

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 5, 2026

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

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

New Issue

Rating Application Made: Moody's Investors Service, Inc.

INDEPENDENT SCHOOL DISTRICT NO. 2898 (WESTBROOK-WALNUT GROVE SCHOOLS), MINNESOTA (Cottonwood, Murray and Redwood Counties)

(Minnesota School District Credit Enhancement Program)

\$3,000,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2026A

PROPOSAL OPENING: March 16, 2026, 10:30 A.M., C.T. **CONSIDERATION:** March 16, 2026, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$3,000,000* General Obligation School Building Bonds, Series 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held August 12, 2025, by Independent School District No. 2898 (Westbrook-Walnut Grove Schools), Minnesota (the "District"), for the purpose of financing the acquisition and betterment of school sites and facilities 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: April 9, 2026

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$260,000	2031	\$300,000	2035	\$340,000
2028	245,000	2032	315,000	2036	360,000
2029	260,000	2033	310,000		
2030	285,000	2034	325,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: February 1, 2027 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: \$3,000,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$60,000 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).



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This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), but is subject to revision, amendment and completion in a Final Official Statement.

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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WESTBROOK-WALNUT GROVE SCHOOLS SCHOOL BOARD

		<u>Term Expires</u>
Greg Madson	Board Chair	January 2027
Dan Warner	Vice Chair	January 2027
Becky Foster	Clerk	January 2028
Jim Kleven	Treasurer	January 2028
Tyler Hansen	Member	January 2027
Kortney Krick	Member	January 2028
Maury Kuehl	Member	January 2027

ADMINISTRATION

Rachel Christians, Business/Finance Manager
Loy Woelber, Superintendent of Schools

PROFESSIONAL SERVICES

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

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 2898 (Westbrook-Walnut Grove Schools), Minnesota (the "District") and the issuance of its \$3,000,000* General Obligation School Building Bonds, Series 2026A (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 March 16, 2026.

Inquiries may be directed to Ehlers and Associates, Inc. ("Ehlers" or the "Municipal Advisor"), Minneapolis, 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 April 9, 2026. 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, 2027, 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, Minneapolis, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The District will pay the charges for Paying Agent services. The District reserves the right to remove the Paying Agent and to appoint a successor.

*Preliminary, subject to change.

OPTIONAL REDEMPTION

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

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held August 12, 2025, by the District, at which voters approved a building program by a vote of 203-15. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities, including the construction of repairs and improvements to roofing and sidewalks at the Westbrook site and facility; the construction of repairs and improvements to roofing and sidewalks at the Walnut Grove site and facility; and the completion of various deferred maintenance projects district-wide.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	\$3,000,000	
Reoffering Premium	<u>259,109</u>	
Total Sources		\$3,259,109
Uses		
Total Underwriter's Discount (1.000%)	\$30,000	
Costs of Issuance	70,000	
Deposit to Construction Fund	<u>3,159,109</u>	
Total Uses		\$3,259,109

*Preliminary, subject to change.

SECURITY

The Bonds will be general obligations of the District to which its full faith and credit and taxing powers are pledged. In accordance with Minnesota Statutes, the District will levy each year an amount not less than 105% of the debt service requirements on the Bonds, less estimated collections of other revenues pledged for payments on the Bonds. In the event funds on hand for payment of principal and interest are at any time insufficient, the District is required to levy additional taxes upon all taxable properties within its boundaries without limit as to rate or amount to make up any deficiency.

RATING

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

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

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

STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS

By resolution adopted for this issue on February 23, 2026 (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 September 23, 2025, for General Obligation State Bonds, Series 2025A, 2025B, 2025C, 2025D and 2025E, the State of Minnesota disclosed the following information about the State Credit Enhancement Program for School Districts:

"As of June 30, 2025, 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 \$19,610,000,000. 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, 2025 is currently estimated at \$3,155,000,000, with the maximum amount of principal and interest payable in any one month being \$1,253,600,000. 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 has not had any undertakings outstanding, and therefore 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 the accuracy of certain representations and continuing compliance with certain covenants set forth in the Award Resolution, interest on the Bonds is excludable from gross income for federal income tax purposes and, to the same extent, is excludable from the taxable net income of individuals, trusts, and estates for Minnesota income tax purposes, and is not a preference item for purposes of computing the federal alternative minimum tax or the Minnesota alternative minimum tax imposed on individuals, trusts, and estates. However, interest on the Bonds is included in determining the annual adjusted financial statement income (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) of applicable corporations (as defined in Section 59(k) of the Code) for purposes of computing the alternative minimum tax imposed on such applicable corporations and is subject to Minnesota franchise taxes on certain corporations (including financial institutions) measured by income. Section 59(k) of the Code defines "applicable corporation" as any corporation (other than an S corporation), a regulated investment company, or a real estate investment trust which meets the average annual adjusted financial statement income test set forth in Section 59(k) of the Code in one or more taxable years. No opinion will be expressed by Bond Counsel regarding other federal or State of Minnesota tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership of the Bonds.

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

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

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

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

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

Legislative proposals

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

MUNICIPAL ADVISOR

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

MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2025, have been audited by Abdo, Mankato, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

Type of Property	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 - 0.75% Over \$174,000 - 0.25%	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 - 0.75% Over \$100,000 - 0.25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25% Affordable Rental - 0.25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

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

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

³ Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2024/25 Economic Market Value \$1,889,608,802¹

2024/25 Assessor's Estimated Market Value

	Cottonwood County	Murray County	Redwood County	Total
Real Estate	\$780,708,800	\$479,610,400	\$668,957,500	\$1,929,276,700
Personal Property	<u>5,676,000</u>	<u>5,678,600</u>	<u>2,090,200</u>	<u>13,444,800</u>
Total Valuation	<u>\$786,384,800</u>	<u>\$485,289,000</u>	<u>\$671,047,700</u>	<u>\$1,942,721,500</u>

2024/25 Net Tax Capacity

	Cottonwood County	Murray County	Redwood County	Total
Real Estate	\$6,202,243	\$3,905,624	\$5,568,386	\$15,676,253
Personal Property	<u>111,710</u>	<u>113,404</u>	<u>41,804</u>	<u>266,918</u>
Net Tax Capacity	<u>\$6,313,953</u>	<u>\$4,019,028</u>	<u>\$5,610,190</u>	<u>\$15,943,171</u>

2024/25 NET TAX CAPACITY BY CLASSIFICATION

	2024/25 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$755,580	4.74%
Agricultural	14,021,818	87.95%
Commercial/industrial	568,266	3.56%
Public utility	16,304	0.10%
Railroad operating property	41,850	0.26%
Non-homestead residential	263,235	1.65%
Commercial & residential seasonal/rec.	9,200	0.06%
Personal property	<u>266,918</u>	<u>1.67%</u>
Total	<u>\$15,943,171</u>	<u>100.00%</u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District is about 102.91% 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 an Economic Market Value ("EMV") for the District of \$1,889,608,802.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Taxable Net Tax Capacity ²	Percent Increase/Decrease in Estimated Market Value
2020/21	\$1,157,498,300	\$1,135,431,865	\$9,645,166	\$9,645,166	0.77%
2021/22	1,142,703,200	1,120,132,371	9,556,132	9,556,132	-1.28%
2022/23	1,337,326,600	1,314,418,396	11,405,885	11,405,885	17.03%
2023/24	1,979,197,500	1,957,078,224	17,408,947	17,408,947	48.00%
2024/25	1,942,721,500	1,915,279,018	15,943,171	15,943,171	-1.84%

LARGEST TAXPAYERS

Taxpayer	Type of Property	2024/25 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Meadowland Farmers Coop	Industrial	\$378,801	2.38%
Individual	Agricultural	209,088	1.31%
Fagen Farms	Agricultural	194,003	1.22%
Northern Border Pipeline	Industrial	133,693	0.84%
Individual	Agricultural	171,479	1.08%
Rasmussen Farms of Walnut Grove	Agricultural	159,999	1.00%
Individual	Agricultural	153,273	0.96%
Individual	Agricultural	114,670	0.72%
Individual	Agricultural	98,736	0.62%
Individual	Agricultural	96,809	0.61%
Total		\$1,710,551	10.73%

District's Total 2024/25 Net Tax Capacity \$15,943,171

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

¹ Net Tax Capacity includes tax increment values, if any.

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids² (includes the Bonds)* \$3,000,000

*Preliminary, subject to change.

Other Obligations - Cooperative District/Joint Governmental Obligations

The District is a member of the Southwest West Central Service Cooperative ("SWWC"). The City of Montevideo Economic Development Authority issued \$5,295,000 Lease Revenue Refunding Bonds (Southwest West Central Service Cooperative, Lease with Option to Purchase Project), Series 2020A (the "Series 2020A Bonds") on September 23, 2020. The District has a contractual obligation to provide a proportional amount of financial support for a Level 4 special education space operated by SWWC on behalf of its members. The District has a contractual obligation to make a portion of the debt service payments on the Series 2020A Bonds along with other member school districts. The allocation of the debt service payments is determined by agreement among the member school districts and calculated annually by SWWC.

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.

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

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

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

Some school districts will also receive aid for debt service payments through the State School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). The reimbursement percentage for each qualifying property is 70% of the property's eligible net tax capacity multiplied by the school debt tax rate determined under Minnesota Statutes, Section 275.08, subdivision 1b. The school building bond agricultural credit applies to farmland, excluding the house, garage and one acre, and to rural vacant land and managed forest land. The amount of agricultural credit received in the debt service fund for taxes payable 2025 is approximately 61.05% of total annual debt service levies, based on the District's 2024/25 qualifying agricultural land valuation.

BONDED DEBT LIMIT

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

2024/25 Economic Market Value	\$1,889,608,802
Multiply by 15%	0.15
Statutory Debt Limit	\$283,441,320
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(3,000,000)
Unused Debt Limit*	\$280,441,320

*Preliminary, subject to change.

Independent School District No. 2898 (Westbrook-Walnut Grove Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 04/09/2026)

School Building Bonds								
Series 2026A								
Dated	04/09/2026							
Amount	\$3,000,000*							
Maturity	02/01							
Fiscal Year	Principal	Estimated	Total Principal	Total Interest	Total P & I	Principal	% Paid	Fiscal Year
Ending		Interest				Outstanding		Ending
2027	260,000	121,667	260,000	121,667	381,667	2,740,000	8.67%	2027
2028	245,000	137,000	245,000	137,000	382,000	2,495,000	16.83%	2028
2029	260,000	124,750	260,000	124,750	384,750	2,235,000	25.50%	2029
2030	285,000	111,750	285,000	111,750	396,750	1,950,000	35.00%	2030
2031	300,000	97,500	300,000	97,500	397,500	1,650,000	45.00%	2031
2032	315,000	82,500	315,000	82,500	397,500	1,335,000	55.50%	2032
2033	310,000	66,750	310,000	66,750	376,750	1,025,000	65.83%	2033
2034	325,000	51,250	325,000	51,250	376,250	700,000	76.67%	2034
2035	340,000	35,000	340,000	35,000	375,000	360,000	88.00%	2035
2036	360,000	18,000	360,000	18,000	378,000	0	100.00%	2036
	3,000,000	846,167	3,000,000	846,167	3,846,167			

* Preliminary, subject to change.

OVERLAPPING DEBT¹

Taxing District	2024/25 Taxable Net Tax Capacity	% In District	Total G.O. Debt²	District's Proportionate Share
Counties of:				
Cottonwood	\$45,290,326	13.9411%	\$9,335,000	\$1,301,402
Murray	45,366,059	8.8591%	4,975,000	440,740
Redwood	60,967,527	9.2019%	17,090,000	1,572,605
Cities of:				
Dovray	74,243	100.0000%	138,000	138,000
Walnut Grove	404,814	100.0000%	595,000	595,000
Westbrook	373,869	100.0000%	540,000	<u>540,000</u>
District's Share of Total Overlapping Debt				<u><u>\$4,587,747</u></u>

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

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

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$1,889,608,802	Debt/ Per Capita 2,696 ¹
Direct G.O. Debt Paid from Taxes*	\$3,000,000		
Less: Agricultural Credit ²	<u>(1,831,500)</u>		
Tax Supported General Obligation Debt*	\$1,168,500	0.06%	\$433.42
District's Share of Total Overlapping Debt	<u>\$4,587,747</u>	<u>0.24%</u>	<u>\$1,701.69</u>
Total*	<u><u>\$5,756,247</u></u>	<u><u>0.30%</u></u>	<u><u>\$2,135.11</u></u>

*Preliminary, subject to change.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ³	Total Collected Following Year	Collected to Date	% Collected
2020/21	\$953,496	\$938,877	\$951,365	99.78%
2021/22	1,120,366	1,101,709	1,116,366	99.64%
2022/23	1,011,767	995,512	1,006,344	99.46%
2023/24	1,050,203	1,036,730	1,036,730	98.72%
2024/25	1,216,495	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.⁴ Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

¹ Estimated 2024 population.

² Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 61.05% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is \$1,831,500.

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

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

TAX CAPACITY RATES¹

	2020/21	2021/22	2022/23	2023/24	2024/25
I.S.D. No. 2898 (Westbrook-Walnut Grove Schools)	2.663%	4.360%	2.549%	2.433%	3.084%
Cottonwood County	38.830%	40.103%	34.764%	24.348%	29.989%
Murray County	28.451%	29.099%	26.168%	19.454%	20.439%
Redwood County	37.405%	38.725%	35.321%	26.850%	29.942%
City of Dovray	56.202%	54.685%	49.314%	42.754%	41.756%
City of Revere	225.472%	240.948%	216.640%	198.459%	206.283%
City of Walnut Grove	101.912%	102.085%	90.615%	82.697%	88.424%
City of Westbrook	160.568%	171.935%	146.945%	147.744%	166.059%
Town of Westbrook ²	7.060%	7.280%	6.376%	4.042%	4.543%
SWRDC	0.153%	0.156%	0.139%	0.101%	0.110%

Referendum Market Value Rates:

I.S.D. No. 2898 (Westbrook-Walnut Grove Schools)	0.51406%	0.50468%	0.43071%	0.32122%	0.31552%
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Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Cottonwood, Murray and Redwood Counties.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 182, including 133 non-licensed employees and 49 licensed employees (46 of whom are teachers). The District provides education for 455 students in grades kindergarten through twelve.

