–	106,078	3	0.30
Private residence	–	–	–	104,413	4	0.30
Private residence	–	–	–	100,450	5	0.29
Lafayette Club	–	–	–	86,410	8	0.25
Private residence	–	–	–	83,013	9	0.24
Private residence	–	–	–	82,875	10	0.24
Total	$ 1,886,156		2.77 %	$ 1,079,937		3.07 %

Source: Data compiled by Ehlers from information provided by Hennepin County

INDEPENDENT SCHOOL DISTRICT NO. 278

Property Tax Levies, Collections, and Receivables
Last Ten Fiscal Years

	Taxes Levied for the Fiscal Year					Collected Within the First Year of Levy	
For Taxes Collectible	General Fund Basic Levy	Community Service Levy	Debt Service Levy	OPEB Debt Levy	Total Tax Levy	Current Tax Collection	Percentage of Levy
2015	$ 8,695,765	$ 278,445	$ 4,230,677	$ 450,422	$ 13,655,309	$ 13,577,519	99.4 %
2016	9,575,016	270,461	4,406,783	444,988	14,697,248	14,702,430	100.0
2017	10,604,537	268,492	5,178,495	427,639	16,479,163	16,560,894	100.5
2018	11,032,761	280,275	5,671,071	425,095	17,409,202	17,188,659	98.7
2019	11,506,020	283,918	5,825,430	361,793	17,977,161	17,850,079	99.3
2020	11,949,765	302,453	6,005,459	366,892	18,624,569	18,391,678	98.7
2021	12,091,007	311,621	6,289,884	363,120	19,055,632	18,957,108	99.5
2022	13,008,380	320,328	6,250,549	363,780	19,943,037	19,791,606	99.2
2023	13,895,487	297,767	6,024,823	368,961	20,587,038	20,491,638	99.5
2024	13,904,524	330,749	7,677,741	365,044	22,278,058	11,211,166	50.3

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Note 1: Collections include amounts collected through state paid tax credits, along with any net levy adjustments.

Note 2: Collections for the most recent year are first-half collections (through June 30) only.

Source: State of Minnesota School Tax Report

Collections in Subsequent Years	Total Collections to Date: Total Tax Collection	Total Collections to Date: Percentage of Levy	Outstanding Delinquent Taxes	Percent
$ 77,790	$ 13,655,309	100.0 %	$ –	– %
(5,182)	14,697,248	100.0	–	–
(81,731)	16,479,163	100.0	–	–
183,468	17,372,127	99.8	37,075	0.2
95,279	17,945,358	99.8	31,803	0.2
208,098	18,599,776	99.9	24,793	0.1
72,758	19,029,866	99.9	25,766	0.1
120,684	19,912,290	99.8	30,747	0.2
–	20,491,638	99.5	95,400	0.5
–	11,211,166	50.3	–	–
			$ 245,584	

INDEPENDENT SCHOOL DISTRICT NO. 278

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities					
Fiscal Year	General Obligation Bonds (1)	Financed Purchases	Lease Liabilities	Total Primary Government	Percentage of Personal Income (2)	Per Capita (3)
2015	$ 49,274,034	$ 990,547	$ –	$ 50,264,581	– %	$ 4,053
2016	46,805,663	886,133	–	47,691,796	–	3,845
2017	110,611,483	776,690	–	111,388,173	–	8,902
2018	73,420,755	2,377,347	–	75,798,102	–	6,086
2019	71,225,159	2,278,705	–	73,503,864	–	5,687
2020	66,879,555	3,394,242	–	70,273,797	–	5,521
2021	62,258,951	3,798,736	–	66,057,687	–	5,058
2022	59,056,243	3,291,724	–	62,347,967	–	5,022
2023	60,117,804	2,807,004	–	62,924,808	–	4,764
2024	54,572,505	2,470,703	111,297	57,154,505	–	4,327

(1) Presented net of issuance premiums and discounts.

(2) Personal income information for residents living within the District is not available.

(3) See Demographic and Economic Statistics table for source of estimated population.

