

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 30, 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: S&P Global Ratings

INDEPENDENT SCHOOL DISTRICT NO. 840 (ST. JAMES PUBLIC SCHOOLS), MINNESOTA (Watonwan, Brown and Martin Counties)

(Minnesota School District Credit Enhancement Program)

\$2,855,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2026A

PROPOSAL OPENING: May 11, 2026, 9:30 A.M., C.T.

CONSIDERATION: May 11, 2026, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$2,855,000* General Obligation Facilities Maintenance Bonds, Series 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and Minnesota Statutes, Section 123B.595, as amended, by Independent School District No. 840 (St. James Public Schools), Minnesota (the "District"), to provide funds for roofing projects included in the District's ten-year facility plan approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: June 4, 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	\$90,000	2032	\$185,000	2037	\$220,000
2028	35,000	2033	180,000	2038	230,000
2029	250,000	2034	190,000	2039	235,000
2030	160,000	2035	200,000	2040	250,000
2031	160,000	2036	210,000	2041	260,000

***MATURITY ADJUSTMENTS:** The District reserves the right to decrease the par amount of the Bonds on the day of sale. Adjustments may be made in any maturity and will be made in increments of \$5,000. 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, 2035 and thereafter are subject to call for prior optional redemption on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: \$2,855,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of \$57,100 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).

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 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.



BUILDING COMMUNITIES. IT'S WHAT WE DO.

info@ehlers-inc.com

1 (800) 552-1171

www.ehlers-inc.com

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.

TABLE OF CONTENTS

<p>INTRODUCTORY STATEMENT..... 1</p> <p>THE BONDS 1</p> <p style="padding-left: 20px;">GENERAL 1</p> <p style="padding-left: 20px;">OPTIONAL REDEMPTION 2</p> <p style="padding-left: 20px;">AUTHORITY; PURPOSE 2</p> <p style="padding-left: 20px;">ESTIMATED SOURCES AND USES 2</p> <p style="padding-left: 20px;">SECURITY 2</p> <p style="padding-left: 20px;">RATING 3</p> <p style="padding-left: 20px;">STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS 3</p> <p style="padding-left: 20px;">CONTINUING DISCLOSURE 4</p> <p style="padding-left: 20px;">LEGAL OPINION 5</p> <p style="padding-left: 20px;">TAX EXEMPTION 5</p> <p style="padding-left: 20px;">QUALIFIED TAX-EXEMPT OBLIGATIONS 6</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR 6</p> <p style="padding-left: 20px;">MUNICIPAL ADVISOR AFFILIATED COMPANIES 6</p> <p style="padding-left: 20px;">INDEPENDENT AUDITORS 6</p> <p style="padding-left: 20px;">RISK FACTORS 7</p> <p>VALUATIONS 9</p> <p style="padding-left: 20px;">OVERVIEW 9</p> <p style="padding-left: 20px;">CURRENT PROPERTY VALUATIONS 10</p> <p style="padding-left: 20px;">2024/25 NET TAX CAPACITY BY CLASSIFICATION . 11</p> <p style="padding-left: 20px;">TREND OF VALUATIONS 11</p> <p style="padding-left: 20px;">LARGEST TAXPAYERS 12</p> <p>DEBT 12</p> <p style="padding-left: 20px;">DIRECT DEBT 12</p> <p style="padding-left: 20px;">DEBT PAYMENT HISTORY 13</p> <p style="padding-left: 20px;">FUTURE FINANCING 13</p> <p style="padding-left: 20px;">STATE AID FOR DEBT SERVICE 13</p> <p style="padding-left: 20px;">BONDED DEBT LIMIT 14</p> <p style="padding-left: 20px;">SCHEDULE OF BONDED INDEBTEDNESS 15</p> <p style="padding-left: 20px;">OVERLAPPING DEBT 18</p> <p style="padding-left: 20px;">DEBT RATIOS 18</p>	<p>TAX LEVIES, COLLECTION AND RATES 19</p> <p style="padding-left: 20px;">TAX LEVIES AND COLLECTIONS 19</p> <p style="padding-left: 20px;">TAX CAPACITY RATES 20</p> <p>THE ISSUER 20</p> <p style="padding-left: 20px;">EMPLOYEES 20</p> <p style="padding-left: 20px;">PENSIONS; UNIONS 21</p> <p style="padding-left: 20px;">POST EMPLOYMENT BENEFITS 21</p> <p style="padding-left: 20px;">STUDENT BODY 22</p> <p style="padding-left: 20px;">SCHOOL BUILDINGS 22</p> <p style="padding-left: 20px;">LITIGATION 22</p> <p style="padding-left: 20px;">MUNICIPAL BANKRUPTCY 22</p> <p style="padding-left: 20px;">FUNDS ON HAND 23</p> <p style="padding-left: 20px;">BUDGET SUMMARY 23</p> <p style="padding-left: 20px;">SUMMARY GENERAL FUND INFORMATION 24</p> <p>GENERAL INFORMATION 25</p> <p style="padding-left: 20px;">LOCATION 25</p> <p style="padding-left: 20px;">LARGER EMPLOYERS 25</p> <p style="padding-left: 20px;">U.S. CENSUS DATA 25</p> <p style="padding-left: 20px;">EMPLOYMENT/UNEMPLOYMENT DATA 26</p> <p>FINANCIAL STATEMENTS A-1</p> <p>FORM OF LEGAL OPINION B-1</p> <p>BOOK-ENTRY-ONLY SYSTEM C-1</p> <p>FORM OF CONTINUING DISCLOSURE CERTIFICATE D-1</p> <p>TERMS OF PROPOSAL E-1</p> <p>PROPOSAL FORM</p>
---	--

ST. JAMES PUBLIC SCHOOLS SCHOOL BOARD

		<u>Term Expires</u>
Richard Spitzner	Board Chair	January 2027
Michael Tonsager	Clerk	January 2027
Scott Runge	Treasurer	January 2029
Gene Hildebrandt	Member	January 2029
Karen Menssen	Member	January 2029
Nancy Trujillo Vite	Member	January 2027

ADMINISTRATION

Liam Dawson, Superintendent
Courtney Brey, Business Manager

PROFESSIONAL SERVICES

Sunde, Olson, Kircher & Zender, Attorney to the District, St. James, 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. 840 (St. James Public Schools), Minnesota (the "District") and the issuance of its \$2,855,000* General Obligation Facilities Maintenance 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 May 11, 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 June 4, 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, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 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 Minnesota Statutes, Section 123B.595, as amended, by the District to provide funds for roofing projects included in the District's ten-year facility plan approved by the Commissioner of Education.

ESTIMATED SOURCES AND USES*

Sources

Par Amount of Bonds	\$2,855,000	
Reoffering Premium	<u>130,385</u>	
Total Sources		\$2,985,385

Uses

Underwriter's Compensation	\$35,688	
Costs of Issuance	70,000	
Deposit to Construction Fund	<u>2,879,698</u>	
Total Uses		\$2,985,385

*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 S&P Global Ratings ("S&P"). S&P has a policy which assigns a rating of "AAA" to issuers participating in the MNCEP. The "AAA" rating is based on the State of Minnesota's current "AAA"/Stable outlook rating from S&P. See "STATE OF MINNESOTA CREDIT ENHANCEMENT PROGRAM FOR SCHOOL DISTRICTS" for further details.

The District currently has an "A"/Stable outlook underlying rating from S&P and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the 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 August 18, 2025 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, as amended, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

The Law also requires the Paying Agent for this issue to notify the Commissioner of Education if it becomes aware of a potential default in the payment of principal and interest on these obligations, or if, on the day two business days prior to the payment date, there are insufficient funds to make the payment or deposit with the Paying Agent.

The Law also requires, after receipt of a notice which requests a payment pursuant to the Law, after consultation with the Paying Agent and District, and after verifying the accuracy of the information provided, the Commissioner of Education shall notify the Commissioner of Management and Budget of the potential default. The State Payment Law provides that "upon receipt of this notice . . . the commissioner of management and budget shall issue a payment and authorize the commissioner of education to pay to the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for the purposes of this subdivision are annually appropriated to the [Department of Education] from the state general fund."

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

In its Official Statement dated 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.

Prior continuing disclosure undertakings entered into by the District included language stating that an Annual Report including the District's audited financial statements and operating data would be filed "as soon as available." Although the District did not provide financial statements "as soon as available", the Annual Reports were timely filed within the required twelve (12) month timeframe as provided for in each undertaking. Except to the extent the foregoing deficiencies are deemed to be material, the District believes it has complied in all material respects with its prior disclosure undertakings under the Rule in the last five years. 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 Eide Bailly LLP, 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 \$1,747,127,894¹

2024/25 Assessor's Estimated Market Value

	Wantowan County	Brown County	Martin County	Total
Real Estate	\$1,693,896,900	\$96,388,500	\$54,059,700	\$1,844,345,100
Personal Property	<u>8,821,500</u>	<u>232,900</u>	<u>0</u>	<u>9,054,400</u>
Total Valuation	<u><u>\$1,702,718,400</u></u>	<u><u>\$96,621,400</u></u>	<u><u>\$54,059,700</u></u>	<u><u>\$1,853,399,500</u></u>

2024/25 Net Tax Capacity

	Wantowan County	Brown County	Martin County	Total
Real Estate	\$14,577,022	\$731,324	\$408,293	\$15,716,639
Personal Property	<u>174,973</u>	<u>4,658</u>	<u>0</u>	<u>179,631</u>
Net Tax Capacity	\$14,751,995	\$735,982	\$408,293	\$15,896,270
Less: Captured Tax Increment Tax Capacity ²	<u>(133,274)</u>	<u>0</u>	<u>0</u>	<u>(133,274)</u>
Taxable Net Tax Capacity	<u><u>\$14,618,721</u></u>	<u><u>\$735,982</u></u>	<u><u>\$408,293</u></u>	<u><u>\$15,762,996</u></u>

¹ According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District was about 106.12% 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 \$1,747,127,894.

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

2024/25 NET TAX CAPACITY BY CLASSIFICATION

	2024/25 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$2,822,741	17.76%
Agricultural	10,998,611	69.19%
Commercial/industrial	872,517	5.49%
Public utility	19,684	0.12%
Railroad operating property	105,586	0.66%
Non-homestead residential	731,977	4.60%
Commercial & residential seasonal/rec.	165,523	1.04%
Personal property	<u>179,631</u>	<u>1.13%</u>
 Total	 <u><u>\$15,896,270</u></u>	 <u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity¹	Taxable Net Tax Capacity²	Percent Increase/Decrease in Estimated Market Value
2020/21	\$1,171,317,100	\$1,125,278,100	\$9,822,657	\$9,705,184	8.87%
2021/22	1,127,632,300	1,080,984,500	9,473,535	9,356,324	-3.73%
2022/23	1,353,740,000	1,308,864,992	11,790,564	11,662,201	20.05%
2023/24	1,789,205,500	1,747,071,985	15,849,094	15,790,258	32.17%
2024/25	1,853,399,500	1,799,344,282	15,896,270	15,762,996	3.59%

¹ Net Tax Capacity includes tax increment values.

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

LARGEST TAXPAYERS

Taxpayer	Type of Property	2024/25 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Cunningham Family Farms, LLLP	Agricultural	\$382,700	2.41%
Downs Family Farms, LLLP	Agricultural	298,525	1.88%
Individual	Agricultural	194,262	1.22%
Central Farm Service	Commercial	180,317	1.13%
Individual	Agricultural	181,259	1.14%
Individual	Agricultural	145,345	0.91%
Individual	Agricultural	126,237	0.79%
Bottem Family Farms, LLLP	Agricultural	111,854	0.70%
Individual	Agricultural	107,101	0.67%
Union Pacific Railroad Company	Railroad	<u>105,586</u>	<u>0.66%</u>
Total		\$1,833,186	11.53%

District's Total 2024/25 Net Tax Capacity \$15,896,270

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

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids² (includes the Bonds)* \$25,825,000

*Preliminary, subject to change.