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

² Representative town rate.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Unit

Bargaining Unit	Expiration Date of Current Contract
Education Minnesota Westbrook-Walnut Grove	June 30, 2027

POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Audited Financial Statements (Audit) shows a total OPEB liability of \$342,412, as of June 30, 2025. The District has been funding these obligations on a pay-as-you-go basis.

Source: The District's most recent Audit.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2021/22	38	197	172	407
2022/23	46	220	180	446
2023/24	36	224	186	446
2024/25	47	212	191	450
2025/26	42	207	206	455

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2026/27	40	200	200	440
2027/28	40	200	200	440
2028/29	40	200	200	440

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Walnut Grove	1935	1951, 1966
Westbrook East	1956	1976, 1997
Westbrook West	1939	1951, 1968
Walnut Grove Bus Garage	1955	--
Westbrook Bus Garage	2006	--
Westbrook Greenhouse	2005	--
Westbrook Van Garage	1990	--

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 January 31, 2026)

Fund	Total Cash and Investments
General	\$4,958,974
Food Service	148,924
Community Service	<u>(22,524)</u>
Total Funds on Hand	<u><u>\$5,085,374</u></u>

BUDGET SUMMARY

Fund	June 30, 2025 Actual Fund Balance	2025-26 Projected Revenues and Transfers In	2025-26 Projected Expenditures and Transfers Out	2025-26 Revenues over (under) expenditures	June 30, 2026 Projected Fund Balance
General	\$4,963,441	\$8,718,734	\$8,544,514	\$174,220	\$5,137,661
Food Service	160,963	535,376	562,664	(27,288)	133,675
Community Service ¹	1	573,940	910,270	(336,330)	(336,329)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total All Funds	<u><u>\$5,124,405</u></u>	<u><u>\$9,828,050</u></u>	<u><u>\$10,017,448</u></u>	<u><u>(\$189,398)</u></u>	<u><u>\$4,935,007</u></u>

¹ The District records an internal transfer from the General Fund to the Community Service Fund to offset any deficit fund balances primarily attributable to their Learning Readiness/Preschool program.

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 2025 audited financial statements.

	FISCAL YEAR ENDING JUNE 30				
COMBINED STATEMENT	2021	2022	2023	2024	2025
	Audited	Audited	Audited	Audited	Audited
Revenues					
Local property taxes	\$845,124	\$995,885	\$1,069,704	\$1,098,853	\$1,026,497
Other local and county revenues	529,457	535,760	726,891	629,185	494,296
Revenue from state sources	5,161,352	5,281,587	5,691,761	6,435,863	6,912,946
Revenue from federal sources	510,010	745,244	831,096	663,532	319,021
Sales and other conversion of assets	0	21,630	5,483	4,835	4,172
Earnings and investments	0	33,086	118,882	176,362	196,261
Total Revenues	<u>\$7,045,943</u>	<u>\$7,613,192</u>	<u>\$8,443,817</u>	<u>\$9,008,630</u>	<u>\$8,953,193</u>
Expenditures					
Current:					
Administration	\$608,277	\$642,425	\$644,729	\$691,904	\$717,932
District support services	186,052	178,832	187,794	205,592	273,226
Elementary and secondary regular instruction	3,304,595	3,447,264	3,531,142	3,923,367	4,048,212
Vocational education instruction	94,144	112,586	101,579	118,186	121,033
Special education instruction	826,200	919,682	928,891	1,120,966	1,021,645
Instructional support services	119,455	142,708	148,417	150,657	172,091
Pupil support services	615,049	466,044	539,950	516,112	399,724
Sites and buildings	780,924	670,719	860,110	812,089	861,021
Fiscal and other fixed cost programs	103,117	103,726	126,421	143,101	170,144
Debt service	0	1,160	23,185	32,264	32,258
Capital outlay	0	595,317	861,412	493,174	437,187
Total Expenditures	<u>\$6,637,813</u>	<u>\$7,280,463</u>	<u>\$7,953,630</u>	<u>\$8,207,412</u>	<u>\$8,254,473</u>
Excess of revenues over (under) expenditures	\$408,130	\$332,729	\$490,187	\$801,218	\$698,720
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	\$0	\$1,750	\$0	\$250	\$0
Proceeds from capital leases	0	46,968	93,865	0	0
Proceeds from the sale of equipment	1,050	0	0	0	0
Insurance recovery	14,812	11,001	7,263	3,976	9,330
Transfers (out)	0	(100,634)	(98,510)	(207,257)	(261,046)
Total Other Financing Sources (Uses)	<u>15,862</u>	<u>(40,915)</u>	<u>2,618</u>	<u>(203,031)</u>	<u>(251,716)</u>
Net changes in Fund Balances	\$423,992	\$291,814	\$492,805	\$598,187	\$447,004
General Fund Balance July 1	\$2,709,637	\$3,133,629	\$3,425,443	\$3,918,248	\$4,516,435
Prior Period Adjustment	0	0	0	0	0
General Fund Balance June 30	<u>\$3,133,629</u>	<u>\$3,425,443</u>	<u>\$3,918,248</u>	<u>\$4,516,435</u>	<u>\$4,963,439</u>
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	\$17,629	\$17,761	\$18,720	\$25,635	\$25,942
Restricted	643,623	704,769	741,533	896,118	1,048,352
Committed	20,000	20,000	20,000	20,000	20,000
Unassigned	2,452,377	2,682,913	3,137,995	3,574,632	3,869,145
Total	<u>\$3,133,629</u>	<u>\$3,425,443</u>	<u>\$3,918,248</u>	<u>\$4,516,385</u>	<u>\$4,963,439</u>

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 2,772 and a 2024 population estimate of 2,696, and comprising an area of 290 square miles, is located approximately 167 miles southwest of St. Paul, Minnesota

LARGER EMPLOYERS¹

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 2898 (Westbrook-Walnut Grove)	Elementary and secondary education	182
Good Samaritan Society-Westbrook	Long-term skilled nursing care	75
Sanford Westbrook Medical Center	Medical services and clinic	50
Country View Senior Living	Retirement community	20
Maynards Food Center of Westbrook	Grocery	17
Westbrook AG Power	Equipment dealer	16
Expressway BP-Westbrook	Fuel, food and merchandise	12
Holt Oil & Convenience	Fuel and convenience store	10
M & K Bridge Construction	Construction company	10
Walnut Grove Bar & Grill	Bar & grill	10

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

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.

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	2,991
2020 U.S. Census population	2,772
Percent of Change 2010 - 2020	-7.32%
2024 State Demographer Estimate	2,696

Income and Age Statistics

	The District	Cottonwood County	State of Minnesota	United States
2024 per capita income	\$34,779	\$36,506	\$48,237	\$44,673
2024 median household income	\$56,842	\$72,941	\$89,062	\$80,734
2024 median family income	\$81,375	\$92,737	\$113,993	\$99,999
2024 median gross rent	\$623	\$817	\$1,280	\$1,413
2024 median value owner occupied units	\$135,000	\$169,300	\$329,300	\$332,700
2024 median age	40.5 yrs.	40.3 yrs.	38.8 yrs.	38.9 yrs.
		State of Minnesota	United States	
District % of 2024 per capita income		72.10%	77.85%	
District % of 2024 median family income		71.39%	81.38%	

Source: 2010 and 2020 Census of Population and Housing, and 2024 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.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Cottonwood County	Cottonwood County	Cottonwood County	State of Minnesota
2021	6,201		3.7%	3.7%
2022	6,320		2.7%	2.5%
2023	5,910		4.7%	2.8%
2024	5,530		3.9%	3.0%
2025, December	5,499		4.1%	4.3%

Source: Minnesota Department of Employment and Economic Development.

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 FINANCIAL REPORT

INDEPENDENT SCHOOL DISTRICT NO. 2898
WESTBROOK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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Independent School District No. 2898

Westbrook, Minnesota

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Westbrook, Minnesota
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INTRODUCTORY SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2898
WESTBROOK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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Independent School District No. 2898
Westbrook, Minnesota
School District Officials
For the Year Ended June 30, 2025

BOARD OF EDUCATION

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Greg Madson	12/31/2026	Chairperson
Becky Foster	12/31/2028	Clerk
James Kleven	12/31/2028	Treasurer
Daniel Warner	12/31/2028	Member
Maury Kuehl	12/31/2026	Member
Kortney Krick	12/31/2028	Member
Tyler Hansen	12/31/2027	Member

ADMINISTRATION

Loy Woelber	Superintendent
Rachel Christians	Business Manager

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2898
WESTBROOK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2898
Westbrook, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Independent School District No. 2898, Westbrook, Minnesota, (the District) as of and for the year ended June 30, 2025, 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, the major fund and the aggregate remaining fund information of the District as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective 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 to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Schedule of Changes in the District's Net OPEB (Asset) Liability and Related Ratios starting on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining, individual fund financial statements, schedules and table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining, individual fund financial statements, schedules and table are 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 in the report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



Abdo
Mankato, Minnesota
October 6, 2025



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Management's Discussion and Analysis

As management of the Independent School District No. 2898 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

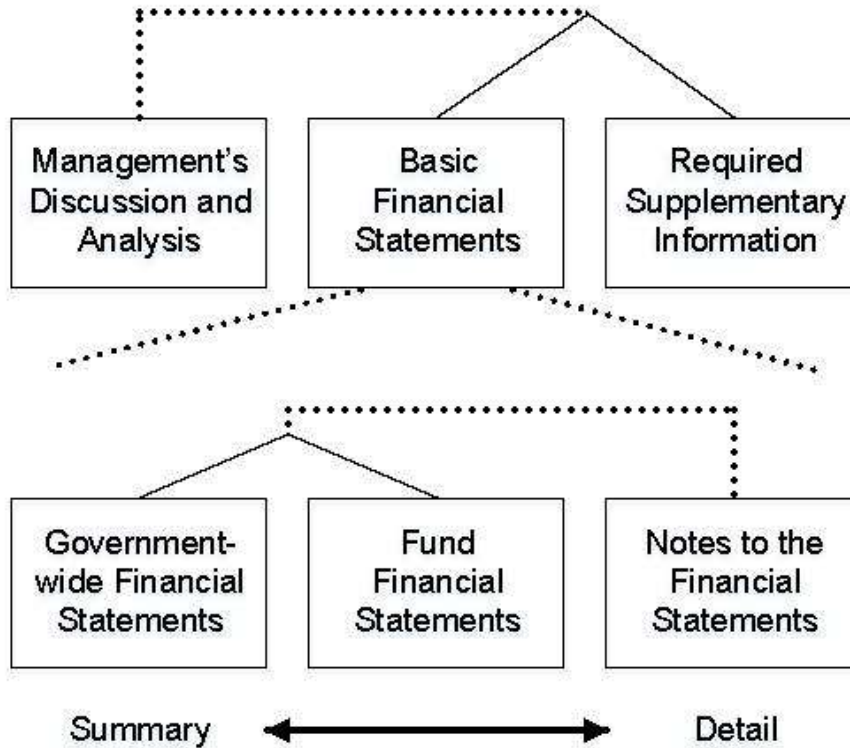
Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the District's ongoing obligations to students, parents, and staff.
- The District's total net position increased as shown in the summary of changes in net assets table on the following pages. Revenues decreased slightly and expenses increased slightly, but the District maintained overall revenues in excess of expenses.
- The District's governmental funds fund balances are shown in the Financial Analysis of the District's Funds section of the MD&A. The total fund balance increased in comparison with the prior year. The increase is mainly due to consistent revenue resources in excess of expenditures. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the District's discretion.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 2898 Annual Financial Report



The following chart summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the District-wide and Fund Financial Statements

	Fund Financial Statements		
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as police, fire and parks	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The *statement of net position* presents information on all of the District’s assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District’s overall health, you need to consider additional non-financial indicators such as changes in the District’s property tax base and condition of school buildings and other facilities.

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

In the district-wide financial statements, the District activities are shown in one category titled “governmental activities”:

- *Governmental Activities*: The District’s basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and State aids finance most of these activities.

The District-wide financial statements can be found starting on page 30 of this report.

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

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

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact by the District’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, which is considered to be a major fund. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found starting on page 34 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 39 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District’s share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 70 of this report.

Other Information. Combining and individual fund financial statements and schedules and table can be found starting on page 80 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at the close of the most recent fiscal year as shown in the table below.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another portion of the District's net position reflects amounts restricted for food service and educational purposes. These funds are to be used for the District's funded programs and activities.