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

INDEPENDENT SCHOOL DISTRICT NO. 278

Ratio of Net General Obligation Bonded Debt
to Market Value and Net General Obligation Bonded Debt
per Capita
Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt (1)	Less Debt Service Funds on Hand (2)	Net Bonded Debt	Market Value	Percent of Net Debt to Market Value	Estimated Population (3)	Net Bonded Debt per Capita
2015	$ 49,274,034	$ 554,213	$ 48,719,821	$3,100,033,300	1.57 %	12,403	$ 3,928
2016	46,805,663	570,580	46,235,083	3,213,352,100	1.44	12,403	3,728
2017	110,611,483	35,966,895	74,644,588	3,422,899,200	2.18	12,513	5,965
2018	73,420,755	1,062,337	72,358,418	3,594,504,400	2.01	12,454	5,810
2019	71,225,159	867,576	70,357,583	3,684,163,400	1.91	12,926	5,443
2020	66,879,555	808,454	66,071,101	3,872,495,300	1.71	12,729	5,191
2021	62,258,951	852,313	61,406,638	4,111,074,400	1.49	13,059	4,702
2022	59,056,243	1,131,221	57,925,022	4,308,333,100	1.34	12,415	4,666
2023	60,117,804	1,449,378	58,668,426	5,105,157,199	1.15	13,209	4,442
2024	54,572,505	1,114,349	53,458,156	5,735,636,149	0.93	13,209	4,047

(1) Presented net of issuance premiums and discounts.

(2) Includes all restricted fund balances in the Debt Service Fund. We believe this is the most accurate and consistent representation of the resources restricted for debt service as it includes crossover refunding bond proceeds held in escrow when applicable, which are not included in the governmental activities net position restricted for debt service, due to the conversion for full accrual accounting.

(3) See Demographic and Economic Statistics table for source of estimated population.

Source: Annual school district census and U.S. Census

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INDEPENDENT SCHOOL DISTRICT NO. 278

Direct and Overlapping Debt
as of June 30, 2024

Governmental Unit	Debt Outstanding (1)	Percent Allocable to ISD No. 278	Portion Allocable to ISD No. 278
Independent School District No. 278	$ 51,675,000	100.00 %	$ 51,675,000
Overlapping debt (2)			
Hennepin County	1,211,355,000	1.30	15,706,024
City of Independence	4,120,000	49.09	2,022,480
City of Long Lake	1,470,000	100.00	1,470,000
City of Maple Plain	11,255,000	100.00	11,255,000
City of Medina	7,680,000	35.13	2,697,958
City of the Village of Minnetonka Beach	2,800,000	100.00	2,800,000
City of Orono	16,315,000	61.20	9,984,464
City of Wayzata	19,060,000	0.47	88,910
Metropolitan Council	191,435,000	1.06	2,033,676
Three Rivers Park District	54,980,000	3.27	1,796,480
Total overlapping debt			49,854,992
Total direct and overlapping debt			$ 101,529,992

(1) 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.

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

Source: Taxable value data used to estimate applicable percentages and debt outstanding data provided by the District's financial advisor, Ehlers & Associates.

INDEPENDENT SCHOOL DISTRICT NO. 278

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
Debt limit	$ 465,004,995	$ 482,002,815	$ 513,434,880	$ 539,175,660
Total debt applicable to the limit	48,719,821	46,235,083	68,968,105	67,172,663
Legal debt margin	$ 416,285,174	$ 435,767,732	$ 444,466,775	$ 472,002,997
Total debt applicable to the limit as a percentage of debt limit	10.48%	9.59%	13.43%	12.46%

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: Hennepin County

2019	2020	2021	2022	2023	2024
$ 552,624,510	$ 580,874,295	$ 616,661,160	$ 591,816,186	$ 765,773,580	$ 860,345,422
65,532,424	61,736,546	57,562,687	54,433,779	55,205,622	50,560,651
$ 487,092,086	$ 519,137,749	$ 559,098,473	$ 537,382,407	$ 710,567,958	$ 809,784,771
11.86%	10.63%	9.33%	9.20%	7.21%	5.88%

Legal Debt Margin Calculation for Fiscal Year 2024	
Market value	$5,735,636,149
Debt limit (15% of market value)	860,345,422
Debt applicable to the limit General obligation bonds, less debt service funds on hand	50,560,651
Legal debt margin	$ 809,784,771

INDEPENDENT SCHOOL DISTRICT NO. 278

Demographic and Economic Statistics
Last Ten Fiscal Years

	Orono School District				
Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	School Enrollment	Unemployment Rate (3)
2015	12,403	$ –	$ –	2,779	3.3 %
2016	12,403	–	–	2,815	2.9
2017	12,513	–	–	2,811	3.7
2018	12,454	–	–	2,841	3.6
2019	12,926	–	–	2,877	3.3
2020	12,729	–	–	2,859	3.2
2021	13,059	–	–	2,844	4.2
2022	12,415	–	–	2,839	2.5
2023	13,209	–	–	2,874	2.8
2024	13,209	–	–	2,922	3.8

(1) Minnesota State Demographic Center estimate.