Lease Purchase Obligations (see schedule following)

Total lease purchase obligations paid by annual appropriations³ \$97,290

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

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

³ Non-general obligation debt has not been included in the debt ratios.

Other Obligations - Cooperative District/Joint Governmental Obligations

The District is a member of the River Bend Education District (the "Education District"). The Education District issued its \$1,918,615 Lease-Purchase Agreement, Series 2019 on February 20, 2019, for the purpose of refunding the Education District's 2008 Lease-Purchase Agreement financing. The proceeds of the 2008 Lease-Purchase Agreement were used to acquire an existing building located in New Ulm, Minnesota. The District has a contractual obligation to make a portion of the debt service payments 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 the Education District.

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

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

STATE AID FOR DEBT SERVICE

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

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

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

Some school districts will also receive aid for debt service payments through the State School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). 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 46.38% 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	\$1,747,127,894
Multiply by 15%	<u>0.15</u>
Statutory Debt Limit	\$262,069,184
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(25,825,000)
Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations	<u>(97,290)</u>
Unused Debt Limit*	<u><u>\$236,146,894</u></u>

*Preliminary, subject to change.

Independent School District No. 840 (St. James Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 06/04/2026)

	School Building Bonds Series 2015B		School Building Bonds Series 2016A		Facilities Maintenance Bonds Series 2017A		Alternative Facilities Refunding Bonds Series 2018A		Facilities Maintenance Bonds Series 2020A	
Dated	12/29/2015		02/03/2016		04/06/2017		11/08/2018		06/04/2020	
Amount	\$8,500,000		\$15,405,000		\$640,000		\$2,480,000		\$904,000	
Maturity	02/01		02/01		02/01		02/01		02/01	
Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2027	0	320,019	460,000	374,075	90,000	2,250	220,000	38,520	135,000	2,079
2028	0	320,019	575,000	361,425			225,000	31,700		
2029	0	320,019	595,000	345,613			230,000	24,500		
2030	0	320,019	610,000	327,763			240,000	16,910		
2031	0	320,019	630,000	309,463			250,000	8,750		
2032	205,000	320,019	690,000	290,563						
2033	210,000	313,869	725,000	269,863						
2034	215,000	307,569	745,000	248,113						
2035	220,000	301,119	770,000	225,763						
2036	225,000	294,519	795,000	201,700						
2037	230,000	287,206	825,000	176,856						
2038	235,000	279,731	850,000	150,044						
2039	240,000	271,800	885,000	122,419						
2040	1,020,000	263,700	140,000	93,656						
2041	1,025,000	228,000	175,000	89,106						
2042	1,105,000	187,000	140,000	83,200						
2043	1,145,000	142,800	150,000	77,600						
2044	1,195,000	97,000	155,000	71,600						
2045	1,230,000	49,200	175,000	65,400						
2046			1,460,000	58,400						
	8,500,000	4,943,625	11,550,000	3,942,619	90,000	2,250	1,165,000	120,380	135,000	2,079

--Continued on next page

Independent School District No. 840 (St. James Public Schools), Minnesota
Schedule of Bonded Indebtedness continued
General Obligation Debt Secured by Taxes
(As of 06/04/2026)

		Facilities Maintenance Bonds Series 2024A		Facilities Maintenance Bonds Series 2026A							
Dated	09/05/2024			06/04/2026							
Amount	\$1,640,000			\$2,855,000*							
Maturity	02/01			02/01							
Fiscal Year Ending	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending	
2027	110,000	61,615	90,000	87,336	1,105,000	885,894	1,990,894	24,720,000	4.28%	2027	
2028	335,000	56,115	35,000	128,163	1,170,000	897,421	2,067,421	23,550,000	8.81%	2028	
2029	140,000	39,365	250,000	126,413	1,215,000	855,909	2,070,909	22,335,000	13.51%	2029	
2030	145,000	33,765	160,000	113,913	1,155,000	812,369	1,967,369	21,180,000	17.99%	2030	
2031	150,000	27,965	160,000	105,913	1,190,000	772,109	1,962,109	19,990,000	22.59%	2031	
2032	155,000	21,965	185,000	97,913	1,235,000	730,459	1,965,459	18,755,000	27.38%	2032	
2033	160,000	15,765	180,000	88,663	1,275,000	688,159	1,963,159	17,480,000	32.31%	2033	
2034	165,000	10,805	190,000	79,663	1,315,000	646,149	1,961,149	16,165,000	37.41%	2034	
2035	170,000	5,525	200,000	70,163	1,360,000	602,569	1,962,569	14,805,000	42.67%	2035	
2036			210,000	60,163	1,230,000	556,381	1,786,381	13,575,000	47.43%	2036	
2037			220,000	49,663	1,275,000	513,725	1,788,725	12,300,000	52.37%	2037	
2038			230,000	40,863	1,315,000	470,638	1,785,638	10,985,000	57.46%	2038	
2039			235,000	31,663	1,360,000	425,881	1,785,881	9,625,000	62.73%	2039	
2040			250,000	21,675	1,410,000	379,031	1,789,031	8,215,000	68.19%	2040	
2041			260,000	11,050	1,460,000	328,156	1,788,156	6,755,000	73.84%	2041	
2042					1,245,000	270,200	1,515,200	5,510,000	78.66%	2042	
2043					1,295,000	220,400	1,515,400	4,215,000	83.68%	2043	
2044					1,350,000	168,600	1,518,600	2,865,000	88.91%	2044	
2045					1,405,000	114,600	1,519,600	1,460,000	94.35%	2045	
2046					1,460,000	58,400	1,518,400	0	100.00%	2046	
	1,530,000	272,885	2,855,000	1,113,211	25,825,000	10,397,049	36,222,049				

* Preliminary, subject to change.

Independent School District No. 840 (St. James Public Schools), Minnesota
Schedule of Bonded Indebtedness
Non-General Obligation Debt Secured by Annual Appropriation
(As of 06/04/2026)

Northside Elementary Addition Series 2007									
Dated	06/14/2007								
Amount	\$1,300,000								
Maturity	02/15								
Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending	
2027	97,290	4,796	97,290	4,796	102,087	0	100.00%	2027	
	97,290	4,796	97,290	4,796	102,087				

OVERLAPPING DEBT¹

Taxing District	2024/25 Taxable Net Tax Capacity	% In District	Total G.O. Debt ²	District's Proportionate Share
Martin County	\$63,264,724	0.6454%	\$22,219,000	\$143,401
Watonwan County	30,277,615	48.2823%	7,185,000	3,469,083
City of Ormsby	36,734	100.0000%	566,707	566,707
City of St. James	2,744,274	100.0000%	2,111,458	<u>2,111,458</u>
District's Share of Total Overlapping Debt				<u><u>\$6,290,650</u></u>

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value \$1,747,127,894	Debt/ Per Capita 6,545 ³
Total G.O. Debt Secured By Taxes and State Aids*	\$25,825,000		
Less: Agricultural Credit ⁴	<u>(11,977,635)</u>		
Tax Supported General Obligation Debt*	\$13,847,365	0.79%	\$2,115.72
District's Share of Total Overlapping Debt	<u>\$6,290,650</u>	<u>0.36%</u>	<u>\$961.14</u>
Total*	<u><u>\$20,138,015</u></u>	<u><u>1.15%</u></u>	<u><u>\$3,076.85</u></u>

*Preliminary, subject to change.

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

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

³ Estimated 2024 population.

⁴ Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 46.38% 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 \$11,977,635.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date	% Collected
2020/21	\$2,325,956	\$2,267,067	\$2,324,200	99.92%
2021/22	2,281,790	2,252,709	2,278,136	99.84%
2022/23	2,214,988	2,147,608	2,208,186	99.69%
2023/24	2,361,318	2,320,655	2,345,802	99.34%
2024/25	2,558,679	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.² Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

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

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

TAX CAPACITY RATES¹

	2020/21	2021/22	2022/23	2023/24	2024/25
I.S.D. No. 840 (St. James Public Schools)	23.639%	24.415%	19.999%	14.488%	15.508%
Brown County	41.817%	43.217%	38.902%	31.500%	34.282%
Martin County	40.010%	41.335%	38.075%	30.804%	35.461%
Watonwan County	54.877%	57.959%	49.372%	39.587%	42.317%
City of LaSalle	119.059%	118.347%	112.224%	95.924%	96.000%
City of Ormsby	94.690%	101.969%	100.636%	82.850%	82.335%
City of St. James	86.312%	88.502%	71.692%	61.586%	55.202%
Town of Adrian ²	5.863%	6.144%	5.133%	3.649%	3.909%
Martin County HRA	0.210%	0.192%	0.172%	0.137%	N/A
Watonwan County HRA	0.533%	0.562%	0.472%	0.357%	N/A
Region 9 (portion applicable to Brown County)	0.177%	0.178%	0.154%	0.122%	0.136%
Region 9 (portion applicable to Watonwan County)	0.176%	0.187%	0.150%	0.118%	0.137%

Referendum Market Value Rates:

I.S.D. No. 840 (St. James Public Schools)	0.222%	0.221%	0.166%	0.177%	0.175%
---	--------	--------	--------	--------	--------

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Watonwan, Brown and Martin Counties.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 187, including 89 non-licensed employees and 98 licensed employees (94 of whom are teachers). The District provides education for 1,060 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 Units

Bargaining Unit	Expiration Date of Current Contract
Education Minnesota - Teachers	June 30, 2027
Education Minnesota - Paraprofessionals and Cooks	June 30, 2027
Education Minnesota - Custodians	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 \$1,518,317 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	93	450	463	1,006
2022/23	82	474	478	1,034
2023/24	95	497	486	1,078
2024/25	105	475	493	1,073
2025/26	90	482	468	1,040

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2026/27	70	496	455	1,021
2027/28	80	483	472	1,035
2028/29	80	486	474	1,040

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Northside Elementary	1976	2010, 2017
St. James Middle/High School	1961	2017
Armstrong School	1929	1953, 1975

LITIGATION

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

MUNICIPAL BANKRUPTCY

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

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

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

FUNDS ON HAND (as of February 28, 2026)

Fund	Total Cash and Investments
General	\$6,360,336
Food Service	429,926
Community Service	458,128
Debt Service	(88,391)
Building/Construction	69,769
Internal Service	<u>6,716</u>
 Total Funds on Hand	 <u><u>\$7,236,484</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	\$5,637,272	\$17,825,827	(\$17,799,589)	\$26,238	\$5,663,510
Food Service	410,538	1,272,230	(1,258,804)	13,426	423,964
Community Service	562,697	1,328,288	(1,348,601)	(20,313)	542,384
Building/Construction	90,006	1,000	(20,236)	(19,236)	70,770
Debt Service	393,621	1,869,886	(1,853,110)	16,776	410,397
Internal Service Fund	11,951	73,000	(72,000)	1,000	12,951
 Total All Funds	 <u><u>\$7,106,085</u></u>	 <u><u>\$22,370,231</u></u>	 <u><u>(\$22,352,340)</u></u>	 <u><u>\$17,891</u></u>	 <u><u>\$7,123,976</u></u>