Independent School District No. 2898's Net Position

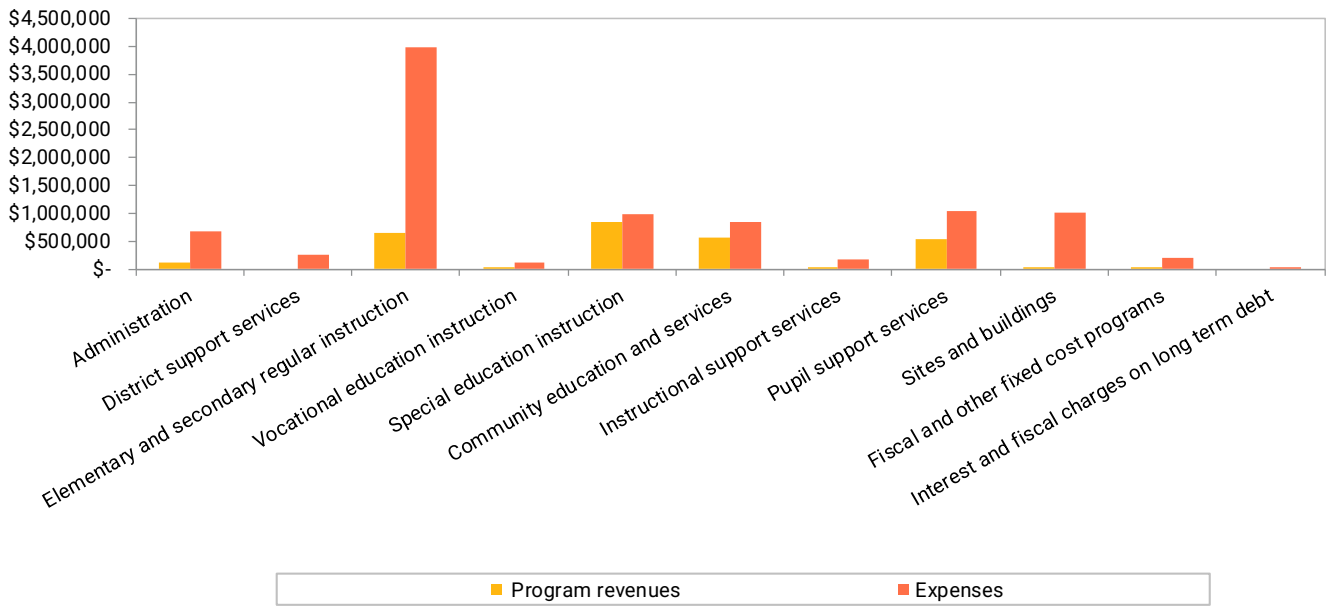
	2025	2024	Increase (Decrease)
Assets			
Current and other assets	\$ 6,898,653	\$ 6,280,836	\$ 617,817
Capital assets	2,818,395	2,772,966	45,429
Total Assets	<u>9,717,048</u>	<u>9,053,802</u>	<u>663,246</u>
Deferred Outflows of Resources	<u>1,225,816</u>	<u>1,178,653</u>	<u>47,163</u>
Liabilities			
Long-term liabilities outstanding	4,201,448	5,219,791	(1,018,343)
Other liabilities	760,891	736,576	24,315
Total Liabilities	<u>4,962,339</u>	<u>5,956,367</u>	<u>(994,028)</u>
Deferred Inflows of Resources	<u>2,181,530</u>	<u>1,289,541</u>	<u>891,989</u>
Net Position			
Net investment in capital assets	2,752,105	2,678,453	73,652
Restricted	1,291,891	1,121,760	170,131
Unrestricted	<u>(245,001)</u>	<u>(813,666)</u>	<u>568,665</u>
Total Net Position	<u><u>\$ 3,798,995</u></u>	<u><u>\$ 2,986,547</u></u>	<u><u>\$ 812,448</u></u>
Net Position as a Percent of Total			
Net investment in capital assets	72.4 %	89.7 %	
Restricted	34.0	37.6	
Unrestricted	<u>(6.4)</u>	<u>(27.3)</u>	
	<u><u>100.0 %</u></u>	<u><u>100.0 %</u></u>	

Governmental Activities. Governmental activities increased the District’s net position by as shown below. Key elements of this increase are as follows:

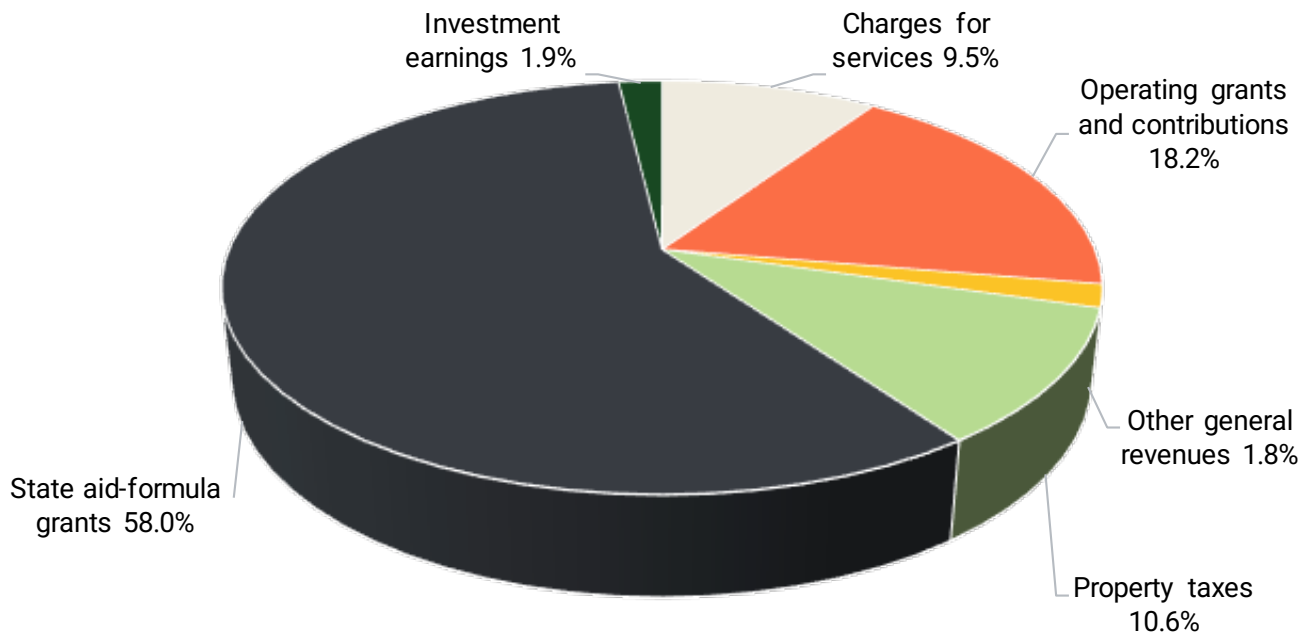
Independent School District No. 2898’s Changes in Net Position

	2025	2024	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	\$ 959,648	\$ 941,007	\$ 18,641
Operating grants and contributions	1,839,311	2,023,241	(183,930)
General revenues			
Property taxes	1,070,803	1,112,422	(41,619)
Aids and payments from state and other	5,871,041	5,673,835	197,206
Other general revenues	179,397	215,532	(36,135)
Insurance recovery proceeds	9,330	3,976	5,354
Investment earnings	196,261	176,362	19,899
Total Revenues	<u>10,125,791</u>	<u>10,146,375</u>	<u>(20,584)</u>
Expenses			
Administration	667,921	675,251	(7,330)
District support services	267,739	224,978	42,761
Elementary and secondary regular instruction	3,996,162	3,750,765	245,397
Vocational education instruction	117,166	112,350	4,816
Special education instruction	995,353	1,122,999	(127,646)
Community education and services	854,001	772,439	81,562
Instructional support services	167,537	162,436	5,101
Pupil support services	1,032,447	1,264,285	(231,838)
Sites and buildings	1,024,171	1,020,432	3,739
Fiscal and other fixed cost programs	186,811	169,615	17,196
Interest and fiscal charges on long-term debt	4,035	5,415	(1,380)
Total Expenses	<u>9,313,343</u>	<u>9,280,965</u>	<u>32,378</u>
Change in Net Position	812,448	865,410	(52,962)
Net Position, July 1	<u>2,986,547</u>	<u>2,121,137</u>	<u>865,410</u>
Net Position, June 30	<u>\$ 3,798,995</u>	<u>\$ 2,986,547</u>	<u>\$ 812,448</u>

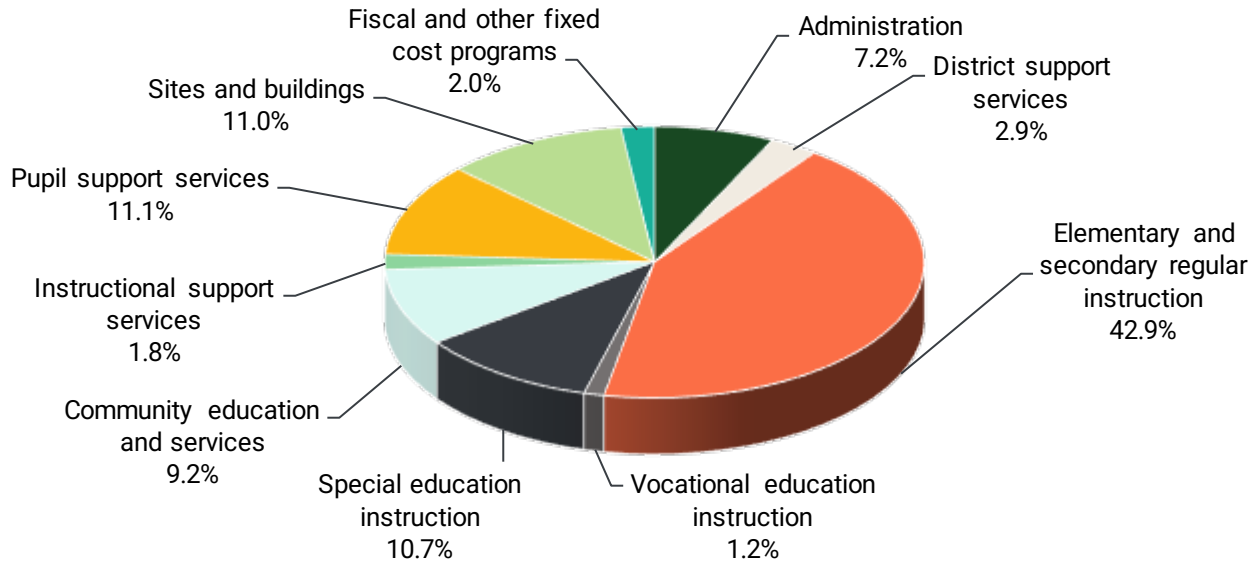
Expenses by Program - Governmental Activities



Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

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

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending June 30, 2025.

	General Fund	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances					
Nonspendable	\$ 25,942	\$ 22,713	\$ 48,655	\$ 42,800	\$ 5,855
Restricted	1,048,352	201,630	1,249,982	1,079,599	170,383
Committed	20,000	-	20,000	20,000	-
Unassigned	3,869,145	(63,382)	3,805,763	3,505,616	300,147
Total Fund Balance	\$ 4,963,439	\$ 160,961	\$ 5,124,400	\$ 4,648,015	\$ 476,385

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances shown above. Additional information on the District's fund balances can be found in Note 3 starting on page 46 of this report.

The General fund is the chief operating fund of the District. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	<u>Current Year Ending Balance</u>	<u>Prior Year Ending Balance</u>	<u>Increase/ (Decrease)</u>
General Fund Fund Balances			
Nonspendable	\$ 25,942	\$ 25,635	\$ 307
Restricted	1,048,352	904,297	144,055
Committed	20,000	20,000	-
Unassigned	<u>3,869,145</u>	<u>3,566,503</u>	<u>302,642</u>
 Total Fund Balance	 <u>\$ 4,963,439</u>	 <u>\$ 4,516,435</u>	 <u>\$ 447,004</u>
 General Fund expenditures	 \$ 8,254,473	 \$ 8,207,412	
Unassigned as a percent of expenditures	46.9%	43.5%	
Total Fund Balance as a percent of expenditures	60.1%	55.0%	

The fund balance of the District's General fund increased during the current fiscal year as shown in the table above.

General Fund Budgetary Highlights

	<u>Original Budgeted Amounts</u>	<u>Budget Amendments</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues	\$ 8,133,852	\$ 146,472	\$ 8,280,324	\$ 8,953,193	\$ 672,869
Expenditures	<u>8,553,487</u>	<u>(31,225)</u>	<u>8,522,262</u>	<u>8,254,473</u>	<u>267,789</u>
Excess of Revenues Over Expenditures	<u>(419,635)</u>	<u>177,697</u>	<u>(241,938)</u>	<u>698,720</u>	<u>940,658</u>
Other Financing Sources (Uses)					
Insurance recovery proceeds	-	-	-	9,330	9,330
Sale of capital assets	1,000	(1,000)	-	-	-
Transfers out	-	-	-	(261,046)	(261,046)
Total Other Financing Sources (Uses)	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>	<u>(251,716)</u>	<u>(251,716)</u>
Net Change in Fund Balances	(418,635)	176,697	(241,938)	447,004	688,942
Fund Balances, January 1	<u>4,516,435</u>	<u>-</u>	<u>4,516,435</u>	<u>4,516,435</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 4,097,800</u>	<u>\$ 176,697</u>	<u>\$ 4,274,497</u>	<u>\$ 4,963,439</u>	<u>\$ 688,942</u>

The District's General fund budget was amended during the year as shown above. The budget amendment increased revenues, mainly relating to revenue from state and federal sources. Expenses decreased relating to a slight reduction throughout multiple programs including: Administration, District Support Services, Elementary and Secondary Regular Instruction, Special Education Instruction, and Pupil Support Services. Actual revenues were over the final budget and expenditures were under the final budget amounts as shown above.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental and business-type activities as of June 30, 2025 is shown below in capital asset table (net of accumulated depreciation/amortization). This investment in capital assets includes land, land improvements, buildings, equipment, and pupil transportation vehicles.

Independent School District No. 2898's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2025	2024	Increase (Decrease)
Land	\$ 59,044	\$ 59,044	\$ -
Land Improvements	39,718	52,383	(12,665)
Buildings	1,633,039	1,586,463	46,576
Eligible Pupil Transportation	517,961	454,488	63,473
Equipment	508,502	531,642	(23,140)
Leased Eligible Pupil Transportation (Intangible Right to Use Asset)	16,435	25,830	(9,395)
Leased equipment (Intangible Right to Use Asset)	43,696	63,116	(19,420)
Total	\$ 2,818,395	\$ 2,772,966	\$ 45,429
Percent increase (decrease)			1.6%

Additional information on the District's capital assets can be found in Note 3C on page 50 of this report.

Long-term Debt. At the end of the current fiscal year, the District had long-term debt outstanding, as shown in the table below, consisting of lease and severance payables.