(2) Personal income information for residents living within the District is not available.

(3) Minnesota Department of Employment and Economic Development estimate. 2024 estimate as of August 2024.

INDEPENDENT SCHOOL DISTRICT NO. 278

Principal Employers
Current Year and Seven Years Ago (1)

	Fiscal Year					
	2024			2017		
Employer	Employees	Rank	Percentage of Total (2) Employment	Employees	Rank	Percentage of Total (2) Employment
Proto Labs, Inc.	500	1	28.06 %	500	1	29.82 %
ISD No. 278	382	2	21.44	352	2	20.99
ServiceMaster Co.	200	3	11.22	200	3	11.93
Woodhill Country Club	150	4	8.42	50	9	2.98
Herc-U-Lift, Inc.	120	5	6.73	120	4	7.16
Jem Technical Marketing Co. Inc.	100	6	5.61	–	–	–
Lafayette Club	100	6	5.61	100	6	5.96
Birch's On the Lake	100	6	5.61	–	–	–
Wenck Associates Inc.	70	9	3.93	–	–	–
Haven Homes of Maple Plain	60	10	3.37	95	8	5.66
American Custom Rotomolding	–	–	–	110	5	6.56
Otten Brothers Nursery	–	–	–	100	6	5.96
Maple Plain Food Center	–	–	–	50	9	2.98
Total	1,782		100.00 %	1,677		100.00 %
Total ISD No. 278 population (see the Schedule of Demographic and Economic Statistics)	13,209			12,513		
Percent of principal employers to total ISD No. 278 population	13.5%			13.4%		

(1) Information on principal employers is not available prior to 2017.

(2) Total employment within district boundary is not available. Percentage is of total employment for employers shown in table.

Source: City of Orono

INDEPENDENT SCHOOL DISTRICT NO. 278

Employees by Classification
Last Ten Fiscal Years

Employees				Fiscal Year
	2015	2016	2017	2018
Administrative staff	23.0	23.0	23.5	23.0
Support service staff	126.0	129.0	130.0	130.0
Classroom teachers	160.3	160.0	165.0	175.0
Special education teachers	35.5	35.1	35.3	35.0
Total	344.8	347.1	353.8	363.0

Source: This information is derived from the Minnesota Department of Education STARS report (October 1)

2019	2020	2021	2022	2023	2024
24.0	23.0	24.0	24.0	24.0	20.0
136.0	140.0	126.0	142.0	140.0	132.0
178.0	180.0	178.0	180.0	179.0	171.0
35.0	35.0	36.0	36.0	36.0	35.0
373.0	378.0	364.0	382.0	379.0	358.0

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INDEPENDENT SCHOOL DISTRICT NO. 278

Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Total Governmental Activities Expenses	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio
2015	2,780	$ 40,148,416	$ 14,442	2.8 %	195.8	14.2
2016	2,815	42,750,911	15,188	5.2	195.1	14.4
2017	2,811	55,851,313	19,869	30.8	200.3	14.0
2018	2,841	55,369,382	19,489	(1.9)	210.0	13.5
2019	2,877	39,189,066	13,622	(30.1)	213.0	13.5
2020	2,859	50,620,428	17,706	30.0	215.0	13.3
2021	2,844	53,118,942	18,678	5.5	214.0	13.3
2022	2,839	51,333,925	18,082	(3.2)	216.0	13.1
2023	2,874	47,596,020	16,561	(8.4)	215.0	13.4
2024	2,922	54,263,944	18,571	12.1	206.0	14.2