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.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2021 Audited	2022 Audited	2023 Audited	2024 Audited	2025 Audited
Revenues					
Local property taxes	\$1,214,997	\$1,331,708	\$1,364,915	\$1,333,881	\$1,617,493
Earnings on investments	4,001	5,540	77,975	156,038	205,050
Other local and county sources	354,102	633,297	553,791	462,240	588,429
State sources	11,495,130	11,519,850	12,387,152	14,428,925	14,500,984
Federal sources	1,011,030	1,680,101	1,701,826	578,838	713,468
Local sales and insurance recovery	16,262	0	0	0	0
Total Revenues	<u>\$14,095,522</u>	<u>\$15,170,496</u>	<u>\$16,085,659</u>	<u>\$16,959,922</u>	<u>\$17,625,424</u>
Expenditures					
Current:					
Administration	\$741,876	\$754,338	\$797,099	\$887,272	\$874,944
District support services	651,617	625,057	739,470	648,173	674,097
Regular instruction	6,036,865	6,466,169	6,983,547	7,009,135	7,844,316
Vocational education instruction	233,173	248,518	255,716	266,908	282,933
Special education instruction	1,995,171	1,910,623	1,838,784	1,945,862	2,057,507
Instructional support services	802,430	742,833	611,400	524,533	492,921
Pupil support services	1,363,374	1,481,614	1,526,075	1,467,529	1,500,228
Sites and buildings	1,614,536	1,670,329	1,752,394	1,771,914	2,041,787
Fiscal and other fixed cost programs	89,086	111,828	122,722	151,680	192,725
Capital outlay	0	0	538,575	582,884	321,256
Debt service	102,087	141,294	154,495	166,620	165,693
Total Expenditures	<u>\$13,630,215</u>	<u>\$14,152,603</u>	<u>\$15,320,277</u>	<u>\$15,422,510</u>	<u>\$16,448,407</u>
Excess of revenues over (under) expenditures	\$465,307	\$1,017,893	\$765,382	\$1,537,412	\$1,177,017
Other Financing Sources (Uses)					
Leases	\$0	\$0	\$0	\$78,632	\$0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>78,632</u>	<u>0</u>
Net changes in Fund Balances	\$465,307	\$1,017,893	\$765,382	\$1,616,044	\$1,177,017
General Fund Balance July 1	\$595,627	\$1,060,934	\$2,078,827	\$2,844,209	\$4,460,253
Prior Period Adjustment	0	0	0	0	0
General Fund Balance June 30	<u>\$1,060,934</u>	<u>\$2,078,827</u>	<u>\$2,844,209</u>	<u>\$4,460,253</u>	<u>\$5,637,270</u>
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	\$50,758	\$0	\$3,000	\$25,505	\$10,400
Restricted	708,388	1,039,008	971,218	1,614,881	2,210,592
Assigned	0	13,621	70,050	100,000	310,233
Unassigned	301,788	1,026,198	1,799,941	2,719,867	3,106,045
Total	<u>\$1,060,934</u>	<u>\$2,078,827</u>	<u>\$2,844,209</u>	<u>\$4,460,253</u>	<u>\$5,637,270</u>

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 6,652 and a 2024 population estimate of 6,545, and comprising an area of 223.1 square miles, is located approximately 120 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
Armour-Eckrich Meats/Smithfield	Meat processors	683
St. James Medical Center- Mayo	Hospital and clinics	250
I.S.D. No. 840 (St. James Public Schools)	Elementary and secondary education	187
Watonwan County	County government and services	166
Good Samaritan Society St. James	Nursing home	120
Superfair Foods	Grocers-retail	41
Mc Donald's	Fastfood restaurant	40
City of St. James	Municipal government and services	39
Jake's Pizza & Sandwich Shop	Restaurant	30
Pioneer Bank	Financial services	27

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

U.S. CENSUS DATA

Population Trend: The District

2010 U.S. Census population	6,620
2020 U.S. Census population	6,652
Percent of Change 2010 - 2020	0.48%
2024 State Demographer Estimate	6,545

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

Income and Age Statistics

	The District	Watonwan County	State of Minnesota	United States
2024 per capita income	\$35,886	\$35,659	\$48,237	\$44,673
2024 median household income	\$67,482	\$70,593	\$89,062	\$80,734
2024 median family income	\$81,250	\$85,403	\$113,993	\$99,999
2024 median gross rent	\$813	\$807	\$1,280	\$1,413
2024 median value owner occupied units	\$150,000	\$151,600	\$329,300	\$332,700
2024 median age	41.1 yrs.	40.6 yrs.	38.8 yrs.	38.9 yrs.
	State of Minnesota		United States	
District % of 2024 per capita income	74.40%		80.33%	
District % of 2024 median family income	71.28%		81.25%	

Source: 2010 and 2020 Census of Population and Housing, and 2023 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (<https://data.census.gov>) and Minnesota State Demographer (<https://mn.gov/admin/demography/data-by-place/school-district-data.jsp>).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Watonwan County	Watonwan County	State of Minnesota	
2022	5,702	2.5%	2.5%	
2023	5,797	3.1%	2.8%	
2024	5,855	3.4%	3.1%	
2025	5,840	4.0%	3.9%	
2026, February	5,708	5.6%	5.3%	

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.

Financial Statements
June 30, 2025

Independent School District No. 840
St. James, Minnesota

Independent School District No. 840
 St. James, Minnesota
 Table of Contents
 June 30, 2025

Table of Contents	1
List of Elected School Officials (Unaudited).....	I
Independent Auditor’s Report.....	II
Management’s Discussion and Analysis	VI
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Governmental Funds.....	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	6
Budgetary Comparison Schedule: General Fund	7
Proprietary Fund Financial Statements:	
Statement of Net Position	8
Statement of Changes in Net Position.....	9
Statement of Cash Flows	10
Fiduciary Fund:	
Statement of Fiduciary Net Position.....	11
Statement of Changes in Fiduciary Net Position	12
Notes to Financial Statements	13
Required Supplementary Information:	
Schedule of Changes in the District’s Total OPEB Liability and Related Ratios	49
Notes to the Schedule of Changes in the District’s Total OPEB Liability and Related Ratios	50
Schedule of Employer’s Share of Net Pension Liability	52
Schedule of Employer’s Contributions	53
Notes to the Schedule of Employer’s Share of Net Pension Liability and Schedule of Employer’s Contributions.....	54
Supplementary Information:	
General Fund Schedule of Changes in UFARS Fund Balances	62
Combining Balance Sheet – Nonmajor Governmental Funds	63
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	64
Uniform Financial Accounting and Reporting Standards Compliance Table	65
Uniform Financial Accounting and Reporting Standards Compliance Table	66
Additional Reports and Schedule:	
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 <i>Government Auditing Standards</i>	67
Independent Auditor’s Report on <i>Minnesota Legal Compliance</i>	69
Schedule of Findings and Responses	70

Independent School District No. 840

St. James, Minnesota

List of Elected School Officials (Unaudited)

June 30, 2025

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
School Board		
Richard Spitzner	Chairperson	2026
Scott Runge	Vice Chairperson	2029
Michael Tonsager	Clerk	2026
Nancy Tujillo Vite	Treasurer	2026
Eugene Hildebrandt	Member	2029
Karen Menssen	Member	2029
Administration		
Steven Heil	Superintendent (through June 30, 2025)	
Liam Dawson	Superintendent (as of July 1, 2025)	
Courtney Brey	Business Manager	



Independent Auditor's Report

Members of the School Board
Independent School District No. 840
St. James, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. James Public Schools ISD No. 840 (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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of St. James Public Schools ISD No. 840, as of June 30, 2025, and the respective changes in financial position, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Notes 1 and 8 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, 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; schedule of changes in the District's total OPEB liability and related ratios; schedule of employer's share of net pension liability; and schedule of employer's contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The general fund schedule of changes in UFARS fund balances; combining balance sheet – nonmajor governmental funds; combining schedule of revenues, expenditures, and changes in fund balances – nonmajor governmental funds; and the uniform financial accounting and reporting standards compliance table are presented for purposes of additional analysis and are not a required part of 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 GAAS. In our opinion, the general fund schedule of changes in UFARS fund balances; combining balance sheet – nonmajor governmental funds; combining schedule of revenues, expenditures, and changes in fund balances – nonmajor governmental funds; and the uniform financial accounting and reporting standards compliance 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 included in the annual report. The other information comprises the list of elected school officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 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, 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 11, 2025, on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

The image shows a handwritten signature in cursive script that reads "Eric Sully LLP". The signature is written in black ink and is positioned above the typed name and date.

Mankato, Minnesota
November 11, 2025

**INDEPENDENT SCHOOL DISTRICT #840
ST. JAMES PUBLIC SCHOOLS
ST. JAMES, MINNESOTA
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

This section of Independent School District No. 840 – St. James Public Schools’ annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the District’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2024-2025 fiscal year include the following:

- Overall government-wide revenues were \$21,970,052, while overall expenses totaled \$21,510,358, resulting in an ending net deficit of \$896,109. Also included in the government-wide statements is \$9,305,030 of net liabilities/deferred inflows/deferred outflows related to OPEB and the net pension liability related items. Excluding the reporting of those, ending net position would be \$8,408,921.
- The district’s overall fund balance increased by \$1,224,422.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

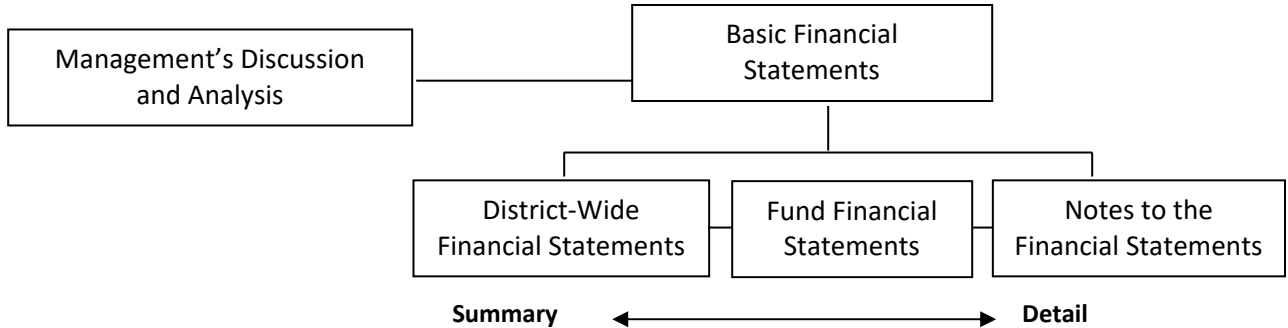
- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District’s overall financial status.
- The remaining statements are *fund-financial statements* that focus on individual parts of the District, reporting the District’s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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The diagram below shows how the various parts of this annual report are arranged and relate to one another.

**INDEPENDENT SCHOOL DISTRICT #840
ST. JAMES PUBLIC SCHOOLS
ST. JAMES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.



Fund Financial Statements			
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
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 focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
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 the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**INDEPENDENT SCHOOL DISTRICT #840
ST. JAMES PUBLIC SCHOOLS
ST. JAMES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

District-wide Statements

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

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

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

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

In the District-wide financial statements the District's activities are shown in one category:

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

Fund Financial Statements

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

The District has three kinds of funds:

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

Proprietary funds – The District's proprietary fund is used to report and account for the District's self-insured dental plan. This fund is accounted for in a separate section in the audit report to provide the accounting methods similar to those used by private sector companies. Consequently, the proprietary funds statements provide a short-term view that helps to determine whether their programs are beneficial to the members.