Independent School District No. 2898's Outstanding Debt

	Governmental Activities		
	2025	2024	Increase (Decrease)
Lease Payable	\$ 66,290	\$ 94,513	\$ (28,223)
Severance Payable	127,589	151,089	(23,500)
Total	\$ 193,879	\$ 245,602	\$ (51,723)
Percent increase (decrease)			-21.1%

The District's total debt decreased as shown in the table above during the current fiscal year due to regularly scheduled lease payments.

Additional information on the District's long-term debt can be found in Note 3E starting on page 51 of this report.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could significantly affect its financial health in the future.

- Enrollment continues to be an area of concern weighing on the District's financial future. Since Minnesota school districts are paid on pupil units served, any decline in enrollment results in less revenue. The District's student enrollment, which determines the pupil units for the purpose of funding, has been steady for fiscal year 2025 and there is optimism that the enrollment could hold steady the next three years.
- The District continues to provide educational opportunities to students. The District has maintained strong reserve balances which will help bridge financial gaps in possible declines in revenue projections and expenditure increases.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Office, Independent School District No. 2898, 344 8th Street, Westbrook, MN 56183.

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DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2898
WESTBROOK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2898

Westbrook, Minnesota
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Cash and temporary investments	\$ 5,508,045
Receivables	
Taxes	537,021
Accounts	6,500
Due from other school districts	32,366
Intergovernmental	766,066
Prepays	25,942
Inventories	22,713
Capital assets not being depreciated/amortized	59,044
Capital assets net of accumulated depreciation/amortization	<u>2,759,351</u>
Total Assets	<u>9,717,048</u>
Deferred Outflows of Resources	
Deferred pension resources	1,162,652
Deferred other postemployment benefit resources	<u>63,164</u>
Total Deferred Outflows of Resources	<u>1,225,816</u>
Liabilities	
Accounts and other payables	59,702
Salaries and wages payable	318,160
Due to other school districts	90,034
Due to other governments	5,538
Accrued expenses	262,993
Unearned revenue	4,206
Noncurrent liabilities	
Due within one year	
Long-term liabilities	29,668
Other postemployment benefits	20,258
Due in more than one year	
Long-term liabilities	164,211
Net pension liability	3,685,415
Other postemployment benefits	<u>322,154</u>
Total Liabilities	<u>4,962,339</u>
Deferred Inflows of Resources	
Deferred pension resources	1,149,974
Deferred other postemployment benefit resources	17,132
Property taxes levied for subsequent year	<u>1,014,424</u>
Total Deferred Inflows of Resources	<u>2,181,530</u>
Net Position	
Net investment in capital assets	2,752,105
Restricted	
Educational purposes	1,067,548
Food service	160,961
Community service	63,382
Unrestricted	<u>(245,001)</u>
Total Net Position	<u>\$ 3,798,995</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2898

Westbrook, Minnesota

Statement of Activities

For the Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Administration	\$ 667,921	\$ 18,590	\$ 81,632	\$ (567,699)
District support services	267,739	-	-	(267,739)
Elementary and secondary regular instruction	3,996,162	375,948	259,884	(3,360,330)
Vocational education instruction	117,166	23,249	-	(93,917)
Special education instruction	995,353	20,340	822,566	(152,447)
Community education and services	854,001	473,743	86,354	(293,904)
Instructional support services	167,537	-	40,000	(127,537)
Pupil support services	1,032,447	37,483	497,884	(497,080)
Sites and buildings	1,024,171	10,295	18,081	(995,795)
Fiscal and other fixed cost programs	186,811	-	32,910	(153,901)
Interest and fiscal charges on long term debt	4,035	-	-	(4,035)
Total Governmental Activities	\$ 9,313,343	\$ 959,648	\$ 1,839,311	(6,514,384)
General Revenues				
Taxes				
				1,030,994
				39,809
				5,871,041
				179,397
				9,330
				196,261
				<u>7,326,832</u>
Change in Net Position				812,448
Net Position, July 1				<u>2,986,547</u>
Net Position, June 30				<u>\$ 3,798,995</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2898
WESTBROOK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2898

Westbrook, Minnesota

Balance Sheet

Governmental Funds

June 30, 2025

	General	Other Governmental Funds	Total
Assets			
Cash and temporary investments	\$ 5,275,713	\$ 232,332	\$ 5,508,045
Receivables			
Taxes	510,408	26,613	537,021
Accounts	-	6,500	6,500
Due from other school districts	32,366	-	32,366
Intergovernmental	752,453	13,613	766,066
Prepaid items	25,942	-	25,942
Inventories	-	22,713	22,713
	<u>6,596,882</u>	<u>301,771</u>	<u>6,898,653</u>
Total Assets	\$ 6,596,882	\$ 301,771	\$ 6,898,653
Liabilities			
Accounts and other payables	\$ 48,085	\$ 11,617	\$ 59,702
Salaries and wages payable	243,927	74,233	318,160
Due to other school districts	90,034	-	90,034
Due to other governments	5,538	-	5,538
Accrued expenses	262,993	-	262,993
Unearned revenue	-	4,206	4,206
Total Liabilities	650,577	90,056	740,633
Deferred Inflows of Resources			
Unavailable revenue			
Delinquent property taxes	11,489	7,707	19,196
Property taxes levied for subsequent year	971,377	43,047	1,014,424
Total Deferred Inflows of Resources	982,866	50,754	1,033,620
Fund Balances			
Nonspendable	25,942	22,713	48,655
Restricted	1,048,352	201,630	1,249,982
Committed	20,000	-	20,000
Unassigned	3,869,145	(63,382)	3,805,763
Total Fund Balances	4,963,439	160,961	5,124,400
	<u>6,596,882</u>	<u>301,771</u>	<u>6,898,653</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,596,882	\$ 301,771	\$ 6,898,653

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2898

Westbrook, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2025

Amounts reported for governmental activities in the statement
of net position are different because

Total Fund Balances - Governmental Funds	\$ 5,124,400
Net capital assets, net of accumulated depreciation/amortization, used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	2,818,395
Long-term liabilities, including bonds payable and pensions, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Other postemployment benefits payable	(342,412)
Lease payable	(66,290)
Severance payable	(127,589)
Net pension liability	(3,685,415)
Government funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of resources - pension resources	1,162,652
Deferred inflows of resources - pension resources	(1,149,974)
Deferred outflows of resources - OPEB resources	63,164
Deferred inflows of resources - OPEB resources	(17,132)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	<u>19,196</u>
Total Net Position - Governmental Activities	<u><u>\$ 3,798,995</u></u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2898
Westbrook, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	General	Other Governmental Funds	Total
Revenues			
Local property tax levies	\$ 1,026,497	\$ 39,281	\$ 1,065,778
Other local and county revenue	494,296	478,830	973,126
Interest earned on investments	196,261	-	196,261
Revenue from state sources	6,912,946	185,672	7,098,618
Revenue from federal sources	319,021	412,527	731,548
Sales and other conversion of assets	4,172	20,213	24,385
Total Revenues	<u>8,953,193</u>	<u>1,136,523</u>	<u>10,089,716</u>
Expenditures			
Current			
Administration	717,932	-	717,932
District support services	273,226	-	273,226
Elementary and secondary regular instruction	4,048,212	-	4,048,212
Vocational education and instruction	121,033	-	121,033
Special education instruction	1,021,645	-	1,021,645
Community education and services	-	848,373	848,373
Instructional support services	172,091	-	172,091
Pupil support services	399,724	514,812	914,536
Sites, buildings and equipment	861,021	-	861,021
Fiscal and other fixed cost programs	170,144	-	170,144
Capital outlay			
Administration	172	-	172
Elementary and secondary regular instruction	90,554	-	90,554
Community education and services	-	5,003	5,003
Pupil support services	171,245	-	171,245
Sites and buildings	175,216	-	175,216
Debt service			
Principal	28,223	-	28,223
Interest	4,035	-	4,035
Total Expenditures	<u>8,254,473</u>	<u>1,368,188</u>	<u>9,622,661</u>
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	<u>698,720</u>	<u>(231,665)</u>	<u>467,055</u>
Other Financing Sources (Uses)			
Insurance recovery proceeds	9,330	-	9,330
Transfers in	-	261,046	261,046
Transfers out	(261,046)	-	(261,046)
Total Other Financing Sources (Uses)	<u>(251,716)</u>	<u>261,046</u>	<u>9,330</u>
Net Change in Fund Balances	447,004	29,381	476,385
Fund Balances, July 1	<u>4,516,435</u>	<u>131,580</u>	<u>4,648,015</u>
Fund Balances, June 30	<u>\$ 4,963,439</u>	<u>\$ 160,961</u>	<u>\$ 5,124,400</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2898
Westbrook, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2025

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	\$ 476,385
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Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation/amortization expense.

Capital outlays	342,535
Depreciation/amortization expense	(297,106)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Principal repayments - leases	28,223
-------------------------------	--------

The governmental funds report severance costs as expenditures when paid, on the other hand, the statement of activities reports severance costs as expenditures as the employees earn the compensated absences. In the statement of net position, the issuance of severance results in an increase of the liability.

	23,500
--	--------

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.

	(5,800)
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Long-term pension activity is not reported in governmental funds.

Pension revenue	189,454
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Other postemployment benefits	55,257
-------------------------------	--------

Change in Net Position - Governmental Activities	<u>\$ 812,448</u>
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Independent School District No. 2898

Westbrook, Minnesota

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual

For the Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Local property tax levies	\$ 1,014,198	\$ 1,013,219	\$ 1,026,497	\$ 13,278
Other local and county revenue	565,885	512,744	494,296	(18,448)
Interest earned on investments	130,950	101,000	196,261	95,261
Revenue from state sources	6,204,469	6,394,222	6,912,946	518,724
Revenue from federal sources	213,803	256,555	319,021	62,466
Sales and other conversion of assets	4,547	2,584	4,172	1,588
Total Revenues	<u>8,133,852</u>	<u>8,280,324</u>	<u>8,953,193</u>	<u>672,869</u>
Expenditures				
Current				
Administration	743,377	726,746	717,932	8,814
District support services	205,782	239,922	273,226	(33,304)
Elementary and secondary regular instruction	4,064,002	4,046,218	4,048,212	(1,994)
Vocational education and instruction	121,528	125,548	121,033	4,515
Special education instruction	1,047,785	992,205	1,021,645	(29,440)
Instructional support services	143,765	184,518	172,091	12,427
Pupil support services	606,613	529,136	399,724	129,412
Sites and buildings	977,561	1,007,271	861,021	146,250
Fiscal and other fixed cost programs	186,000	174,000	170,144	3,856
Capital outlay				
Administration	3,500	3,500	172	3,328
District support services	2,000	2,000	-	2,000
Elementary and secondary regular instruction	84,230	84,804	90,554	(5,750)
Pupil support services	168,000	164,536	171,245	(6,709)
Site and buildings	177,411	219,925	175,216	44,709
Debt service				
Principal	21,933	21,933	28,223	(6,290)
Interest	-	-	4,035	(4,035)
Total Expenditures	<u>8,553,487</u>	<u>8,522,262</u>	<u>8,254,473</u>	<u>267,789</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(419,635)</u>	<u>(241,938)</u>	<u>698,720</u>	<u>940,658</u>
Other Financing Sources (Uses)				
Insurance recovery proceeds	-	-	9,330	9,330
Sale of capital assets	1,000	-	-	-
Transfers out	-	-	(261,046)	(261,046)
Total Other Financing Sources (Uses)	<u>1,000</u>	<u>-</u>	<u>(251,716)</u>	<u>(251,716)</u>
Net Change in Fund Balances	(418,635)	(241,938)	447,004	688,942
Fund Balances, July 1	<u>4,516,435</u>	<u>4,516,435</u>	<u>4,516,435</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 4,097,800</u>	<u>\$ 4,274,497</u>	<u>\$ 4,963,439</u>	<u>\$ 688,942</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2898 (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The district-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 advanced, which are recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

Description of Funds

The various District funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities in the district, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

Non-major Governmental Funds

Food Service fund accounts for food service revenues and expenditures. The major sources of revenues are food service sales and federal and state grants, which are restricted for this purpose.

Community Service fund accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adults or early childhood programs, extended day programs, or other similar services. The major sources of revenues are recreation fees and special purpose tax levies, which are restricted for these purposes.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments or equity investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The District may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The School Board annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as a "tax shift". The remaining portion of taxes collectible in 2025 is recorded as unavailable revenue (property taxes levied for subsequent year).

Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the District by the State in lieu of taxes levied against homestead property. Current property taxes receivable is recorded for taxes levied in 2024 and collectible in 2025. The remaining portion of the current tax levy is reported as a deferred inflow of resources, property taxes levied for subsequent year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

Represents the amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivable not expected to be collected within one year are current property taxes receivable.

Inventories and Prepaid Items

Food Service fund inventories include items purchased by the District and commodities donated by the U.S. Department of Agriculture (USDA). Commodities are valued using a standard price list furnished by the USDA and purchased inventory is valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Plumbing and Electrical	30
Building Improvements (Interior), Portable Classrooms and Fire System	25
Heating and Ventilation System, Long-term Admin Software, Furniture and Fixtures, Outdoor Equipment, Roofing and Site Improvements	20
Custodial Equipment, Grounds Equipment, Kitchen Equipment and Machinery and Tools	15
All Other Equipment, Short-term Admin Software and Long-term Instructional Software	10
Vehicles and Buses	8
Carpet Replacement	7
Computer Hardware, Copiers, Short-term Instructional Software and Library Books	5

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other post-employment benefit resources, are reported only in the statement of net position. The pension and other post-employment benefit resources are a result from actuarial calculations and current year benefit contributions made subsequent to the measurement date.

Other Postemployment Benefits (OPEB) Obligation

For purposes of measuring the net other postemployment benefit (OPEB) asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. See the investment note for fair value measurements.