Source: District records

INDEPENDENT SCHOOL DISTRICT NO. 278

School Building Information
Last Ten Fiscal Years

	Fiscal Year			
	2015	2016	2017	2018
Elementary Schools				
Orono Schuman Elementary **(1956)**				
Enrollment (1)	541	570	573	573
Square feet	89,764	89,764	89,764	89,764
Orono Intermediate **(1950)**				
Enrollment (1)	635	632	608	630
Square feet	127,324	127,324	127,324	127,324
Middle School				
Orono Middle School **(2000)**				
Enrollment (1)	684	686	698	697
Square feet	122,000	122,000	122,000	122,000
High School				
Orono High School **(1967)**				
Enrollment (1)	920	927	932	941
Square feet	186,444	186,444	186,444	186,444
Total enrollment	2,780	2,815	2,811	2,841
Total square feet	525,532	525,532	525,532	525,532
Athletics				
Multipurpose fields (football, soccer, lacrosse)	13	13	13	13
Running tracks	1	1	1	1
Baseball/softball	6	6	6	6
Swimming pools	1	1	1	1
Playgrounds	3	3	3	3

(1) Enrollment reflects average daily membership (ADM) served by site.

Source: Square footage, capacity, and athletic statistics are derived from district records. Enrollment was obtained from a combination of district records and school ADM reports available on the Minnesota Department of Education website.

2019	2020	2021	2022	2023	2024
585	581	596	613	623	651
89,764	89,764	89,764	89,764	89,764	89,764
658	629	611	609	638	655
127,324	127,324	127,324	127,324	127,324	127,324
698	701	699	697	699	700
122,000	122,000	122,000	122,000	122,000	122,000
936	948	938	920	914	916
281,145	281,145	281,145	281,145	281,145	281,145
2,877	2,859	2,844	2,839	2,874	2,922
620,233	620,233	620,233	620,233	620,233	620,233
13	13	13	13	13	13
2	2	2	2	2	2
4	4	4	4	4	4
1	1	1	1	1	1
3	3	3	3	3	3

INDEPENDENT SCHOOL DISTRICT NO. 278

Food Service
School Lunch Program Data
Last Ten Fiscal Years

Year Ended June 30,	Program Adult Meals	Meals Served Students	Full Price Meals Served	Free Meals Served	Reduced-Price Meals Served
2015	9,920	276,849	249,649	20,087	7,113
2016	10,226	274,214	178,992	21,229	5,839
2017	11,363	272,340	245,425	18,396	8,519
2018	6,581	253,279	226,757	18,641	7,881
2019	6,897	251,511	226,793	16,451	8,267
2020	4,730	183,114	165,795	10,445	6,874
2021	1,073	254,668	–	254,668	–
2022	5,010	294,710	–	294,710	–
2023	5,247	268,758	237,586	24,544	6,628
2024	4,931	304,407	269,665	28,987	5,755

Year Ended	Student Regular Lunch Prices		
June 30,	Elementary	Middle	High School
2015	$ 2.45	$ 2.60	$ 2.75
2016	2.50	2.65	2.80
2017	2.55	2.70	2.85
2018	2.65	2.80	2.95
2019	2.70	2.85	3.00
2020	2.80	2.95	3.10
2021	2.80	2.95	3.10
2022	2.85	3.00	3.15
2023	3.00	3.15	3.30
2024	0.00	0.00	0.00

Note: In fiscal 2021 and 2022, all student meals served through the District's child nutrition program were reimbursed through pandemic-related federal awards. The state-wide Free School Meals for Kids Program began July 1, 2023.

INDEPENDENT SCHOOL DISTRICT NO. 278

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM)					Total Pupil Units
	Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2015	9	160	1,224	1,387	2,780	3,057
2016	11	183	1,219	1,402	2,815	3,095
2017	9	167	1,235	1,400	2,811	3,091
2018	11	182	1,233	1,415	2,841	3,124
2019	10	191	1,263	1,413	2,877	3,160
2020	10	185	1,251	1,413	2,859	3,141
2021	30	184	1,216	1,414	2,844	3,127
2022	34	184	1,219	1,402	2,839	3,119
2023	35	182	1,270	1,387	2,874	3,151
2024	33	215	1,288	1,386	2,922	3,200

Note 1: Student enrollment for the latest fiscal year is estimated.

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

	Pre-Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–6	Secondary 7–12+
All years presented	1.000	0.550	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

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APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

Kennedy & Graven
CHARTERED

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

$________
INDEPENDENT SCHOOL DISTRICT NO. 278
(ORONO PUBLIC SCHOOLS)
HENNEPIN COUNTY, MINNESOTA
GENERAL OBLIGATION FACILITIES MAINTENANCE, CAPITAL FACILITIES AND
TAX ABATEMENT BONDS
SERIES 2025A

We have acted as bond counsel to Independent School District No. 278 (Orono Public Schools), Hennepin County, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation Facilities Maintenance, Capital Facilities and Tax Abatement Bonds, Series 2025A (the "Bonds"), originally dated June ___, 2025, and issued in the original aggregate principal amount of $________. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

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

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

5. The resolution adopted by the School Board of the Issuer on April 14, 2025, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropriated and available funds to pay the obligations of the State thereunder.