**INDEPENDENT SCHOOL DISTRICT #840
ST. JAMES PUBLIC SCHOOLS
ST. JAMES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE
(DISTRICT-WIDE FINANCIAL STATEMENTS)**

Net Position

The District's net deficit was \$896,109 on June 30, 2025. This represents a decrease when compared to the \$416,855 position balance on June 30, 2024.

Statement of Net Position
June 30, 2025 and 2024

	2025	2024*
Assets		
Current assets	\$ 12,767,150	\$ 10,873,616
Capital assets	28,299,260	28,783,819
Total assets	41,066,410	39,657,435
Deferred Outflows of Resources	2,124,751	2,302,298
Liabilities		
Other liabilities	2,783,277	2,349,063
Long-term liabilities	35,189,825	34,891,790
Total liabilities	37,973,102	37,240,853
Deferred Inflows of Resources	6,114,168	4,302,025
Net Position (Deficit)		
Net investment in capital assets	4,161,055	5,157,727
Restricted for specific purposes	3,244,579	2,719,661
Unrestricted	(8,301,743)	(7,460,533)
Total net position (deficit)	\$ (896,109)	\$ 416,855

* Effective July 1, 2024, the District adopted provisions of GASB Statement No. 101, *Compensated Absences*. As a result of this change in accounting principle, it was not appropriate for the District to restate prior-period information for earlier periods than those presented in the basic financial statements. Therefore, information for the year ended June 30, 2024, was not restated. See Note 8 to the financial statements for further information on the change in accounting principle.

**INDEPENDENT SCHOOL DISTRICT #840
ST. JAMES PUBLIC SCHOOLS
ST. JAMES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Changes in Net Position

The District's total revenues were \$21,970,052 for the year ended June 30, 2025. Unallocated federal and state aid along with property taxes accounted for 79.1 percent of the total revenue for the year. Operating and capital grants and contributions for specific programs contributed 12.6 percent and the remaining revenue was from fees charged for services and miscellaneous sources.

The total cost of all programs and services was \$21,510,358. The District's expenses are predominantly related to student education and student educational support, 76.4 percent. The District's administrative activities accounted for 4.1 percent of the total costs. Total revenues were more than total expenses, decreasing the net deficit by \$459,694 from last year.

Statement of Activities
Years Ended June 30, 2025 and 2024

	2025	2024*
Revenues		
Program revenues		
Charges for service	\$ 1,181,974	\$ 1,098,108
Operating grants and contributions	2,768,258	2,996,964
General		
Property taxes	2,430,737	2,256,490
Aids and payments from state and other	14,279,538	14,005,922
Aids and payments from federal	669,375	540,066
Interest earnings	225,892	156,028
Miscellaneous revenues	414,278	268,622
Total revenues	21,970,052	21,322,200
Expenses		
Administration	879,791	891,599
District support services	823,679	759,442
Regular instruction	9,450,111	6,926,842
Vocational instruction	284,967	269,227
Special education instruction	2,057,389	1,952,086
Community education and services	1,335,224	1,148,681
Instructional support services	524,231	533,964
Pupil support services	2,773,935	2,679,128
Sites and buildings	2,413,406	2,021,745
Fiscal and other fixed-cost programs	967,625	976,724
Total expenses	21,510,358	18,159,438
Change in Net Position (Deficit)	459,694	3,162,762
Net Position (Deficit) - Beginning, 2025 as restated	(1,355,803)	(2,745,907)
Net Position - Ending	\$ (896,109)	\$ 416,855

* Effective July 1, 2024, the District adopted provisions of GASB Statement No. 101, *Compensated Absences*. As a result of this change in accounting principle, it was not appropriate for the District to restate prior-period information for earlier periods than those presented in the basic financial statements. Therefore, information for the year ended June 30, 2024, was not restated. See Note 12 to the financial statements for further information on the change in accounting principle.

**INDEPENDENT SCHOOL DISTRICT #840
ST. JAMES PUBLIC SCHOOLS
ST. JAMES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12, including pupil transportation activities, buildings and grounds, and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2025	2024		
Local property taxes	\$ 1,617,493	\$ 1,333,881	\$ 283,612	21.3%
Earning on investments	205,050	156,038	49,012	31.4%
Other local sources	588,429	462,240	126,189	27.3%
State sources	14,500,984	14,428,925	72,059	0.5%
Federal sources	713,468	578,838	134,630	23.3%
Total General Fund revenues	\$ 17,625,424	\$ 16,959,922	\$ 665,502	3.9%

Total General Fund revenue increased by \$665,502 from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. The increase in revenue from other local sources is due to increases from agreements with other districts, increased interest earnings on cash and investments, and increased donations for sport programming, and the increase in revenue from federal sources is due to increased Title I, II, and III funding.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2025	2024		
Salaries and benefits	\$ 11,750,684	\$ 10,913,192	\$ 837,492	7.7%
Purchased services	3,260,346	3,010,803	249,543	8.3%
Supplies and materials	1,024,372	902,776	121,596	13.5%
Capital expenditures	264,295	348,757	(84,462)	-24.2%
Other expenditures	148,710	246,982	(98,272)	-39.8%
Total General Fund expenditures	\$ 16,448,407	\$ 15,422,510	\$ 1,025,897	6.7%

Total General Fund expenditures increased by \$1,025,897 from the previous year. Salaries and benefits increased due to increased employee negotiated contracts for wages and benefits.

**INDEPENDENT SCHOOL DISTRICT #840
ST. JAMES PUBLIC SCHOOLS
ST. JAMES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

General Fund Budgetary Highlights

The District's general fund results when compared to the final budget are:

- Actual revenues were \$350,921 *greater than* budget primarily due to favorable interest earnings on the District's cash and investments and conservative budgeting with revenue sources.
- Actual expenditures were \$716,637 *less than* budget as a result of conservative budgeting in various areas across the district, a couple being staff benefits and contracted student services.

Debt Service Fund

The Debt Service Fund revenues were \$1,688,827, expenditures were \$1,677,273, thereby increasing fund balance by \$11,554 as revenues exceeded expenditures. This resulted in an ending fund balance of \$393,620 in the fund.

Other Non-Major Funds

The Food Service Fund incurred a decrease in the fund balance of \$6,807. The decrease was due to multiple projects and upgrades to supplies and equipment in kitchens and lunchrooms. The Community Service Fund incurred a decrease in the fund balance of \$47,348. The decrease in fund balance is a result of increased costs for operating the childcare program. The Capital Projects Fund incurred an increase in the fund balance of \$90,006. This increase was the result of unspent bond proceeds for the building improvement projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

By the end of fiscal year 2025, the District had invested \$43,257,901 in a broad range of capital assets, including school buildings, land, computer and audio-visual equipment, and other equipment for various instructional programs. Total depreciation/amortization expense for the year was \$1,033,013. More detailed information about capital assets can be found in Note 3.C to the financial statements.

Capital Assets Governmental Activities
June 30, 2025 and 2024

	2025	2024
Land	\$ 67,554	\$ 67,554
Buildings	37,110,397	37,275,176
Improvements	3,182,516	3,232,190
Equipment	2,634,279	2,577,181
Right-of-use assets	263,155	282,160
Accumulated Depreciation/Amortization	(14,958,641)	(14,650,442)
Total capital assets	\$ 28,299,260	\$ 28,783,819

**INDEPENDENT SCHOOL DISTRICT #840
ST. JAMES PUBLIC SCHOOLS
ST. JAMES, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Long-Term Debt

At year-end the District had \$26,667,456 of long term debt consisting of bonds payable of \$23,962,000, bond premium of \$321,852, financed purchases payable of \$190,010, leases payable of \$76,201, and compensated absences payable of \$2,117,393.

The District has \$1,518,317 in total OPEB liability at June 30, 2025.

The District has \$7,004,052 in net pension liability at June 30, 2025.

See Note 3.D to the financial statements for additional details on the District's leases, and Note 3.E for additional details on long-term debt.

Factors Bearing on the District's Future:

- Enrollment continues to be an area weighing on the District's financial future and will continue to be monitored closely by the District's administration. The District's student enrollment, which determines the pupil units for the purpose of funding, looks to remain consistent over the next five years. Open enrolled students in grades K-12 continues to be approximately one hundred students and is monitored each year by administration.
- Labor costs account for over 80% of the District expenses. As the cost of benefits continue to increase, it becomes more important during the negotiations of labor contracts that the District be cognizant to this potential unknown long-term liability. The District must continue to follow enrollment trends and maintain a responsible balance between staffing and student enrollment. In addition, the District must be aware of future legislative action as it relates to public school funding, and consider efforts to increase local operating revenue. These actions directly correlate to labor negotiations and hiring practices.

Contacting the District's Financial Management:

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the District Office, Independent School District 840, 500 3rd Avenue South, St. James, Minnesota, 56081.

Independent School District No. 840
 St. James, Minnesota
 Statement of Net Position
 June 30, 2025

Assets	
Cash and cash equivalents	\$ 8,271,555
Receivables	
Current property taxes	1,952,641
Delinquent property taxes	29,407
Accounts	165,604
Due from other Minnesota school districts	158
Due from Minnesota Department of Education	1,801,652
Due from Federal through Minnesota Department of Education	498,293
Due from other governmental units	28,380
Inventories	9,060
Prepaid items	10,400
Capital assets not being depreciated:	
Land	67,554
Capital assets, net of accumulated depreciation/amortization:	
Land improvements	1,906,669
Buildings	25,301,137
Equipment	951,126
Right-of-use assets	72,774
Total assets	41,066,410
Deferred Outflows of Resources	
Other postemployment benefits plan	257,939
Pension plans	1,866,812
Total deferred outflows of resources	2,124,751
Liabilities	
Salaries payable	790,897
Accounts payable	475,576
Interest payable	358,371
Due to other Minnesota school districts	133,302
Payroll deductions	1,014,409
Unearned revenue	10,520
Claims incurred but not reported	202
Noncurrent liabilities:	
Due within one year - other than other postemployment benefits and pension	2,057,221
Due in more than one year - other than other postemployment benefits and pension	24,610,235
Due in more than one year - total other postemployment benefits	1,518,317
Due in more than one year - net pension liability	7,004,052
Total liabilities	37,973,102
Deferred Inflows of Resources	
Other postemployment benefits plan	359,622
Pension plans	2,547,790
Property taxes levied for subsequent year	3,206,756
Total deferred inflows of resources	6,114,168
Net Position (Deficit)	
Net investment in capital assets	4,161,055
Restricted	3,244,579
Unrestricted	(8,301,743)
Total net position	\$ (896,109)

Independent School District No. 840
St. James, Minnesota
Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Administration	\$ 879,791	\$ -	\$ 50,822	\$ -
District support services	823,679	41,290	-	-
Regular instruction	9,450,111	226,707	-	-
Vocational instruction	284,967	3,142	-	-
Special education instruction	2,057,389	-	-	-
Community education and services	1,335,224	768,222	422,189	-
Instructional support services	524,231	-	-	-
Pupil support services	2,773,935	125,711	1,137,511	-
Sites and buildings	2,413,406	-	168,318	-
Fiscal and other fixed cost programs	967,625	16,902	989,418	-
Total Governmental Activities	<u>\$ 21,510,358</u>	<u>\$ 1,181,974</u>	<u>\$ 2,768,258</u>	<u>\$ -</u>
General Revenues				
Property taxes and other county sources				2,430,737
State aid not restricted to specific purposes				14,279,538
Federal aid not restricted to specific purposes				669,375
Interest earnings				225,892
Miscellaneous				414,278
Total general revenues				<u>18,019,820</u>
Changes in Net Position				<u>459,694</u>
Net Position - Beginning, as previously reported				416,855
Adjustments (Note 8)				<u>(1,772,658)</u>
Net Deficit - Beginning, as restated				<u>(1,355,803)</u>
Net Deficit - Ending				<u>\$ (896,109)</u>