Pensions

Teachers Retirement Association (TRA)

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. Additional information can be found in Note 4.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Public Employees Retirement Association (PERA)

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

The total pension expense for the GERP and TRA is as follows:

	GERP	TRA	Total All Plans
District's proportionate share	\$ 109,438	\$ 228,232	\$ 337,670
Proportionate share of State's contribution	590	12,037	12,627
 Total pension expense	 \$ 110,028	 \$ 240,269	 \$ 350,297

Long-term Obligations

In the district-wide financial statements, long-term lease obligations are reported as liabilities in the governmental activities statement of net position, along with the recognition of a right-to-use leased asset. The lease liability is reduced over the lease term as payments are made, and interest expense is recognized in the period incurred.

In the fund financial statements, governmental funds recognize the inception of a lease as an other financing source, while lease payments are reported as expenditures in the period paid. Lease-related costs, such as initial or issuance costs, are reported as debt service expenditures in the current period.

Severance

Independent School District No. 2898 provides for payment of unused sick leave days for full-time teachers and administrators who were hired before 1998 and have performed teaching services for a minimum of 20 full-time years. A graduated scale exists beginning with severance pay available equal to 10 days of their respective basic salary for 20 years of service then gradually increasing to 130 days of their respective basic salary for 32 years or more of service. Employees working part-time will have their severance determined by multiplying by their respective part-time equivalence for each year and adding it to the full-time years. Any 403(b) matching contributions made by the District reduce the amount of sick leave payout.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Furthermore, the District has two additional items which qualify for reporting in this category. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

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

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the District School Board (the board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Board has delegated the authority to assign fund balances and their intended uses to the Business Manager or Superintendent.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District will first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made. The District has not formally adopted a fund balance policy for the General fund.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

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

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for District governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the School Board.
2. Budgets for General, special revenue and Debt Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of budgetary control is the fund level.
6. The District does not use encumbrance accounting.

The District revised the budget in numerous areas. The original budget was approved on June 24, 2024, before grant applications were approved, when the student numbers were very soft and decisions made by the Board of Education regarding technology, capital projects, new hire staff positions and classroom sections sizes weren't approved. The budget was revised on January 27, 2025, to reflect updated ADM.

B. Excess of Actual Expenditures over Appropriations

For the year ended June 30, 2025, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Community Service	\$ 835,424	\$ 853,376	\$ 17,952

The excess expenditures were funded by excess revenues over budget.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Education, the District maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any Federal agency.

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

At year end, the District's carrying amount of deposits was \$363,304 and the bank balance was \$395,364. Of the bank balance, \$450,394 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Investment Policy

The funds of the District shall be deposited or invested in accordance with Minnesota statutes, chapter 118A and any other applicable law or written administrative procedures. The primary criteria for the investment of the funds of the District, in priority order are as follows:

1. *Safety and Security.* Safety of principal is the first priority. The investments of the District shall be undertaken in a manner that seeks to ensure the preservation of the capital in the overall investment portfolio.
2. *Liquidity.* The funds shall be invested to assure that funds are available to meet immediate payment requirements, including payroll, accounts payable and debt service.
3. *Return and Yield.* The investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

The Business Manager is designated as the investment officer of the District and is responsible for investment decisions and activities under direction of the School Board. The investment officer may delegate certain duties to a designee or designees, but shall remain responsible for the operation of the program. The investment officer shall also establish a system of internal controls which shall be documented in writing and shall routinely monitor existing investments and the contents of the District's investment portfolio, the available markets and the relative value of competing investment instruments.

Independent School District No. 2898

Westbrook, Minnesota

Notes to the Financial Statements

June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Limitations on instruments, diversification and maturity scheduling shall depend on whether the funds being invested are considered short-term or long-term funds. All funds shall normally be considered short-term except those reserved for building construction projects or specific future projects and any unreserved funds used to provide financial-related managerial flexibility for future fiscal years. The District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

All investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in United States Government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minnesota statutes 118A.06. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

Deposit-type securities shall be collateralized as required by Minnesota statute 118A.03 for any amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage.

Repurchase agreements shall be secured by the physical delivery or transfer against payment of the collateral securities to a third party or custodial agent for safekeeping. The District may accept a safekeeping receipt instead of requiring physical delivery or third-party safekeeping of collateral on overnight repurchase agreements of less than \$1,000,000.

As of June 30, 2025, the District had the following investments:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Asset Fund (MSDLAF)	AAAm	less than 1 year	<u>\$ 5,144,391</u>

(1) Ratings are provided by various credit ratings agencies where applicable to indicate association's credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAAM. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Petty Cash	\$ 350
Deposits	363,304
Investments	<u>5,144,391</u>
 Total Cash and Temporary Investments	 <u><u>\$ 5,508,045</u></u>

B. Property Taxes

Current property taxes receivable is recorded for taxes levied in 2024 and payable in 2025. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2025 in accordance with Minnesota statutes and the remaining balance is deferred for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies.

Taxes receivable by fund type is comprised of the following components:

	General	Nonmajor Governmental	Total
Current Taxes	\$ 498,919	\$ 18,906	\$ 517,825
Delinquent Taxes	<u>11,489</u>	<u>7,707</u>	<u>19,196</u>
 Total Taxes Receivable	 <u><u>\$ 510,408</u></u>	 <u><u>\$ 26,613</u></u>	 <u><u>\$ 537,021</u></u>
 Property Taxes Levied for Subsequent Year	 <u><u>\$ 971,377</u></u>	 <u><u>\$ 43,047</u></u>	 <u><u>\$ 1,014,424</u></u>

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the District for the year ended June 30, 2025 was as follows:

	Restated Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities				
Capital Assets not Being Depreciated/Amortized				
Land	\$ 59,044	\$ -	\$ -	\$ 59,044
Capital Assets Being Depreciated/Amortized				
Land Improvements	325,180	1,378	-	326,558
Buildings and Improvements	4,919,813	158,231	-	5,078,044
Eligible Pupil Transportation	1,376,088	159,676	-	1,535,764
Equipment	1,657,022	23,250	-	1,680,272
Leased Eligible Pupil Transportation (Intangible Right to Use Asset)	46,968	-	-	46,968
Lease equipment (Intangible Right to Use Asset)	93,865	-	-	93,865
Total Capital Assets Being Depreciated/Amortized	<u>8,418,936</u>	<u>342,535</u>	<u>-</u>	<u>8,761,471</u>
Less Accumulated Depreciation/Amortization				
Land Improvements	(272,797)	(14,043)	-	(286,840)
Buildings and Improvements	(3,333,350)	(111,655)	-	(3,445,005)
Eligible Pupil Transportation	(921,600)	(96,203)	-	(1,017,803)
Equipment	(1,125,380)	(46,390)	-	(1,171,770)
Leased Eligible Pupil Transportation (Intangible Right to Use Asset)	(21,138)	(9,395)	-	(30,533)
Lease equipment (Intangible Right to Use Asset)	(30,749)	(19,420)	-	(50,169)
Total Accumulated Depreciation/Amortization	<u>(5,705,014)</u>	<u>(297,106)</u>	<u>-</u>	<u>(6,002,120)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>2,713,922</u>	<u>45,429</u>	<u>-</u>	<u>2,759,351</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,772,966</u>	<u>\$ 45,429</u>	<u>\$ -</u>	<u>\$ 2,818,395</u>

Depreciation/Amortization expense was charged to governmental activities as follows:

Administration	\$ 1,490
Elementary and Secondary Regular Instruction	7,522
Vocational Education Instruction	1,584
Community Education and Services	2,278
Instructional Support Services	158
Pupil Support Services	109,507
Sites and Buildings	157,900
Fiscal and Other Fixed Cost Programs	16,667
Total Depreciation/Amortization Expense	<u>\$ 297,106</u>

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Transfers

A transfer of \$261,046 as made from the General Fund to the Community Service fund to eliminate deficit fund balance restrictions primarily related to Daycare operations.

E. Long-term Liabilities

Lease Payable

Lease agreements are summarized as follows:

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
Passenger School Bus	\$ 46,968	5.0 %	04/01/22	5 years	\$ 10,440 Yearly	\$ 19,706
A&B Copiers	93,865	5.0	06/03/22	62 months	1,824 Monthly	46,584
Total						<u>\$ 66,290</u>

The District leased a 2008 Freightliner Thomas C2 72 Passenger School Bus to transport students. The lease commenced April 1, 2022 and continues until July 31, 2027. The District pays \$1,160 per school month, nine payments per year, for a total of \$10,440. The lease is paid at a fixed interest rate of 5.0 percent.

The District also leased 19 copiers used district-wide. The lease commenced on June 3, 2022 and continues until September 2, 2027. Payments are due monthly at a rate of \$1,824 and the lease liability is discounted at a fixed interest rate of 5.0 percent.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30	Lease Payable Governmental Activities		
	Principal	Interest	Total
2026	\$ 29,668	\$ 2,706	\$ 32,374
2027	31,185	1,188	32,373
2028	5,437	45	5,482
Total	<u>\$ 66,290</u>	<u>\$ 3,939</u>	<u>\$ 70,229</u>

Severance Payable

The District has current and retired employees who have qualified payout of severance. At the end of the current fiscal year, \$127,589 is reported as severance liability.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Long-term liability activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Lease Payable	\$ 94,513	\$ -	\$ (28,223)	\$ 66,290	\$ 29,668
Severance Payable	151,089	-	(23,500)	127,589	-
Governmental Activities Total Long-term Liabilities	<u>\$ 245,602</u>	<u>\$ -</u>	<u>\$ (51,723)</u>	<u>\$ 193,879</u>	<u>\$ 29,668</u>

F. Components of Fund Balance

At June 30, 2025, portions of the District's fund balance are not available for appropriation due to legal restrictions (Restricted) and policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Nonmajor Governmental	Total	Reconciling Items	UFARS Balance
Nonspendable					
Inventories	\$ -	\$ 22,713	\$ 22,713	\$ -	\$ 22,713
Prepaid items	25,942	-	25,942	-	25,942
Total	<u>\$ 25,942</u>	<u>\$ 22,713</u>	<u>\$ 48,655</u>	<u>\$ -</u>	<u>\$ 48,655</u>
Restricted					
Student activities	\$ 79,626	\$ -	\$ 79,626	\$ -	\$ 79,626
Scholarships	136,184	-	136,184	-	136,184
Staff development	28,538	-	28,538	-	28,538
Literacy incentive aid	48,049	-	48,049	-	48,049
Operating capital	195,971	-	195,971	-	195,971
Gifted and talented	30,096	-	30,096	-	30,096
English learner	73,479	-	73,479	-	73,479
Basic skills	127,905	-	127,905	-	127,905
Safe schools - crime levy	9,490	-	9,490	-	9,490
READ Act - Literacy Aid	18,201	-	18,201	-	18,201
READ Act - Teacher Training Compensation	624	-	624	-	624
Long-term facilities maintenance	141,178	-	141,178	-	141,178
Student support personnel aid	40,000	-	40,000	-	40,000
Medical assistance	119,011	-	119,011	-	119,011
Food service	-	138,248	138,248	-	138,248
Community education	-	-	-	(63,382)	(63,382)
Early childhood family education	-	54,485	54,485	-	54,485
Community service	-	8,897	8,897	-	8,897
Total	<u>\$ 1,048,352</u>	<u>\$ 201,630</u>	<u>\$ 1,249,982</u>	<u>\$ (63,382)</u>	<u>\$ 1,186,600</u>
Committed					
Roofing project	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 20,000</u>
Unassigned	<u>\$ 3,869,145</u>	<u>\$ (63,382)</u>	<u>\$ 3,805,763</u>	<u>\$ 63,382</u>	<u>\$ 3,869,145</u>

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Student Activities - This amount represents student activities resources.

Restricted for Scholarships - This amount represents available resources for scholarships. Revenues are derived from donations and investment earnings and expenditures are for scholarships.

Restricted for Staff Development - This amount represents unspent staff development revenues set aside from General Education revenues that were restricted for staff development.

Restricted for Literacy Incentive Aid - This amount represents available resources to support implementation of evidence-based reading instruction.

Restricted for Operating Capital - This amount represents resources in the General Fund to be used to purchase equipment and facilities.

Restricted for Gifted and Talented - This amount represents resources dedicated to providing challenging educational programs to gifted and talented students.

Restricted for English Learner - This amount represents resources dedicated to providing resources available for English learner students.

Restricted for Basic Skills - This amount represents resources dedicated to meeting the educational needs of pupils who enroll under-prepared to learn and have performance below the level appropriate for their age.

Restricted for Safe Schools - Crime Levy - This amount represents resources restricted for crime prevention and making schools safe for students and staff.

Restricted for READ Act Literacy Aid - This amount represents resources available for literacy aid for evidence-based literacy support for children in prekindergarten through grade 12 based on structured literacy.

Restricted for REAC Act Teacher Training Compensation - This amount represents resources available for teacher compensation for Read Act training.

Restricted for Long Term Facility Maintenance - This amount represents available resources for larger maintenance projects. Revenues are derived from State aids and expenditures are for maintenance.

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

Restricted for Medical Assistance - This amount represents available resources for medical assistance expenditures. Revenues are derived from State or Federal aids.

Restricted for Food Service - This amount represents available resources available for Food Services. Revenues are derived from State, Federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, supplies and materials.

Restricted for Community Education - This amount represents accumulated resources available to provide general community education programming.

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources to provide for ECFE programming.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 3: Detailed Notes on All Funds (Continued)

Restricted for Community Service – This amount represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, non-credit summer programs, youth development and youth service programming, early childhood family education, and extended day programs. Includes aids, levies, fees, grants, and all other revenues received by the school district for community education programs.

Committed for Roofing Project - This amount represents dollars earmarked for roofing improvements.

Unassigned amounts represent resources available to meet current and future years' expenditures.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide

A. Teacher Retirement Association (TRA)

1. Plan Description

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

Educators employed in Minnesota’s public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage within one year of eligible employment or elect coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing DCR plan is not a member of TRA except for purposes of social security coverage.

2. Benefits Provided

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any consecutive 60 months of formula service, age and years of formula service credit at termination of service. TRA members belong to either the Basic or Coordinated Plan.