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

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

Dated _______________, 2025, at Minneapolis, Minnesota.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

$_________
INDEPENDENT SCHOOL DISTRICT NO. 278
(ORONO PUBLIC SCHOOLS)
HENNEPIN COUNTY, MINNESOTA
GENERAL OBLIGATION FACILILTIES MAINTENANCE,
CAPITAL FACILITIES AND TAX ABATEMENT BONDS
SERIES 2025A

CONTINUING DISCLOSURE CERTIFICATE

__________, 2025

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 278 (Orono Public Schools), Hennepin County, Minnesota (the "District"), in connection with the issuance of its General Obligation Facilities Maintenance, Capital Facilities and Tax Abatement Bonds, Series 2025A (the "Bonds"), in the original aggregate principal amount of $_________. The Bonds are being issued pursuant to a resolution adopted by the School Board of the District (the "Resolution"). The Bonds are being delivered to _____________[, as syndicate manager] (the "Purchaser"), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

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

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

"Bonds" means the General Obligation Facilities Maintenance, Capital Facilities and Tax Abatement Bonds, Series 2025A, issued by the District in the original aggregate principal amount of $_______.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"District" means Independent School District No. 278 (Orono Public Schools), Hennepin County, Minnesota, which is the obligated person with respect to the Bonds.

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

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

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

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

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

“GASB” means the Governmental Accounting Standards Board.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 5. Reporting of Material Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 278 (ORONO PUBLIC SCHOOLS), HENNEPIN COUNTY, MINNESOTA

____
Board Chair

____
Clerk

APPENDIX E

TERMS OF PROPOSAL

$5,135,000* GENERAL OBLIGATION FACILITIES MAINTENANCE, CAPITAL FACILITIES AND TAX ABATEMENT BONDS, SERIES 2025A INDEPENDENT SCHOOL DISTRICT NO. 278 (ORONO PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of $5,135,000* General Obligation Facilities Maintenance, Capital Facilities and Tax Abatement Bonds, Series 2025A (the "Bonds") of Independent School District No. 278 (Orono 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 12, 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 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapters 469 and 475, as amended, including Minnesota Statutes, Sections 469.1812 - 469.1815, Minnesota Statutes, Section 123B.595, as amended, and Minnesota Statutes, Section 123B.62, as amended, by the District, for the purposes of financing (i) certain capital projects approved by the Commissioner of Education; (ii) facilities maintenance projects included in the District's ten-year facility plan approved by the Commissioner of Education; and (iii) the construction of and improvements to parking lots at various sites in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

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

Year	Amount*	Year	Amount*	Year	Amount*
2027	$430,000	2030	$320,000	2033	$1,240,000
2028	410,000	2031	945,000	2034	380,000
2029	430,000	2032	980,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing February 1, 2026, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

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

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

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

DELIVERY

On or about June 5, 2025, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than $5,135,000 plus accrued interest on the principal sum of $5,135,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

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

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

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

A good faith deposit ("Deposit") in the amount of $102,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the School Board

Independent School District No. 278
(Orono Public Schools), Minnesota

PROPOSAL FORM

The School Board **May 12, 2025**
Independent School District No. 278 (Orono Public Schools), Minnesota (the "District")

RE: **$5,135,000* General Obligation Facilities Maintenance, Capital Facilities and Tax Abatement Bonds, Series 2025A (the "Bonds")**
DATED: **June 5, 2025**

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you $__________________ (not less than $5,135,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

________	% due	2027	________	% due	2030	________	% due	2033
________	% due	2028	________	% due	2031	________	% due	2034
________	% due	2029	________	% due	2032			

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2027 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $102,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about June 5, 2025.

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

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

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

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

If the competitive sale requirements are not met, we elect to use either the: _____10% test, or the _____hold-the-offering-price rule to determine the issue price of the Bonds.

Account Manager: ______________________________ By: ______________________________
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from June 5, 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. 278 (Orono Public Schools), Minnesota, on May 12, 2025.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________