The notes to the financial statements are an integral part of the financial statements

Independent School District No. 840
St. James, Minnesota
Balance Sheet – Governmental Funds
June 30, 2025

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,304,901	\$ 744,899	\$ 1,209,684	\$ 8,259,484
Receivables				
Current property taxes	766,583	1,137,230	48,828	1,952,641
Delinquent property taxes	15,146	13,326	935	29,407
Accounts	149,257	-	16,265	165,522
Due from other Minnesota school districts	-	-	158	158
Due from Minnesota Department of Education	1,658,292	97,835	45,525	1,801,652
Due from federal through Minnesota Department of Education	458,365	-	39,928	498,293
Due from other governmental units	9,203	-	19,177	28,380
Inventories	-	-	9,060	9,060
Prepaid items	10,400	-	-	10,400
Total assets	\$ 9,372,147	\$ 1,993,290	\$ 1,389,560	\$ 12,754,997
Liabilities				
Salaries payable	\$ 656,993	\$ -	\$ 133,904	\$ 790,897
Accounts payable	396,601	-	78,975	475,576
Due to other Minnesota school districts	133,302	-	-	133,302
Payroll deductions	1,014,409	-	-	1,014,409
Unearned revenue	3,988	-	6,532	10,520
Total liabilities	2,205,293	-	219,411	2,424,704
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	15,146	13,327	935	29,408
Property taxes levied for subsequent year	1,514,438	1,586,343	105,975	3,206,756
Total deferred inflows of resources	1,529,584	1,599,670	106,910	3,236,164
Fund Balances				
Nonspendable	10,400	-	9,060	19,460
Restricted	2,210,592	393,620	1,059,336	3,663,548
Assigned	310,233	-	-	310,233
Unassigned	3,106,045	-	(5,157)	3,100,888
Total fund balances	5,637,270	393,620	1,063,239	7,094,129
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,372,147	\$ 1,993,290	\$ 1,389,560	\$ 12,754,997

Independent School District No. 840
St. James, Minnesota

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

Total Fund Balances for Governmental Funds	\$	7,094,129
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		28,299,260
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as unearned revenue in the funds.		29,408
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(358,371)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		(782,661)
The internal service fund accounts for the district's dental self-insurance plan. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		11,951
Long-term liabilities that pertain to governmental funds are not due and payable in the current period, and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year end are:		
Bonds Payable	\$ 23,962,000	
Bond Premium	321,852	
Financed Purchases Payable	190,010	
Leases Payable	76,201	
Net Pension Liability	7,004,052	
OPEB Liability	1,518,317	
Compensated Absences	2,117,393	
		(35,189,825)
Total Net Position for Governmental Activities	\$	(896,109)

Independent School District No. 840

St. James, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2025

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
Revenues				
Local property tax levies	\$ 1,617,493	\$ 682,507	\$ 96,461	\$ 2,396,461
Earning on investments	205,050	16,902	43,277	265,229
Other local and county sources	588,429	-	771,200	1,359,629
State sources	14,500,984	989,418	744,537	16,234,939
Federal sources	713,468	-	813,937	1,527,405
Local sales and insurance recovery	-	-	99,011	99,011
Total revenues	17,625,424	1,688,827	2,568,423	21,882,674
Expenditures				
Administration	874,944	-	-	874,944
District support services	674,097	-	-	674,097
Regular instruction	7,844,316	-	-	7,844,316
Vocational instruction	282,933	-	-	282,933
Special education instruction	2,057,507	-	-	2,057,507
Community education and services	-	-	1,334,220	1,334,220
Instructional support services	492,921	-	-	492,921
Pupil support services	1,500,228	-	1,268,006	2,768,234
Sites and buildings	2,041,787	-	68,071	2,109,858
Fiscal and other fixed cost programs	192,725	-	-	192,725
Capital outlay	321,256	-	1,565,762	1,887,018
Debt service				
Principal	147,881	890,000	-	1,037,881
Interest and fiscal charges	17,812	787,273	-	805,085
Total expenditures	16,448,407	1,677,273	4,236,059	22,361,739
Excess (Deficiency) of Revenues over (under) Expenditures	1,177,017	11,554	(1,667,636)	(479,065)
Other Financing Sources				
Bonds issued	-	-	1,640,000	1,640,000
Bond premium	-	-	63,487	63,487
Total Other Financing Sources	-	-	1,703,487	1,703,487
Net Change in Fund Balances	1,177,017	11,554	35,851	1,224,422
Fund Balance - Beginning	4,460,253	382,066	1,027,388	5,869,707
Fund Balance - Ending	\$ 5,637,270	\$ 393,620	\$ 1,063,239	\$ 7,094,129

Independent School District No. 840

St. James, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2025

Total Net Change in Fund Balances for Governmental Funds	\$ 1,224,422
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. In the current period those amounts are:	
Capital outlay	1,887,018
Depreciation/amortization expense	(1,033,013)
In the statement of activities, only the net gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the capital assets less the accumulated depreciation.	
	(1,338,564)
Governmental funds report severance/compensated absences costs as expenditures when paid, whereas in the statement of activities severance/compensated absences costs are reported as expenditures as the employees earn the severance/compensated absences. In the statement of net position, the payment of severance/compensated absences results in a reduction of the liability.	
	(163,036)
In governmental funds, issuance of new debt is reported as an other financing source. However, in the statement of activities, a new debt issuance is not revenue, rather it constitutes a long-term liability in the statement of net position.	
	(1,703,487)
In governmental funds, other postemployment benefits (OPEB), severance benefits, and compensated absences are all measured by the amount of resources used. However, in the statement of activities, an increase in OPEB liability is based on the amount earned by the employees during the period. This amount is the net of these differences.	
	(935)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	
	563,734
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.	
	12,373
The governmental funds report repayment of principal on long-term debt as expenditures. In the statement of net position, however, repayment of principal reduces the liability.	
	1,037,881
Long-term debt interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due.	
	(31,391)
The internal service fund accounts for the district's dental self-insurance plan. The net revenue of the internal service fund is included in the governmental activities.	
	(8,707)
Property taxes levied and due in previous fiscal years that have not been received as of the end of the current fiscal year are recorded as unavailable revenue - delinquent taxes in the governmental funds. In the statement of activities, these taxes are considered revenue in the period for which they are levied.	
	13,399
Change in Net Position of Governmental Activities	<u>\$ 459,694</u>

Independent School District No. 840
 St. James, Minnesota
 Budgetary Comparison Schedule: General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Local property tax levies	\$ 1,588,751	\$ 1,588,751	\$ 1,617,493	\$ 28,742
Earning on investments	60,018	60,018	205,050	145,032
Other local and county sources	439,794	621,199	588,429	(32,770)
State sources	13,876,995	14,287,042	14,500,984	213,942
Federal sources	525,377	717,493	713,468	(4,025)
Total revenues	<u>16,490,935</u>	<u>17,274,503</u>	<u>17,625,424</u>	<u>350,921</u>
Expenditures				
Administration	881,923	890,225	874,944	15,281
District support services	665,341	665,341	674,097	(8,756)
Regular instruction	7,693,528	7,955,102	7,844,316	110,786
Vocational instruction	276,221	276,221	282,933	(6,712)
Special education instruction	2,308,887	2,308,887	2,057,507	251,380
Instructional support services	635,077	592,295	492,921	99,374
Pupil support services	1,482,317	1,522,817	1,500,228	22,589
Sites and buildings	1,886,622	2,114,582	2,041,787	72,795
Fiscal and other fixed cost programs	237,141	208,775	192,725	16,050
Capital outlay	185,288	432,600	321,256	111,344
Debt service				
Principal	176,916	176,916	147,881	29,035
Interest and fiscal charges	21,283	21,283	17,812	3,471
Total expenditures	<u>16,450,544</u>	<u>17,165,044</u>	<u>16,448,407</u>	<u>716,637</u>
Net Change in Fund Balance	<u>\$ 40,391</u>	<u>\$ 109,459</u>	1,177,017	<u>\$ 1,067,558</u>
Fund Balance - Beginning			<u>4,460,253</u>	
Fund Balance - Ending			<u>\$ 5,637,270</u>	

Independent School District No. 840
St. James, Minnesota
Statement of Net Position
June 30, 2025

	<u>Governmental Activities - Internal Service Fund</u>
Current Assets	
Cash	\$ 12,071
Accounts receivable	<u>82</u>
Total assets	<u>12,153</u>
Liabilities	
Claims incurred but not reported	<u>202</u>
Net Position	
Unrestricted	<u><u>\$ 11,951</u></u>

Independent School District No. 840
 St. James, Minnesota
 Statement of Changes in Net Position
 Year Ended June 30, 2025

	Governmental Activities - Internal Service Fund
Operating Revenues	
Dental premiums	\$ 73,483
Operating Expenses	
Dental claims	71,961
Administration fees	10,726
Total operating expenses	82,687
Operating Loss	(9,204)
Nonoperating Revenues	
Interest earnings	497
Change in Net Position	(8,707)
Net Position - Beginning	20,658
Net Position - Ending	\$ 11,951

Independent School District No. 840
 St. James, Minnesota
 Statement of Cash Flows
 Year Ended June 30, 2025

	<u>Governmental Activities - Internal Service Fund</u>
Operating Activities	
Receipts from participants	\$ 73,401
Payments for insurance claims and administration	<u>(82,687)</u>
Net cash used for operating activities	(9,286)
Investing Activities	
Interest Earnings	<u>497</u>
Net Change in Cash	(8,789)
Cash, July 1, 2024	<u>20,860</u>
Cash, June 30, 2025	<u><u>\$ 12,071</u></u>
Reconciliation of Operating Loss to	
Net Cash from Operating Activities	
Operating loss	\$ (9,204)
Changes in assets and liabilities	
Accounts receivable	<u>(82)</u>
Net cash used for operating activities	<u><u>\$ (9,286)</u></u>

Independent School District No. 840
St. James, Minnesota
Statement of Fiduciary Net Position
June 30, 2025

	<u>Custodial Fund</u>
Assets	
Cash	<u>\$ 2,117</u>
Net Position	
Restricted for scholarships	<u><u>\$ 2,117</u></u>

Independent School District No. 840
St. James, Minnesota
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2025

	<u>Custodial Fund</u>
Additions	
Gifts and bequests	<u>\$ 1,500</u>
Deductions	
Scholarships	<u>1,000</u>
Change in Net Position	500
Net Position - Beginning	<u>1,617</u>
Net Position - Ending	<u><u>\$ 2,117</u></u>

Note 1 - Summary of Significant Accounting Policies

The Independent School District No. 840 (the District) is a school district governed by a board elected by eligible voters of the District. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant School District accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District does not have any blended or discretely presented component units.

The District is the basic level of government which has oversight responsibility and control over all activities related to the public-school education in the District's area. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, since board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period, except as stated below. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for the following: (1) commodity inventory items are recorded when received, (2) interest and principal on long-term debt are recorded when paid, and (3) claims and judgments, group health claims, and compensated absences are recorded as expenditures when paid with expendable available financial resources. Prepaid items are recorded for approved disbursements made in advance of the year in which the item is budgeted.

Property tax revenues for all funds, which are payable by property owners in a calendar year, are recognized in the fiscal year beginning July 1 of that calendar year. State revenues are recognized in the year to which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or Federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year. Revenue from other school districts is generally recognized when related expenditures occur. All other revenue items are considered to be measurable and available as stated above.