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

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

With these provisions:

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

or

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for coordinated members and 2.7% per year for Basic members applies. An early retirement reduction is applied to members retiring prior to age 65. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) reduction rate applied.

Tier II:

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. After July 1, 2024, the age will change to not to exceed 65. An early retirement reduction is applied to members retiring before age 66, but will be age 65 after July 1, 2024. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) early retirement reduction rate applied.

Six different types of annuities are available to members upon retirement. The No Refund 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.

3. Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025, 2024, and 2023 were \$263,623, \$257,695, and \$231,418. The District's contributions were equal to the required contributions for each year as set by state statute.

4. Actuarial Assumptions

The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Experience Studies	August 2, 2023 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy Retirees	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled Retirees	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

*The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	<u>100.0 %</u>	

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Changes in the actuarial assumptions since the 2022 valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

5. Discount Rate

The discount rate used to measure the total pension liability was 7%. 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 2024 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. 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.

6. Net Pension Liability

On June 30, 2025, The District reported a liability of \$2,827,673 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.0445% at the end of the measurement period and 0.0426% for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	\$ 2,827,673
State's Proportionate Share of Net Pension Liability Associated with the District	<u>173,091</u>
 Total	 <u><u>\$ 3,000,764</u></u>

For the year ended June 30, 2025, the District recognized pension expense of \$228,232. It also recognized \$12,037 as an decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$78,394 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

On June 30, 2025, the District reported 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	\$ 135,010	\$ 36,022
Changes in Actuarial Assumptions	269,153	482,688
Net Difference Between Projected and Actual Investment Earnings	-	100,195
Changes in Proportion	130,723	-
Contributions Paid to PERA Subsequent to the Measurement Date	263,623	-
Total	\$ 798,509	\$ 618,905

The \$263,623 reported as deferred outflows of resources related to pensions resulting from District Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2025	\$ (159,169)
2026	249,299
2027	119,557
2028	(141,605)
2029	(112,453)
Thereafter	(39,648)

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate (preparer instructions: multiply the allocation % by TRA's sensitivity footnote info).

	District's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
Teachers Retirement Association	\$ 4,979,697	\$ 2,827,673	\$ 1,804,229

8. Pension Plan Fiduciary Net Position

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

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

B. Public Employees Retirement Association (PERA)

1. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 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. 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 prorated increase.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

3. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the years ending June 30, 2025, 2024 and 2023, were \$145,639, \$146,574 and \$118,636, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2025, the District reported a liability of \$857,742 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$22,179.

District's Proportionate Share of Net Pension Liability	\$ 857,742
State's Proportionate Share of Net Pension Liability Associated with the District	22,179
	879,921
Total	\$ 879,921

The net pension liability was measured as of June 30, 2025, 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 received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0232 percent at the end of the measurement period and 0.0199 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$109,438 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$590 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2025, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized \$39,464 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

At June 30, 2025, the District reported 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	\$ 76,631	\$ -
Changes in Actuarial Assumptions	3,411	466,299
Net Difference Between Projected and Actual Investment Earnings	-	64,770
Changes in Proportion	138,462	-
Contributions Paid to PERA Subsequent to the Measurement Date	145,639	-
Total	\$ 364,143	\$ 531,069

The \$145,639 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (194,533)
2026	(26,591)
2027	(69,549)
2028	(21,892)

5. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

6. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2023. The assumption changes were adopted by the board and became effective with the July 1, 2024 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

-The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

7. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plans were 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.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

8. Pension Liability Sensitivity

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

	District's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
General Employees Fund	\$ 1,873,448	\$ 857,742	\$ 22,232

9. Pension Plan Fiduciary Net Position

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

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The District administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the District’s group health insurance plan until Medicare age, which covers both active and retired members. There are 54 active participants and 1 retired participants. Benefit provisions are established through negotiations between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At June 30, 2025, the following employees were covered by the benefit terms:

Spouses receiving payments	1
Retirees receiving payments	1
Active Plan Members	50
 Total Plan Members	 52

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement.

For the year ended June 30, 2025, the District’s average contribution rate was 11.99 percent of covered-employee payroll. For the fiscal year 2025, the District contributed \$31,876 to the plan, while implicit contributions totaled \$17,399. The General fund is typically used to liquidate the governmental portion of the net OPEB obligation.

C. Actuarial Methods and Assumptions

The District’s total OPEB Liability of \$342,412 was measured as of July 1, 2024, and the OPEB Liability was determined by an actuarial valuation as of July 1, 2023. Roll forward procedures were used to roll forward the total OPEB Liability to the measurement date.

The total OPEB Liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.10%
20-Year Municipal Bond Yield	4.10%
Inflation Rate	2.50%
Salary Increases	See sample rates in actuarial valuation report
Medical Trend Rate	6.25% in 2024 grading to 5.00% over 5 years and then to 4.00% over the next 48 years
Discount Trend Rate	N/A

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

Future retiree electing coverage for retiree plan participation pre-65 subsidy not available is 25%. Percent of future retirees electing coverage for retirees pre-65 spouse coverage not available is 25%.

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Net OPEB Liability
Balances at June 30, 2024	\$ 361,651
Changes for the Year	
Service Costs	11,913
Interest Costs	13,755
Assumption Changes	(2,776)
Benefit Payment	(42,131)
Net Changes	(19,239)
 Balances at June 30, 2025	 \$ 342,412

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.90% to 4.10%

Since the prior measurement date, the following benefit terms changed:

- None

Since the prior measurement date, the following plan provisions changed:

- None

E. Sensitivity of the Net OPEB Liability

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 one percentage point lower or one percentage point higher than the current discount rate:

1 Percent Decrease 3.1%	Discount Rate Current 4.1%	1 Percent Increase 5.1%
\$ 358,482	\$ 342,412	\$ 327,041

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

1 Percent Decrease 5.25% Decreasing to 4.00% then 3.00%	Healthcare Cost Trend Rates 6.25% Decreasing to 5.00% then 4.00%	1 Percent Increase 7.25% Decreasing to 6.00% then 5.00%
\$ 318,510	\$ 342,412	\$ 370,019

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

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

For the year ended June 30, 2025, the District Recognized negative OPEB expense of \$55,257. At June 30, 2025, 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	\$ 10,140	\$ 5,670
Changes in Actuarial Assumptions	3,749	11,462
Contributions Paid to OPEB Subsequent to the Measurement Date	49,275	-
Total	\$ 63,164	\$ 17,132

Deferred outflows of resources totaling \$49,275 related to pensions resulting from the District's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability as of June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

2026		\$ (825)
2027		(825)
2028		(826)
2029		(185)
2030		(188)
Thereafter		(394)

Independent School District No. 2898
Westbrook, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 6: Other Information

Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

Note 7: 403(b) Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Some employees are eligible to receive a match of employee contributions up to the qualifying amounts set forth in their Wage and Benefit Guidelines. Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2025, 2024 and 2023 were \$29,900, \$29,019 and \$34,182, respectively. The related employee contributions were \$67,264, \$71,635 and \$81,482 for the years ended June 30, 2025, 2024 and 2023, respectively.

Note 8: Subsequent Event

On August 12, 2025, the District authorized the issuance of \$3,000,000 in a bond referendum. The District plans to issue the bonds in calendar year 2026.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2898
WESTBROOK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2898

Westbrook, Minnesota

Required Supplementary Information

For the Year Ended June 30, 2025

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0445 %	\$ 2,827,673	\$ 173,091	\$ 3,000,764	\$ 2,945,086	96.0 %	82.1 %
6/30/2023	0.0426	3,517,151	246,195	3,763,346	2,706,638	129.9	76.4
6/30/2022	0.0446	3,571,332	264,746	3,836,078	2,755,814	129.6	76.2
6/30/2021	0.0420	1,838,046	154,875	1,992,921	2,512,693	73.2	86.6
6/30/2020	0.0423	3,125,181	261,643	3,386,824	2,459,681	127.1	75.5
6/30/2019	0.0422	2,689,837	237,863	2,927,700	2,397,898	112.2	78.2
6/30/2018	0.0411	2,580,738	242,204	2,822,942	2,270,091	113.7	78.1
6/30/2017	0.0423	8,443,847	816,433	9,260,280	2,274,716	371.2	51.6
6/30/2016	0.0436	10,399,640	1,851,052	12,250,692	2,266,556	458.8	44.9
6/30/2015	0.0470	2,907,415	608,958	3,516,373	2,110,799	137.7	76.8

Schedule of Employer's TRA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 263,623	\$ 263,623	\$ -	\$ 3,012,835	8.75 %
6/30/2024	257,695	257,695	-	2,945,086	8.75
6/30/2023	231,418	231,418	-	2,706,638	8.55
6/30/2022	229,835	229,835	-	2,755,814	8.34
6/30/2021	204,282	204,282	-	2,512,693	8.13
6/30/2020	194,807	194,807	-	2,459,681	7.92
6/30/2019	184,878	184,878	-	2,397,898	7.71
6/30/2018	170,257	170,257	-	2,270,091	7.50
6/30/2017	170,604	170,604	-	2,274,716	7.50
6/30/2016	169,992	169,992	-	2,266,556	7.50

Independent School District No. 2898
Westbrook, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2024
Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family. Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience. Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience. Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience. Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

2023
The 2023 Tax Finance and Policy Bill, effective July 1, 2025 and The 2024 Omnibus Pensions and Retirement Bill contained a number of changes. The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025. The employee contribution rate will increase from 7.75% to 8% on July 1, 2025. The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024. TRA's amortization date will remain the same at 2048. The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

2022
No changes noted.

2021
The investment return assumption was changed from 7.50 percent to 7.00 percent.

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

2019
No changes noted.

2018
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
The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016
The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 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
The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014
The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Independent School District No. 2898
Westbrook, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2024
No changes noted.

2023
No changes noted.

2022
No changes noted.

2021
No changes noted.

2020
No changes noted.

2019
No changes noted.

2018
The 2018 Omnibus Pension Bill contained a number of changes: The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028. Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt. The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated. 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 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018. The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017
No changes noted.

2016
No changes noted.

2015
On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA. This also resulted in a state-provided contribution stream of \$14.377 million until the System becomes fully funded.

2014
The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Independent School District No. 2898
Westbrook, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the 0.0411 (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2024	0.0232 %	\$ 857,742	\$ 22,179	\$ 879,921	\$ 1,954,317	43.9 %	86.7 %
6/30/2023	0.0199	1,112,786	30,603	1,143,389	1,581,813	70.3	83.1
6/30/2022	0.0189	1,496,886	43,762	1,540,648	1,412,235	106.0	76.7
6/30/2021	0.0174	743,058	22,652	765,710	1,253,383	59.3	87.0
6/30/2020	0.0172	1,031,219	31,745	1,062,964	1,226,672	84.1	79.0
6/30/2019	0.0165	912,248	35,998	948,246	1,169,156	78.0	80.2
6/30/2018	0.0187	1,037,399	38,762	1,076,161	1,255,739	82.6	79.5
6/30/2017	0.0176	1,123,572	16,832	1,140,404	1,133,452	99.1	75.9
6/30/2016	0.0172	1,396,555	23,343	1,419,898	1,068,573	130.7	68.9
6/30/2015	0.0178	922,488	-	922,488	1,031,598	89.4	78.2

Schedule of Employer's PERA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/2025	\$ 145,639	\$ 145,639	\$ -	\$ 1,941,853	7.50 %
6/30/2024	146,574	146,574	-	1,954,317	7.50
6/30/2023	118,636	118,636	-	1,581,813	7.50
6/30/2022	105,918	105,918	-	1,412,235	7.50
6/30/2021	94,004	94,004	-	1,253,383	7.50
6/30/2020	92,000	92,000	-	1,226,672	7.50
6/30/2019	87,687	87,687	-	1,169,156	7.50
6/30/2018	94,180	94,180	-	1,255,739	7.50
6/30/2017	85,009	85,009	-	1,133,452	7.50
6/30/2016	80,143	80,143	-	1,068,573	7.50

Independent School District No. 2898
Westbrook, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2024

The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023

The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

2022

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

2021

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

The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019

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

2018

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

The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016

The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 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

The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Independent School District No. 2898
Westbrook, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

- 2024
The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.
- 2023
An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024 was eliminated. A one-time non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- 2022
There were no changes in plan provisions since the previous valuation.
- 2021
There were no changes in plan provisions since the previous valuation.
- 2020
Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.
- 2019
The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.
- 2018
The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.
- 2017
The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.
- 2016
There were no changes in plan provisions since the previous valuation.
- 2015
On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Independent School District No. 2898
Westbrook, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Changes in the District's OPEB Liability and Related Ratios

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Costs	\$ 11,913	\$ 11,925	\$ 11,661	\$ 11,321	\$ 8,764	\$ 8,509	\$ 9,336	\$ 9,064
Interest Costs	13,755	2,726	2,543	3,684	3,490	4,286	4,040	3,744
Assumption Changes	(2,776)	(12,717)	-	8,749	-	(3,463)	-	-
Plan Changes	-	229,352	-	-	-	-	-	-
Differences between expected and actual experience	-	14,198	-	(13,230)	-	(15,663)	-	-
Benefit Payment	(42,131)	(3,370)	(8,124)	(9,084)	(8,048)	(6,732)	(3,925)	(4,832)
Net Change in Total OPEB Liability	(19,239)	242,114	6,080	1,440	4,206	(13,063)	9,451	7,976
Total OPEB Liability - Beginning	361,651	119,537	113,457	112,017	107,811	120,874	111,423	103,447
Total OPEB Liability - Ending	<u>\$ 342,412</u>	<u>\$ 361,651</u>	<u>\$ 119,537</u>	<u>\$ 113,457</u>	<u>\$ 112,017</u>	<u>\$ 107,811</u>	<u>\$ 120,874</u>	<u>\$ 111,423</u>
Covered - Employee Payroll	\$ 2,856,824	\$ 2,773,616	\$ 2,834,666	\$ 2,752,103	\$ 2,617,787	\$ 2,541,541	\$ 2,362,938	\$ 2,362,938
City's total OPEB liability as a percentage of covered employee payroll	11.99 %	13.04 %	4.22 %	4.12 %	4.28 %	4.24 %	5.12 %	4.72 %

Note: This schedule intended to show 10-year trends. Additional years will be reported as they become available.