The District reports unearned revenue on its governmental fund financial statements and government wide financial statements when resources are received by the District before the revenue has been earned. The District records unavailable revenue on its governmental fund financial statements when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the unavailable revenue is removed from the financial statements and revenue is recognized.

The District reports the following major governmental funds:

- *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is used to account for educational activities, District instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and legal school district expenditures not specifically designated to be accounted for in any other fund.
- *Debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following non-major governmental funds:

- *Food Service fund* accounts for food service revenues and expenditures.
- *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.
- *Capital Projects fund* accounts for capital projects within the District.

Additionally, the government reports the following fund type:

- *Internal service fund* is a proprietary fund used to account for the activities of the District's self-insured dental plan.
- *Fiduciary funds* are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.
 - *Custodial fund* is used to account for the funds used for student scholarships that lack the administrative involvement to be included in the general fund. These assets are used for third party authorized purposes and not to be used to support the district's own programs.

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

1. Cash and Cash Equivalents

Cash balances of the District's funds are combined (pooled) and invested to the extent available in various deposits and investments authorized by Minnesota state statutes. Each fund shares in the earnings according to its average cash and investments balance. Cash includes amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the District. Investments are reported at fair value, except for the Minnesota School District Liquid Asset Fund (MSDLAF), an external investment pool, which in accordance with GASB 79 is valued at amortized cost, which approximates fair value. GASB Statement No. 79 requires a comparison of the MSDLAF+ Portfolio's investments on an amortized cost basis to fair values determined on a market value basis at least monthly.

2. Receivables

Under the modified accrual basis of accounting, some revenues are susceptible to accrual while others are not. Major revenues treated as susceptible to accrual are: property taxes, state and federal aids, and revenue from other Minnesota school districts. All receivables are reported at their gross value and, if appropriate, reduced by the estimated portion that is expected to be uncollectible.

Interest and certain receivables are recorded as revenue in the year earned and available to pay liabilities of the current period.

On or before September 15th of each year, the School Board certifies to the county auditor the dates it has selected for its public hearing and for the continuation of its hearing, if necessary. If not certified by this date, the county auditor will assign the hearing date. All school districts must hold public hearings on their proposed property tax levies. Also, at this time the School Board certifies its proposed property tax levy to the county auditor for collection in the following year.

Beginning on November 29th and through December 20th of each year, the District is required by state law to hold its public hearing on its proposed budgets and proposed property tax levies for the taxes payable in the following year. On or before five business days after December 20th, the School Board certifies its final adopted property taxes payable the following year to the county auditor. If the District has not certified its final property tax by this time, its property tax will be the amount levied by it in the preceding year.

In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Agricultural land taxes may be paid on May 15 and November 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to Districts three times a year, in January, June, and November.

Property tax revenue is recorded under the intact levy concept whereby taxes collectible during a calendar year are recorded as revenue in the fiscal year beginning with the year of collection. Current taxes receivable represent taxes levied in 2024 which are not payable until 2025 less amounts received before June 30, 2025. Delinquent taxes receivable represent levies collectible during 2024 and prior years. Delinquent taxes are recorded as unavailable revenue. Taxes levied for subsequent years represent current taxes receivable, which are levied in 2024, but not payable until 2025 and are not expendable by the District until the 2025-2026 school year, adjusted for the property tax shift amount.

3. Inventories, Commodities, and Prepaid Items

All inventories are expensed when consumed rather than when purchased and are valued at the lower of cost or market using the first in first out (FIFO) method. United States Department of Agriculture commodities received are recorded as revenue at the fair market value of such commodities and included in the food service fund revenue and expenditures when received. Unused commodities at year end are included in inventories of food.

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

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed (except for intangible right-to-use lease assets, the measurement of which is discussed in Note 3). Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential.

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.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment. Capital assets not being depreciated include land and construction in process.

Right to use leased assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period is five years.

5. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

In the government-wide financial statements bond premiums and discounts are deferred and amortized over the life of the bonds and issuance costs are expensed in the period incurred. In the fund financial statements, governmental fund types recognize premiums received on debt issuances as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of the lease payments are discounted based on a borrowing rate determined by the District.

6. Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, three types of leave qualifies for liability recognition for compensated absences –sick leave, severance, and vacation. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave

The District's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the District and, upon separation from service, no monetary obligation exists unless the employee qualifies for severance as described in the following paragraph. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

Severance

Upon reaching 12 years of service, teachers hired prior to June 30, 2012, are eligible for a severance payment equal to their accumulated sick leave hours up to a maximum of 180 days (1,440 hours) at a rate of \$55 per day, reduced by lifetime 403(b) contributions made by the district. Business office staff with at least 8 years of service but less than 14 years of service are eligible for a severance payment equal to their accumulated sick leave hours up to a maximum of 180 days (1,440 hours) at a rate of 15% of their current hourly wage. Business office staff with at least 14 years of service are eligible for a severance payment equal to their accumulated sick leave hours up to a maximum of 180 days (1,440 hours) at a rate of \$25 per day.

Vacation

Substantially all full-time employees earn annual vacation pay at various rates based on length of service. All outstanding unpaid vacation pay is payable upon termination of employment.

7. Postemployment Benefits Other Than Pensions (OPEB)

Under the provisions of the various employee and union contracts, the District provides certain postemployment benefits other than pensions to eligible retirees. These OPEB obligations are funded on a pay-as-you-go basis. The total OPEB liability, deferred outflows/inflows of resources, and OPEB expense were actuarially determined in accordance with GASB Statement No. 75. Additional information can be found in Note 4.

8. Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 5.

9. Deferred Outflows of Resources

In addition to assets, the statement of financial 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 on the government-wide statement of net position. Deferred outflows of resources related to other postemployment benefits consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenditures in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

10. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position 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 three types of items that qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows related to pension and OPEB activity as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

11. Net Position and Fund Balances

Net position represents the difference between assets, deferred outflows/inflows of resources, and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balances represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the School Board through an ordinance or resolution.
- Assigned fund balance represents amounts constrained by the District's intent to be used for specific purposes, but neither restricted nor committed. The School Board has the authority to assign a fund balance and the School Board has also delegated the authority to assign fund balances to the superintendent and business manager.
- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The District approved a minimum unassigned general fund balance of two months of operating expenses. If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

E. Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses in the government-wide financial statements and fund financial statements. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers have been removed from the government-wide financial statements.

F. Property Tax Shift

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2025 is recorded as deferred inflows of resources (property taxes levied for subsequent years).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county general remits taxes to the District at periodic intervals as they are collected. A portion of the property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

G. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2025.

H. Estimates

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

I. Adoption of New Accounting Standard

As of July 1, 2024, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 8.

As of July 1, 2024, the District adopted GASB Statement No. 102, *Certain Risk Disclosures*, which requires management to evaluate whether there are risks related to a government's vulnerabilities due to certain concentrations or constraints that require disclosure. There was no effect of the implementation of this standard on disclosures during the year.

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Information

The District adopts an annual budget for all funds in accordance with Minnesota State Statutes. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. The School Board holds public hearings and a final budget must be prepared and adopted no later than one week after the School Board approves the audited financial statements and has published the final budget in the local newspaper. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal yearend. The actual revenues, expenditures, and transfers for the year ended June 30, 2025, have been compared to the District's budget for the year where applicable. Variances in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

Budgetary control is maintained by fund, at the object of expenditure category level within each program, and in compliance with state requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available. Budgeted amounts are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year end. The School Board made several supplemental budgetary appropriations throughout the year.

Note 3 - Detailed Notes on All Funds

A. Cash and Investments

1. Cash

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board. All such depositories are members of the Federal Reserve System.

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

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it.

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

Concentration of Credit Risk - The District maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2025, the District was fully collateralized.

2. Investments

As of June 30, 2025, the District had investments in Minnesota School District Liquid Asset Fund (MSDLAF). MSDLAF is a money market account and is available to service the District's financial needs immediately. The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. According to GASB 79, the fair value of the position in the pool is the same as the value of the pool's shares.

The following are considered the most significant risks associated with investments:

Custodial Credit Risk - The investment in the MSDLAF is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40. The District does not have an investment policy for custodial credit risk.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The District may invest funds as authorized by Minnesota Statutes Section 118A.04. All funds in the MSDLAF are invested in accordance with Minnesota Statutes Section 475.66. Each Minnesota School District owns a pro-rata share of each investment which is held in the name of the Funds. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The District places no limit on the amount the district may invest in any one issuer. More than five percent of the District's investments are invested with MSDLAF (100%).

The following table presents the District's deposit and investment balance at June 30, 2025:

	Fair Value	Investment Maturities (In Years) N/A
Cash and Cash Equivalents		
Deposits	\$ 2,817,778	\$ 2,817,778
MSDLAF	5,455,894	5,455,894
Total	\$ 8,273,672	\$ 8,273,672

Cash and investments are included on the basic financial statements as follows:

Cash and Cash Equivalents - Statement of Net Position	\$ 8,271,555
Cash - Statement of Fiduciary Net Positions	2,117
	\$ 8,273,672

B. Receivables

Receivables as of the year end for the District are reported on the Statement of Net Position and the Balance Sheet.

The Balance Sheet reports unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The Statement of Net Position and the Balance Sheet also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of unearned revenue reported was as follows:

	Received but Unearned
Unearned revenue (general fund)	\$ 3,988
Food service meals (food service fund)	528
Prepaid enrollment (community service fund)	6,004
	\$ 10,520

C. Capital Assets

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

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
Governmental Activities				
Capital Assets, not being Depreciated/Amortized:				
Land	\$ 67,554	\$ -	\$ -	\$ 67,554
Capital Assets, being Depreciated/Amortized:				
Land improvements	3,232,190	-	49,674	3,182,516
Buildings	37,275,176	1,719,283	1,884,062	37,110,397
Equipment	2,577,181	167,735	110,637	2,634,279
Right-of-use assets	282,160	-	19,005	263,155
Total Capital Assets, being Depreciated/Amortized	43,366,707	1,887,018	2,063,378	43,190,347
Less Accumulated Depreciation/Amortization for:				
Land improvements	1,182,466	140,571	47,190	1,275,847
Buildings	11,643,472	713,770	547,982	11,809,260
Equipment	1,673,308	120,482	110,637	1,683,153
Right-of-use assets	151,196	58,190	19,005	190,381
Total Accumulated Depreciation/Amortization	14,650,442	1,033,013	724,814	14,958,641
Total Capital Assets, being Depreciated/Amortized, net	28,716,265	854,005	1,338,564	28,231,706
Governmental Activities Capital Assets, net	\$ 28,783,819	\$ 854,005	\$ 1,338,564	\$ 28,299,260

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Administration	\$ 2,364
District support services	71,516
Regular instruction	631,379
Vocational instruction	1,567
Special education instruction	5,932
Community education and services	1,003
Instructional support services	6,135
Pupil support services	11,877
Sites and buildings	301,240
Total depreciation/amortization expense	\$ 1,033,013

D. Leases Payable

In a prior year, the District entered into a lease agreement as lessee for the acquisition and use of technology equipment. As of June 30, 2025, the value of the lease liability was \$21,752. The District is required to make monthly principal and interest payments of \$3,657 through December 2026. The lease has an interest rate of 3.00%.

In a prior year, the District entered into a lease agreement as lessee for the acquisition and use of maintenance equipment. As of June 30, 2025, the value of the lease liability was \$54,449. The District is required to make annual principal and interest payments of \$15,000 through September 2028. The lease has an interest rate of 4.00%.