Independent School District No. 2898
Westbrook, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Changes in the District's OPEB Liability and Related Ratios (Continued)

Changes in assumptions:

2025

The discount rate was changed from 3.90% to 4.10%

2024

The discount rate was changed from 2.10% to 3.90% based on updated 20-year municipal bond rates. The inflation rate was changed from 2.00% to 2.50%. Healthcare trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

2023

No changes noted.

2022

The discount rate was changed from 3.10% to 2.10% based on updated 20-year municipal bond rates. The inflation rate was changed from 2.50% to 2.00%. Healthcare trend rates were changed to better anticipate short term and long term medical increases. The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2020 Generational Improvement Scale. Withdrawal rates were updated to reflect the latest experience study. The salary increase rates for non-teachers were updated to reflect the latest experience study.

2021

The discount rate was changed from 3.40% to 3.10% based on updated 20-year municipal bond rates. 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-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale. The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.

Changes in Plan Provisions:

None

Changes in benefits:

None

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COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2898
WESTBROOK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

Independent School District No. 2898
Westbrook, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2025

	Special Revenue		Total
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 146,538	\$ 85,794	\$ 232,332
Receivables			
Taxes	-	26,613	26,613
Interest	-	6,500	6,500
Intergovernmental	10,263	3,350	13,613
Inventories	22,713	-	22,713
	<u>22,713</u>	<u>-</u>	<u>22,713</u>
Total Assets	<u><u>\$ 179,514</u></u>	<u><u>\$ 122,257</u></u>	<u><u>\$ 301,771</u></u>
Liabilities			
Accounts and other payables	\$ 4,848	\$ 6,769	\$ 11,617
Salaries and wages payable	9,499	64,734	74,233
Unearned revenue	4,206	-	4,206
Total Liabilities	<u>18,553</u>	<u>71,503</u>	<u>90,056</u>
Deferred Inflows of Resources			
Unavailable revenue			
Delinquent property taxes	-	7,707	7,707
Property taxes levied for subsequent year	-	43,047	43,047
Total Deferred Inflows of Resources	<u>-</u>	<u>50,754</u>	<u>50,754</u>
Fund Balances			
Nonspendable			
Inventories	22,713	-	22,713
Restricted			
Food service	138,248	-	138,248
Early childhood family education	-	54,485	54,485
Community service	-	8,897	8,897
Unassigned	-	(63,382)	(63,382)
Total Fund Balances	<u>160,961</u>	<u>-</u>	<u>160,961</u>
	<u>160,961</u>	<u>-</u>	<u>160,961</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 179,514</u></u>	<u><u>\$ 122,257</u></u>	<u><u>\$ 301,771</u></u>

Independent School District No. 2898
Westbrook, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2025

	Special Revenue		Total
	Food Service	Community Service	
Revenues			
Local property tax levies	\$ -	\$ 39,281	\$ 39,281
Other local and county revenue	1,741	477,089	478,830
Revenue from state sources	117,075	68,597	185,672
Revenue from federal sources	396,338	16,189	412,527
Sales and other conversion of assets	20,213	-	20,213
Total Revenues	<u>535,367</u>	<u>601,156</u>	<u>1,136,523</u>
Expenditures			
Current			
Community education and services	-	848,373	848,373
Pupil support services	514,812	-	514,812
Capital outlay			
Community education and services	-	5,003	5,003
Total Expenditures	<u>514,812</u>	<u>853,376</u>	<u>1,368,188</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,555	(252,220)	(231,665)
Other Financing Sources (Uses)			
Transfers in	-	261,046	261,046
Net Change in Fund Balances	20,555	8,826	29,381
Fund Balances, July 1	<u>140,406</u>	<u>(8,826)</u>	<u>131,580</u>
Fund Balances, June 30	<u>\$ 160,961</u>	<u>\$ -</u>	<u>\$ 160,961</u>

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Independent School District No. 2898
Westbrook, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended June 30, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024

	2025			2024	
	Budgeted Amounts		Actual	Variance With Final Budget	Actual
	Original	Final			
Revenues					
Local property tax levies	\$ 1,014,198	\$ 1,013,219	\$ 1,026,497	\$ 13,278	\$ 1,098,853
Other local and county revenue	565,885	512,744	494,296	(18,448)	629,185
Interest earned on investments	130,950	101,000	196,261	95,261	176,362
Revenue from state sources	6,204,469	6,394,222	6,912,946	518,724	6,435,863
Revenue from federal sources	213,803	256,555	319,021	62,466	663,532
Sales and other conversion of assets	4,547	2,584	4,172	1,588	4,835
Total Revenues	<u>8,133,852</u>	<u>8,280,324</u>	<u>8,953,193</u>	<u>672,869</u>	<u>9,008,630</u>
Expenditures					
Current					
Administration					
Salaries	446,949	429,500	431,475	(1,975)	412,810
Employee benefits	192,728	197,278	194,414	2,864	177,153
Purchased services	66,300	64,900	61,185	3,715	65,531
Supplies and materials	28,200	27,200	13,814	13,386	25,268
Other expenditures	9,200	7,868	17,044	(9,176)	11,142
Total administration	<u>743,377</u>	<u>726,746</u>	<u>717,932</u>	<u>8,814</u>	<u>691,904</u>
District support services					
Salaries	110,000	110,000	104,617	5,383	106,640
Employee benefits	56,915	88,465	94,952	(6,487)	60,750
Purchased services	22,867	26,067	59,303	(33,236)	23,241
Supplies and materials	2,000	2,000	679	1,321	1,089
Other expenditures	14,000	13,390	13,675	(285)	13,872
Total district support services	<u>205,782</u>	<u>239,922</u>	<u>273,226</u>	<u>(33,304)</u>	<u>205,592</u>
Elementary and secondary regular instruction					
Salaries	2,644,760	2,590,286	2,552,474	37,812	2,484,562
Employee benefits	726,506	746,938	711,886	35,052	708,322
Purchased services	287,090	315,803	305,106	10,697	266,668
Supplies and materials	402,946	390,491	410,643	(20,152)	463,166
Other expenditures	2,700	2,700	68,103	(65,403)	649
Total elementary and secondary regular instruction	<u>4,064,002</u>	<u>4,046,218</u>	<u>4,048,212</u>	<u>(1,994)</u>	<u>3,923,367</u>
Vocational education instruction					
Salaries	86,174	90,174	87,680	2,494	79,711
Employee benefits	29,354	29,374	28,726	648	25,479
Supplies and materials	6,000	6,000	2,147	3,853	12,996
Other expenditures	-	-	2,480	(2,480)	-
Total vocational education instruction	<u>121,528</u>	<u>125,548</u>	<u>121,033</u>	<u>4,515</u>	<u>118,186</u>
Special education instruction					
Salaries	730,400	664,750	650,946	13,804	701,578
Employee benefits	168,688	168,413	161,686	6,727	152,339
Purchased services	141,147	150,792	190,018	(39,226)	260,123
Supplies and materials	7,550	8,250	6,022	2,228	6,926
Other expenditures	-	-	12,973	(12,973)	-
Total special education instruction	<u>1,047,785</u>	<u>992,205</u>	<u>1,021,645</u>	<u>(29,440)</u>	<u>1,120,966</u>

Independent School District No. 2898
Westbrook, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended June 30, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024

	2025			Variance With Final Budget	2024
	Budgeted Amounts		Actual		Actual
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	\$ 82,300	\$ 92,000	\$ 82,373	\$ 9,627	\$ 56,633
Employee benefits	13,665	15,203	12,969	2,234	8,732
Purchased services	27,500	46,045	56,189	(10,144)	69,065
Supplies and materials	20,300	31,270	19,836	11,434	16,227
Other expenditures	-	-	724	(724)	-
Total instructional support services	<u>143,765</u>	<u>184,518</u>	<u>172,091</u>	<u>12,427</u>	<u>150,657</u>
Pupil support services					
Salaries	284,380	249,500	266,163	(16,663)	321,240
Employee benefits	51,983	37,586	36,390	1,196	48,025
Purchased services	163,500	155,000	10,273	144,727	41,811
Supplies and materials	106,750	87,050	84,202	2,848	104,672
Other expenditures	-	-	2,696	(2,696)	364
Total pupil support services	<u>606,613</u>	<u>529,136</u>	<u>399,724</u>	<u>129,412</u>	<u>516,112</u>
Sites and buildings					
Salaries	350,000	370,000	351,306	18,694	353,998
Employee benefits	62,961	66,461	56,528	9,933	58,680
Purchased services	477,700	483,910	359,220	124,690	310,424
Supplies and materials	83,500	83,500	90,744	(7,244)	85,646
Other expenditures	3,400	3,400	3,223	177	3,341
Total sites and buildings	<u>977,561</u>	<u>1,007,271</u>	<u>861,021</u>	<u>146,250</u>	<u>812,089</u>
Fiscal and other fixed cost programs					
Purchased services	<u>186,000</u>	<u>174,000</u>	<u>170,144</u>	<u>3,856</u>	<u>143,101</u>
Total current	<u>8,096,413</u>	<u>8,025,564</u>	<u>7,785,028</u>	<u>240,536</u>	<u>7,681,974</u>
Capital outlay					
Administration	3,500	3,500	172	3,328	3,210
District support services	2,000	2,000	-	2,000	2,957
Elementary and secondary regular instruction	84,230	84,804	90,554	(5,750)	50,246
Special education instruction	-	-	-	-	1,174
Instructional support services	-	-	-	-	12,663
Pupil support services	168,000	164,536	171,245	(6,709)	88,307
Site and buildings	177,411	219,925	175,216	44,709	334,617
Total capital outlay	<u>435,141</u>	<u>474,765</u>	<u>437,187</u>	<u>37,578</u>	<u>493,174</u>
Debt service					
Principal	21,933	21,933	28,223	(6,290)	26,849
Interest	-	-	4,035	(4,035)	5,415
Total debt service	<u>21,933</u>	<u>21,933</u>	<u>32,258</u>	<u>(10,325)</u>	<u>32,264</u>
Total Expenditures	<u>8,553,487</u>	<u>8,522,262</u>	<u>8,254,473</u>	<u>267,789</u>	<u>8,207,412</u>

Independent School District No. 2898
 Westbrook, Minnesota
 General Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Continued)
 For the Year Ended June 30, 2025
 With Comparative Actual Amounts for the Year Ended June 30, 2024

	2025			2024	
	Budgeted Amounts		Actual	Variance With Final Budget	Actual
	Original	Final			
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (419,635)	\$ (241,938)	\$ 698,720	\$ 940,658	\$ 801,218
Other Financing Sources (Uses)					
Insurance recovery proceeds	-	-	9,330	9,330	3,976
Sale of capital assets	1,000	-	-	-	250
Transfers out	-	-	(261,046)	(261,046)	(207,257)
Total Other Financing Sources (Uses)	1,000	-	(251,716)	(251,716)	(203,031)
Net Change in Fund Balances	(418,635)	(241,938)	447,004	688,942	598,187
Fund Balances, July 1	4,516,435	4,516,435	4,516,435	-	3,918,248
Fund Balances, June 30	\$ 4,097,800	\$ 4,274,497	\$ 4,963,439	\$ 688,942	\$ 4,516,435

Independent School District No. 2898
Westbrook, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024

	2025			2024	
	Budgeted Amounts		Actual	Variance With Final Budget	Actual
	Original	Final			
Revenues					
Other local and county revenue	\$ 1,500	\$ 1,000	\$ 1,741	\$ 741	\$ 2,501
Revenue from state sources	113,150	125,388	117,075	(8,313)	117,256
Revenue from federal sources	370,050	417,335	396,338	(20,997)	432,136
Sales and other conversion of assets	16,500	17,410	20,213	2,803	22,032
Total Revenues	<u>501,200</u>	<u>561,133</u>	<u>535,367</u>	<u>(25,766)</u>	<u>573,925</u>
Expenditures					
Current					
Pupil support services					
Salaries	187,500	189,500	166,914	22,586	178,539
Employee benefits	28,426	28,816	25,091	3,725	26,587
Purchased services	16,500	16,500	8,716	7,784	6,295
Supplies and materials	313,500	304,500	314,091	(9,591)	365,140
Total current	<u>545,926</u>	<u>539,316</u>	<u>514,812</u>	<u>24,504</u>	<u>576,561</u>
Capital outlay					
Pupil support services	10,000	10,000	-	10,000	5,779
Total Expenditures	<u>555,926</u>	<u>549,316</u>	<u>514,812</u>	<u>34,504</u>	<u>582,340</u>
Net Change in Fund Balances	(54,726)	11,817	20,555	8,738	(8,415)
Fund Balances, July 1	<u>140,406</u>	<u>140,406</u>	<u>140,406</u>	<u>-</u>	<u>148,821</u>
Fund Balances, June 30	<u>\$ 85,680</u>	<u>\$ 152,223</u>	<u>\$ 160,961</u>	<u>\$ 8,738</u>	<u>\$ 140,406</u>

Independent School District No. 2898
Westbrook, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2025
With Comparative Actual Amounts for the Year Ended June 30, 2024