The future principal and interest lease payments as of June 30, 2025, were as follows:

Years Ending June 30,	Governmental Activities	
	Principal	Interest
2026	\$ 34,575	\$ 2,369
2027	13,335	1,665
2028	13,868	1,132
2029	14,423	577
	<u>\$ 76,201</u>	<u>\$ 5,743</u>

E. Long-Term Liabilities**1. Financed Purchases Payable**

The District entered into a financing agreement in June 2007 for the financing of classroom addition projects. The agreement is payable in annual installments through February 2027 at a 4.93% interest rate. The obligation is being retired by the general fund.

Annual debt service requirements to maturity for the financed purchases are as follows:

Years Ending June 30,	
2026	\$ 102,087
2027	102,087
Total Payments	204,174
Less: Interest	(14,164)
Present Value of Minimum Payments	<u>\$ 190,010</u>

The total cost of assets acquired through the financing agreement is \$1,284,172 and the related accumulated depreciation of those assets is \$423,777 as of June 30, 2025.

2. Bonds

The District's bonds currently outstanding are as follows and are paid out of the Debt Service fund:

Bond Description	Final Maturity	Interest Rate	Principal Payments	Original Principal	Outstanding Balance
General Obligation School Building Bonds of 2016A	2/46	3.00% - 3.38%	\$280,000 - \$1,460,000	\$ 15,405,000	\$ 12,005,000
General Obligation School Building Bonds of 2016B	2/45	3.00% - 4.00%	\$205,000 - \$1,230,000	8,500,000	8,500,000
General Obligation Facilities Maintenance Bonds of 2017A	2/27	1.70% - 2.50%	\$70,000 - \$90,000	640,000	175,000
General Obligation Alternative Facilities Bonds of 2018A	2/31	3.00% - 4.00%	\$150,000 - \$250,000	2,480,000	1,375,000
General Obligation Facilities Maintenance Bonds of 2020A	2/27	1.54%	\$127,000 - \$135,000	904,000	267,000
General Obligation Facilities Maintenance Bonds of 2024A	2/35	3.10% - 5.00%	\$110,000 - \$170,000	<u>1,640,000</u>	<u>1,640,000</u>
				<u>\$ 29,569,000</u>	<u>\$ 23,962,000</u>

During the year ended June 30, 2025, the District issued General Obligation Facilities Maintenance Bonds, Series 2024A, in the amount of \$1,640,000 to provide funds for certain facilities and site maintenance projects of the District which are included in the District's ten-year facilities plan approved by the Commissioner of Education. The bonds bear an interest rate of 3.10-5.00% and call for semiannual interest payments commencing August 1, 2025, and annual principal payments commencing February 1, 2026.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Years Ending June 30,	Governmental Activities	
	Principal	Interest
2026	\$ 992,000	\$ 853,110
2027	1,015,000	798,558
2028	1,135,000	769,259
2029	965,000	729,496
2030	995,000	69,846
2031-2035	5,460,000	2,997,131
2036-2040	5,445,000	2,141,631
2041-2045	6,495,000	1,090,906
2046	<u>1,460,000</u>	<u>58,400</u>
Total	<u>\$ 23,962,000</u>	<u>\$ 9,508,337</u>

3. Changes in Long-Term Liabilities

During the year ended June 30, 2025, the following changes occurred in liabilities reported in the government-wide financial statements:

	Balance July 1, 2024, as restated	Additions	Deletions	Balance June 30, 2025	Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 23,212,000	\$ 1,640,000	\$ 890,000	\$ 23,962,000	\$ 992,000
Bond Premium	270,917	63,487	12,552	321,852	18,901
Bond Discount	(179)	-	(179)	-	-
Total Bonds Payable	23,482,738	1,703,487	902,373	24,283,852	1,010,901
Financed Purchases Payable	278,373	-	88,363	190,010	92,719
Leases Payable	135,719	-	59,518	76,201	34,575
Compensated Absences Payable*	1,954,357	163,036	-	2,117,393	919,026
	<u>\$ 25,851,187</u>	<u>\$ 1,866,523</u>	<u>\$ 1,050,254</u>	<u>\$ 26,667,456</u>	<u>\$ 2,057,221</u>

*Change in compensated absences is presented as the net change for the year.

Leases Payable – Leases payable consists of leases as discussed in section D of this note. Lease principal and interest payments are made by the general fund.

Compensated Absences Payable – Compensated absences payable consists of estimated future use of sick leave and accumulated severance and vacation benefits as discussed in Note 1.

4. Legal Debt Margin

Minnesota State Statutes do not allow net debt (as defined in Minn. Stat. Para. 475.51 subd. 4) to exceed 15 percent of the actual market value of all taxable property within the District. The District’s market value per the School Tax Report 2024 Payable 2025 was \$509,457,510.

Independent School District No. 840

St. James, Minnesota

Notes to Financial Statements

June 30, 2025

F. Fund Balances

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

	General	Debt Service	Total Nonmajor Funds	Totals
Nonspendable				
Inventories	\$ -	\$ -	\$ 9,060	\$ 9,060
Prepaid items	10,400	-	-	10,400
Total nonspendable	10,400	-	9,060	19,460
Restricted				
Student activities	10,015	-	-	10,015
Scholarships	174,155	-	-	174,155
Staff development	330,698	-	-	330,698
Literacy incentive aid	68,416	-	-	68,416
Operating capital	105,542	-	-	105,542
Gifted and talented	50,139	-	-	50,139
English learner	51,234	-	-	51,234
Basic skills	879,010	-	-	879,010
School library aid	69	-	-	69
Safe schools	19,653	-	-	19,653
Learning and development	200,475	-	-	200,475
Student support personnel	80,000	-	-	80,000
Medical assistance	28,627	-	-	28,627
Payments in lieu of taxes	41,869	-	-	41,869
Friends of court	101,168	-	-	101,168
Literacy aid	30,788	-	-	30,788
Teacher compensation for READ act training	38,734	-	-	38,734
Food service	-	-	401,476	401,476
Community education	-	-	209,630	209,630
Early childhood family education	-	-	168,932	168,932
School readiness	-	-	77,148	77,148
Adult basic education	-	-	112,144	112,144
Debt service	-	393,620	-	393,620
Building construction	-	-	90,006	90,006
Total restricted	2,210,592	393,620	1,059,336	3,663,548
Assigned				
Vehicles and equipment	309,633	-	-	309,633
HS little theater project	600	-	-	600
Total assigned	310,233	-	-	310,233
Unassigned	3,106,045	-	(5,157)	3,100,888
Total fund balance	\$ 5,637,270	\$ 393,620	\$1,063,239	\$ 7,094,129

Note 4 - Other Post-Employment Benefits

A. Plan Description

The Independent School District No. 840 other post-employment benefits plan is a defined benefit OPEB plan that provides a single employer defined benefit health plan to eligible retirees. This plan covers active and retired employees. This plan covers active and retired employees who have reached age 55 with 3 years of service. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. Medical coverage is administered by PEIP. The plan does not issue a publicly available financial report. No assets are accumulated in a trust.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of \$792 to \$1,137 for single coverage and \$1,657 to \$2,427 for single+1 coverage, dependent on the plan selected. The implicit rate subsidy is only until Medicare eligibility. Certain contract groups are eligible for subsidized benefits as follows:

- *Teachers hired before July 1, 2008, with 15 or more years of service:* District-paid single premium rate in effect for active employees at the time of retirement up to \$9,600 annually until the earlier of 7 years or age 65, and \$10,000 lump sum early retirement incentive upon retirement, with 50% paid into a health care savings plan (unless the employee elects for a higher percentage) and the remainder paid as immediate income.
- *Teachers hired after July 1, 2008, with 20 or more years of service:* District-paid single premium rate in effect for active employees at the time of retirement up to \$9,600 annually until the earlier of 7 years or age 65.

There are no other subsidized post-employment medical, dental, or life insurance benefits.

C. Employees Covered by Benefit Terms

At the valuation date of June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	7
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees electing coverage	97
Active employees waiving coverage	83
	187
	187

D. Total OPEB Liability

The District's total OPEB liability of \$1,518,317 was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2024.

E. Actuarial Assumptions

The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50 percent
Salary increases	Based on the most recently disclosed assumption for the pension plan in which the employee participates.
Discount rate	3.97 percent
Health care cost trend rate	8.60% for FY2023, gradually decreasing over several decades to an ultimate rate of 3.90% in FY2076 and later years.
Retiree plan participation	100% of current and future retirees eligible for an explicit subsidy are assumed to elect coverage at retirement and continue coverage until Medicare eligible (age 65). 10% of future retirees not eligible for an explicit subsidy are assumed to elect coverage at age retirement and continue coverage until age 65.
Percent of married retirees electing spouse coverage	10%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates for teachers were based on the Pub-2010 Teacher mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments. Mortality rates for non-teachers were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments. The actuarial assumptions used in the June 30, 2024, valuation were based on inputs from a variety of published sources of historical and projected future financial data, including the 2023 Teachers Retirement of Association of Minnesota (TRA) Experience Study and the 2023 PERA of Minnesota General Employees Retirement Plan Experience Study.

Since the last valuation the following changes have been made to the plan provisions:

- Retiree premiums and the premium cap were updated to current levels.

Since the last measurement, the following changes in actuarial assumptions have been made:

- The discount rate was changed from 3.86% to 3.97% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claim costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2021 PERA General Employees Plan and 7/1/2021 Teachers Retirement Association valuations to the rates used in the 2023 experience studies.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.

F. Changes in Total OPEB Liability

Balance at June 30, 2024	\$	1,465,398
Changes from the Prior Year:		
Service cost		83,198
Interest cost		57,805
Differences between expected and actual experience		(126,468)
Changes of assumptions		140,493
Benefit Payments		(102,109)
		52,919
Net Change		52,919
Balance at June 30, 2025	\$	1,518,317

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate one percentage point lower and one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.97%	3.97%	4.97%
Total OPEB Liability	\$ 1,595,778	\$ 1,518,317	\$ 1,442,382

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

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Health care cost and trend rate	7.60%, gradually decreasing over several decades to an ultimate rate of 2.90% in FY2076 and later years	8.60%, gradually decreasing over several decades to an ultimate rate of 3.90% in FY2076 and later years	9.60%, gradually decreasing over several decades to an ultimate rate of 4.90% in FY2076 and later years
Total OPEB Liability	\$ 1,437,071	\$ 1,518,317	\$ 1,614,301

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

For the year ended June 30, 2025, the District recognized OPEB expense of \$102,294. 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 liability	\$ 63,180	\$ 258,731
Changes of assumptions	146,897	100,891
District's contributions subsequent to measurement date	47,862	-
Total	<u>\$ 257,939</u>	<u>\$ 359,622</u>

The \$47,862 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Years Ended June 30,	OPEB Expense
2026	\$ (36,145)
2027	(37,577)
2028	(38,889)
2029	(16,599)
2030	(12,683)
Thereafter	(7,652)

Note 5 - Defined Benefit Pension Plans

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees’ Retirement Association (PERA) or the Teachers’ Retirement Association (TRA), both of which are administered on a state-wide basis.