	2025			2024	
	Budgeted Amounts		Actual	Variance With Final Budget	Actual
	Original	Final			
Revenues					
Local property tax levies	\$ 39,289	\$ 37,517	\$ 39,281	\$ 1,764	\$ 126
Other local and county revenue	336,500	349,300	477,089	127,789	367,669
Revenue from state sources	59,586	69,260	68,597	(663)	60,495
Revenue from federal sources	13,900	13,000	16,189	3,189	90,032
Total Revenues	<u>449,275</u>	<u>469,077</u>	<u>601,156</u>	<u>132,079</u>	<u>518,322</u>
Expenditures					
Current					
Community education and services					
Salaries	627,700	624,200	638,681	(14,481)	588,684
Employee benefits	110,213	120,290	122,210	(1,920)	97,975
Purchased services	17,550	17,550	21,766	(4,216)	12,943
Supplies and materials	70,100	64,384	65,716	(1,332)	60,296
Total current	<u>825,563</u>	<u>826,424</u>	<u>848,373</u>	<u>(21,949)</u>	<u>759,898</u>
Capital outlay					
Community education and services	9,000	9,000	5,003	3,997	2,587
Total Expenditures	<u>834,563</u>	<u>835,424</u>	<u>853,376</u>	<u>(17,952)</u>	<u>762,485</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures					
	(385,288)	(366,347)	(252,220)	114,127	(244,163)
Other Financing Sources (Uses)					
Operating transfers in	-	-	261,046	261,046	207,257
Net Change in Fund Balances					
	(385,288)	(366,347)	8,826	375,173	(36,906)
Fund Balances, July 1					
	(8,826)	(8,826)	(8,826)	-	28,080
Fund Balances, June 30					
	<u>\$ (394,114)</u>	<u>\$ (375,173)</u>	<u>\$ -</u>	<u>\$ 375,173</u>	<u>\$ (8,826)</u>

Fiscal Compliance Report - 6/30/2025
District: WESTBROOK-WALNUT GROVE S (2898-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	\$8,953,193	<u>\$8,953,174</u>	<u>\$19</u>
Total Expenditures	\$8,254,473	<u>\$8,254,454</u>	<u>\$19</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$25,942	<u>\$25,942</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$79,626	<u>\$79,627</u>	<u>(\$1)</u>
4.02 Scholarships	\$136,184	<u>\$136,185</u>	<u>(\$1)</u>
4.03 Staff Development	\$28,538	<u>\$28,538</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.12 Literacy Incentive Aid	\$48,049	<u>\$48,049</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>
4.20 American Indian Education Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.24 Operating Capital	\$195,971	<u>\$195,971</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$30,096	<u>\$30,095</u>	<u>\$1</u>
4.39 English Learner	\$73,479	<u>\$73,479</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$127,905	<u>\$127,904</u>	<u>\$1</u>
4.43 School Library Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.49 Safe Schools Levy	\$9,490	<u>\$9,489</u>	<u>\$1</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retiremt Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$18,201	<u>\$18,201</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$624	<u>\$624</u>	<u>\$0</u>
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$141,178	<u>\$141,178</u>	<u>\$0</u>
4.71 Student Support Personnel Aid	\$40,000	<u>\$40,000</u>	<u>\$0</u>
4.72 Medical Assistance	\$119,011	<u>\$119,011</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>			
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$20,000	<u>\$20,000</u>	<u>\$0</u>
<i>Assigned:</i>			
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	\$3,869,145	<u>\$3,869,147</u>	<u>(\$2)</u>

02 FOOD SERVICES

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

18 CUSTODIAL

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

20 INTERNAL SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>

Total Revenue	\$535,367	<u>\$535,367</u>	<u>\$0</u>
Total Expenditures	\$514,812	<u>\$514,811</u>	<u>\$1</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$22,713	<u>\$22,713</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$138,248	<u>\$138,250</u>	<u>(\$2)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

04 COMMUNITY SERVICE

Total Revenue	\$601,156	<u>\$601,156</u>	<u>\$0</u>
Total Expenditures	\$853,376	<u>\$853,375</u>	<u>\$1</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	(\$63,382)	<u>(\$63,382)</u>	<u>\$0</u>
4.32 E.C.F.E	\$54,485	<u>\$54,485</u>	<u>\$0</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$0	<u>\$0</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$8,897	<u>\$8,898</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
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45 OPEB IRREVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2898
WESTBROOK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Members of the School Board
Independent School District No. 2898
Westbrook, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Independent School District No. 2898, Westbrook, Minnesota, (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements and have issued our report thereon dated October 6, 2025.

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

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



Abdo
Mankato, Minnesota
October 6, 2025

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

Members of the School Board
Independent School District No. 2898
Westbrook, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Independent School District No. 2898, Westbrook, Minnesota (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements and have issued our report thereon dated October 6, 2025.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the Schedule of Findings and Responses as findings 2025-001 and 2025-002 to be significant deficiencies.

Report on Compliance and Other Matters

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

Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Abdo
Mankato, Minnesota
October 6, 2025



Independent School District No. 2898

Westbrook, Minnesota

Schedule of Findings and Responses

For the Year Ended June 30, 2025

Finding

Description

2025-001

Financial Report Preparation

Condition:

We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria:

Internal controls should be in place to provide reasonable assurance over financial reporting.

Cause:

From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.

Effect:

The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.

Recommendation:

It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.

Management Response:

Management is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of small districts. Each year, the District has a presentation from our auditor to the Board of Education after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight of management and Board to monitor the deficiency.

Updated Progress Since Prior Year:

No progress has been made in addressing this finding in the current year.

Independent School District No. 2898
Westbrook, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2025-002	Segregation of Duties
<i>Condition:</i>	During our audit, we found that the District has a limited segregation of duties related to many aspects of its accounting systems and journal entry process.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	There is a limited amount of office employees in the finance function.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
<i>Recommendation:</i>	Under these circumstances the most effective controls lie in 1) managements knowledge of the District's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the District evaluate its controls and make any changes considered necessary. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management Response:</i>	
	There is no disagreement with the audit finding.
<i>Updated Progress Since Prior Year:</i>	
	No progress has been made in addressing this finding in the current year.

Westbrook Walnut Grove School ISD 2898



Loy Woelber
WWG Schools
Superintendent
344 8th Street
PO Box 129
Westbrook, MN 56183

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(507) 274-6113 Fax
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Principal
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WWG High School
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2025-001 Financial Report Preparation

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

For now, the District's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

Official Responsible for Ensuring CAP:

Loy Woelber, Superintendent, is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

Continuous.

Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

A handwritten signature in black ink that reads 'Loy Woelber'.

Loy Woelber
Superintendent

Westbrook Walnut Grove School ISD 2898



Loy Woelber
WWG Schools
Superintendent
344 8th Street
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2025-002 Segregation of Duties

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District reviews and makes improvements to its internal control structure on an ongoing basis and attempts to maximize the segregation of duties in all areas with the limited staff available.

Official Responsible for Ensuring CAP:

Loy Woelber, Superintendent, is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

Continuous.

Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

A handwritten signature in cursive script that reads 'Loy Woelber'.

Loy Woelber
Superintendent

Independent School District No. 2898
Westbrook, Minnesota
Schedule of Prior Year Findings and Responses
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2024-001	Financial Report Preparation
<i>Condition:</i>	We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.
<i>Management Response:</i>	Management is aware of the control deficiency, which is an unavoidable consequence of the financial restrictions of small districts. Each year, the District has a presentation from our auditor to the Board of Education after the audit is performed. Management recognizes that it is not economically feasible to fully correct this finding; it is aware of the deficiency and is relying on oversight of management and Board to monitor the deficiency.
<i>Updated Progress Since Prior Year:</i>	No progress has been made in addressing this finding in the current year.

Independent School District No. 2898
Westbrook, Minnesota
Schedule of Prior Year Findings and Responses (Continued)
For the Year Ended June 30, 2025

<u>Finding</u>	<u>Description</u>
2024-002	Segregation of Duties
<i>Condition:</i>	During our audit, we found that the District has a limited segregation of duties related to many aspects of its accounting systems.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	There is a limited amount of office employees in the finance function.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in segregation of duties and internal controls can result in undetected errors or misappropriation of assets of the District.
<i>Recommendation:</i>	Under these circumstances the most effective controls lie in 1) managements knowledge of the District's financial operations and 2) striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction. We recommend the District evaluate its controls and make any changes considered necessary. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.
<i>Management Response:</i>	
	There is no disagreement with the audit finding.
<i>Updated Progress Since Prior Year:</i>	
	No progress has been made in addressing this finding in the current year.

FORM OF LEGAL OPINION

(See following pages)



150 South Fifth Street, Suite 700
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Affirmative Action, Equal Opportunity Employer

\$ _____
INDEPENDENT SCHOOL DISTRICT NO. 2898
(WESTBROOK-WALNUT GROVE SCHOOLS)
COTTONWOOD, MURRAY, AND REDWOOD COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2026A

We have acted as bond counsel to Independent School District No. 2898 (Westbrook-Walnut Grove Schools), Cottonwood, Murray, and Redwood Counties, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation School Building Bonds, Series 2026A (the "Bonds"), originally dated _____, 2026, and issued in the original aggregate principal amount of \$ _____. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

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

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

5. The resolution adopted by the School Board of the Issuer on February 23, 2026, 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 _____, 2026, at Minneapolis, Minnesota.

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.

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

§ _____
INDEPENDENT SCHOOL DISTRICT NO. 2898
(WESTBROOK-WALNUT GROVE SCHOOLS)
COTTONWOOD, MURRAY, AND REDWOOD COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2026A

CONTINUING DISCLOSURE CERTIFICATE

_____, 2026

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Independent School District No. 2898 (Westbrook-Walnut Grove Schools), Cottonwood, Murray, and Redwood Counties, Minnesota (the “District”), in connection with the issuance of its General Obligation School Building Bonds, Series 2026A (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 [Purchaser][, as syndicate manager]. (the “Purchaser”), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

“Annual Report” means the District’s Audited Financial Statements.

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

“Bonds” means the General Obligation School Building Bonds, Series 2026A, issued by the District in the original aggregate principal amount of \$_____.

“Disclosure Certificate” means this Continuing Disclosure Certificate.

“District” means Independent School District No. 2898 (Westbrook-Walnut Grove Schools), Cottonwood, Murray, and Redwood Counties, Minnesota, which is the obligated person with respect to the Bonds.

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

“Final Official Statement” means the Final Official Statement, dated _____, 2026, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

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

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

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

“GASB” means the Governmental Accounting Standards Board.

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

“Material Event” means any of the events listed in Section 4(a) of this Disclosure Certificate.

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

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

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

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

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

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

Section 3. Provision of Annual Report.

(a) The District shall provide the Annual Report to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2026. The Annual Report may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must also be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference.

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

Section 4. Reporting of Material Events.

(a) This Section 4 shall govern the giving of notice of the occurrence of any of the following events (“Material Events”) with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

Section 5. EMMA. The SEC has designated EMMA as a nationally-recognized municipal securities information repository and the exclusive portal for complying with the continuing disclosure requirements of the Rule. Until the EMMA system is amended or altered by the MSRB and the SEC, the District shall make all filings required under this Disclosure Certificate solely with EMMA.

Section 6. Termination of Reporting Obligation. The District's obligations under the Resolution and this Disclosure Certificate shall terminate upon the redemption in full of all Bonds or payment in full of all Bonds.

Section 7. Agent. The District may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally-recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause a violation of the Rule. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate, or any provision hereof, shall be null and void in the event that the District delivers to the Repository an opinion of nationally-recognized bond counsel to the effect that those portions of the Rule which impose the continuing disclosure requirements of the Resolution and the execution and delivery of this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. The provisions of the Resolution requiring continuing disclosure pursuant to the Rule and this Disclosure Certificate may be amended without the consent of the Holders of the Bonds, but only upon the delivery by the District to the Repository of the proposed amendment and an opinion of nationally-recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect compliance with the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Participating Underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

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. 2898
(WESTBROOK-WALNUT GROVE SCHOOLS),
COTTONWOOD, MURRAY, AND REDWOOD
COUNTIES, MINNESOTA**

Board Chair

Clerk

Continuing Disclosure Certificate
Independent School District No. 2898 (Westbrook-Walnut Grove Schools)
Cottonwood, Murray, and Redwood Counties, Minnesota
General Obligation School Building Bonds, Series 2026A

TERMS OF PROPOSAL

**\$3,000,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, SERIES 2026A
INDEPENDENT SCHOOL DISTRICT NO. 2898
(WESTBROOK-WALNUT GROVE SCHOOLS), MINNESOTA**

Proposals for the purchase of \$3,000,000* General Obligation School Building Bonds, Series 2026A (the "Bonds") of Independent School District No. 2898 (Westbrook-Walnut Grove Schools), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, 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 March 16, 2026, 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, Chapter 475, as amended, and a special election held August 12, 2025, by the District, for the purpose of financing the acquisition and betterment of school sites and facilities 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 April 9, 2026, 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:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2027	\$260,000	2031	\$300,000	2035	\$340,000
2028	245,000	2032	315,000	2036	360,000
2029	260,000	2033	310,000		
2030	285,000	2034	325,000		

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, 2027, 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, Minneapolis, 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 April 9, 2026, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$3,000,000 plus accrued interest on the principal sum of \$3,000,000 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 \$60,000 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 Deposit will be deducted from the purchase price at the closing for the Bonds.

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 (5th) 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 (5th) 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) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the District, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date 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 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, Telephone (651) 697-8500.

By Order of the School Board

Independent School District No. 2898
(Westbrook-Walnut Grove Schools), Minnesota

PROPOSAL FORM

The School Board

March 16, 2026

Independent School District No. 2898 (Westbrook-Walnut Grove Schools), Minnesota (the "District")

RE: \$3,000,000* General Obligation School Building Bonds, Series 2026A (the "Bonds")

DATED: April 9, 2026

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Official Statement, we will pay you \$ _____ (not less than \$3,000,000) 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	2031	_____ % due	2035
_____ % due	2028	_____ % due	2032	_____ % due	2036
_____ % due	2029	_____ % due	2033		
_____ % due	2030	_____ % due	2034		

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 \$60,000 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. The Deposit will be deducted from the purchase price at the closing for the Bonds. 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 April 9, 2026.

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 April 9, 2026 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. 2898 (Westbrook-Walnut Grove Schools), Minnesota, on March 16, 2026.

By: _____ By: _____
Title: _____ Title: _____