For the year ended June 30, 2025, the District reported its proportionate share of deferred outflows of resources, net pension liabilities, deferred inflows of resources, and pension expense for each of the plans as follows:

	<u>Deferred Outflows of Resources</u>	<u>Net Pension Liability</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
PERA	\$ 342,622	\$ 1,132,659	\$ 781,805	\$ 62,630
TRA	<u>1,524,190</u>	<u>5,871,393</u>	<u>1,765,985</u>	<u>403,004</u>
Total all plans	<u>\$ 1,866,812</u>	<u>\$ 7,004,052</u>	<u>\$ 2,547,790</u>	<u>\$ 465,634</u>

Disclosures relating to these plans are as follows:

A. Public Employees Retirement Association (PERA)

1. Plan Description

The District participates in the General Employees Retirement Plan, a cost-sharing multiple-employer defined benefit pension plan 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 the plan’s financial reporting requirements. The General Employees Retirement Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

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 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. 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 .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.

3. Contribution Rate

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 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 General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were \$216,632. The District's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

At June 30, 2025, the District reported a liability of \$1,132,659 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 \$29,288.

District's proportionate share of net pension liability	\$ 1,132,659
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>29,288</u>
Total	<u><u>\$ 1,161,947</u></u>

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 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0306 percent at the end of the measurement period and 0.0303 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of \$62,630 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$785 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

During the plan year ended June 30, 2024, 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 \$52,113 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.

At June 30, 2025 the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 106,244	\$ -
Changes in actuarial assumptions	5,577	425,241
Net difference between projected and actual earnings on pension plan investments	-	329,601
Changes in proportion	14,169	26,963
Contributions paid to PERA subsequent to the measurement date	<u>216,632</u>	<u>-</u>
Total	<u><u>\$ 342,622</u></u>	<u><u>\$ 781,805</u></u>

The \$216,632 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2026	\$ (370,450)
2027	(64,910)
2028	(133,643)
2029	(86,812)

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 Allocations	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%
	100.0%	

6. Actuarial Methods and Assumptions

The total pension liability 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 percent for the General Employees Plan.

Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

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

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation.

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

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 Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. Pension Liability Sensitivity

The following presents the District’s proportionate share of the net pension liability for the plan 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:

	General Employees Fund	
1% Lower	6.00%	\$ 2,473,910
Current Discount Rate	7.00%	\$ 1,132,659
1% Higher	8.00%	\$ 29,358

9. Pension Plan Fiduciary Net Position

Detailed information about the 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.

B. Teachers Retirement Association (TRA)

1. Plan Descriptions

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 Benefits

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

With these provisions:

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

or

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 Benefits

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. Contribution Rate

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 were \$576,797. 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.

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	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumptions	
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	PubT-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 Allocations	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%
	100.0%	

Changes in actuarial assumptions since the 2023 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 7.00 percent. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 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 \$5,871,393 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. District proportionate share was 0.0924 percent at the end of the measurement period and 0.0927 percent 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	\$ 5,871,393
State's proportionate share of the net pension liability associated with the District	<u>384,127</u>
Total	<u>\$ 6,255,520</u>

For the year ended June 30, 2025, the District recognized pension expense of \$403,004. It also recognized \$4,699 as a 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 \$384,127 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.

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 experience	\$ 280,642	\$ 76,512
Net difference between projected and actual investment earnings on pension plan investments	-	807,753
Changes of assumptions	599,178	700,179
Changes in proportion	67,573	181,541
District's contributions to TRA subsequent to the measurement date	576,797	-
Total	\$ 1,524,190	\$ 1,765,985

The \$576,797 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2026	\$ (422,418)
2027	536,163
2028	(446,560)
2029	(389,435)
2030	(96,342)

7. Pension Liability Sensitivity

The following presents the District's proportionate share of 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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.00%	7.00%	8.00%
District's proportionate share of the TRA net pension liability	\$ 10,339,866	\$ 5,871,393	\$ 2,193,733

8. Pension Plan Fiduciary Net Position

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

Note 6 - Flexible Benefit Plan

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

Before the beginning of the Plan year, which is from September 1, thru August 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payment of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made monthly and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependent care are paid by the District to an outside administrator upon an employee submitting a request for reimbursement. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee.

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

Note 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 \$69,308, \$65,168, and \$64,545, respectively. The related employee contributions were \$110,575, \$101,113, and \$96,115, for the years ended June 30, 2025, 2024, and 2023, respectively.

Note 8 - Change in Accounting Principle

As of July 1, 2024, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences liability current portion was increased by \$1,772,658 as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

	July 1, 2024, As Previously Reported	Change in Accounting Principle	July 1, 2024, As Restated
Government-Wide			
Governmental Activities	\$ 416,855	\$ (1,772,658)	\$ (1,355,803)

Note 9 - Other Information

A. Contingent Liabilities

The District participates in a number of federal and state programs that are either partially or fully funded by grants or aids received from these agencies or other governmental units. Such programs are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the District believes that any disallowed costs as a result of such audits will be immaterial.

B. Litigation and Potential Exposure

In the ordinary course of its operations, the District is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at June 30, 2025, but, in the opinion of management and legal counsel, the ultimate disposition of any or all of these proceedings will not have a material effect on the District’s financial position.

Required Supplementary Information
June 30, 2025

Independent School District No. 840
St. James, Minnesota

Independent School District No. 840

St. James, Minnesota

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

Year Ended June 30, 2025

Schedule of Total Changes in the District's OPEB Liability and Related Ratios, Last 10 Fiscal Years *

	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 83,198	\$ 83,101	\$ 107,896	\$ 96,444	\$ 102,752	\$ 89,769	\$ 59,277	\$ 62,540
Interest	57,805	56,874	30,715	39,566	55,197	61,275	54,466	46,346
Differences between expected and actual experience	(126,468)	(63,540)	60,603	(60,242)	(189,723)	-	194,591	-
Changes of assumptions	140,493	(11,325)	(107,356)	31,017	(4,725)	31,611	(182,334)	(33,469)
Changes of benefit terms	-	-	-	-	21,321	-	125,339	-
Benefit payments	(102,109)	(115,831)	(135,138)	(131,789)	(122,284)	(127,383)	(110,815)	(148,013)
Net change in total OPEB liability	52,919	(50,721)	(43,280)	(25,004)	(137,462)	55,272	140,524	(72,596)
Total OPEB liability - beginning	1,465,398	1,516,119	1,559,399	1,584,403	1,721,865	1,666,593	1,526,069	1,598,665
Total OPEB liability - ending	\$ 1,518,317	\$ 1,465,398	\$ 1,516,119	\$ 1,559,399	\$ 1,584,403	\$ 1,721,865	\$ 1,666,593	\$ 1,526,069
Covered payroll	\$ 7,932,154	\$ 8,564,869	\$ 8,357,721	\$ 8,005,156	\$ 8,039,231	\$ 7,935,599	\$ 8,149,440	\$ 7,881,228
Total OPEB liability as a percentage of covered payroll	19.14%	17.11%	18.14%	19.48%	19.71%	21.70%	20.45%	19.36%

*GASB Statement No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

2025 Changes

Changes in Plan Provisions

- Retiree premiums and the premium cap were updated to current levels.

Changes in Actuarial Assumptions

- The discount rate was changed from 3.86% to 3.97% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claim costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2021 PERA General Employees Plan and 7/1/2021 Teachers Retirement Association valuations to the rates used in the 2023 experience studies.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.

2024 Changes

Changes in Plan Provisions

- There were no significant changes in plan provisions

Changes in Actuarial Assumptions

- The discount rate was changed from 3.69% to 3.86% based on updated 20-year municipal bond rates

2023 Changes

Changes in Plan Provisions

- Retiree premiums were updated to current levels
- Early Retirement Incentive language was clarified to include the option of an employee to elect a percentage of the lump sum higher than 50%.
- Duration of the payments was clarified to be the earlier of 7 years or age 65.

Changes in Actuarial Assumptions

- The discount rate was changed from 1.92% to 3.69% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality rates were updated from the rates used in the July 1, 2020, PERA General Employees Plan and July 1, 2020, Teachers Retirement Association valuations to the rates used in the July 1, 2021, valuations.

2022 Changes

Changes in Plan Provisions

- There were no significant changes in plan provisions

Changes in Actuarial Assumptions

- The discount rate was changed from 2.45% to 1.92% based on updated 20-year municipal bond rates

2021 Changes

Changes in Plan Provisions

- Retiree premiums were updated to current levels.
- Explicit subsidy premium cap increased from \$8,700 to \$9,100.

Changes in Actuarial Assumptions

- The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capital claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the July 1, 2018, PERA General Employees Retirement Plan and the July 1, 2018, Teachers Retirement Association valuation to the rates used in the July 1, 2020, valuations.
- The percent of future retirees assumed to elect spouse coverage at retirement changed from 20% to 30% to reflect recent plan experience.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.

- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2020 Changes

Changes in Plan Provisions

- There were no significant changes in plan provisions

Changes in Actuarial Assumptions

- The discount rate was changed from 3.62% to 3.13% based on updated 20-year municipal bond rates

2019 Changes

Changes in Plan Provisions

- Retiree premiums were updated to current levels.
- There is no longer an age requirement of 56 for teachers hired before 7/1/2008 and 60 for teachers hired after 6/30/2008 for District paid premiums.

Changes in Actuarial Assumptions

- The discount rate was changed from 3.56% to 3.62% based on updated 20-year municipal bond rates
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capital claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the July 1, 2015, PERA General Employees Retirement Plan and the July 1, 2015, Teachers Retirement Association valuation to the rates used in the July 1, 2018, valuations.
- The percent of future non-Medicare retirees electing each medical plan changed to reflect recent plan experience.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

Independent School District No. 840
St. James, Minnesota
Schedule of Employer's Share of Net Pension Liability
Year Ended June 30, 2025

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years

Pension Plan	Measurement Date	District's Proportion of the Net Pension Liability (Asset) (Percentage)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b)	Total (d) (a+b)	District's Covered Payroll (e)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/24	0.0306%	\$ 1,132,659	\$ 29,288	\$ 1,161,947	\$ 2,595,627	43.6%	89.1%
	6/30/23	0.0303%	1,694,342	46,654	1,740,996	2,397,187	70.7%	83.1%
	6/30/22	0.0309%	2,447,290	71,734	2,519,024	2,309,693	106.0%	70.5%
	6/30/21	0.0312%	1,332,380	40,621	1,373,001	2,109,542	63.2%	87.0%
	6/30/20	0.0311%	1,864,587	57,571	1,922,158	2,083,307	89.5%	79.1%
	6/30/19	0.0315%	1,741,564	54,164	1,795,728	2,054,987	84.7%	80.2%
	6/30/18	0.0331%	1,836,252	60,257	1,896,509	2,084,907	88.1%	79.5%
	6/30/17	0.0324%	2,068,395	26,022	2,094,417	1,994,867	103.7%	75.9%
	6/30/16	0.0318%	2,582,002	33,706	2,615,708	1,836,040	140.6%	68.9%
	6/30/15	0.0338%	1,751,691	N/A	1,751,691	1,875,640	93.4%	78.2%
TRA	6/30/24	0.0924%	\$ 5,871,393	\$ 384,127	\$ 6,255,520	\$ 5,988,446	98.0%	82.1%
	6/30/23	0.0927%	7,653,520	536,153	8,189,673	5,934,012	129.0%	76.4%
	6/30/22	0.0948%	7,591,083	562,779	8,153,862	5,877,914	129.1%	76.2%
	6/30/21	0.0935%	4,091,840	345,150	4,436,990	5,592,952	73.2%	86.6%
	6/30/20	0.0935%	6,907,905	578,699	7,486,604	5,431,490	127.2%	75.5%
	6/30/19	0.0964%	6,144,556	543,613	6,688,169	5,567,468	110.4%	78.1%
	6/30/18	0.1021%	6,415,004	602,544	7,017,548	5,681,827	112.9%	78.1%
	6/30/17	0.0885%	17,666,205	2,452,089	20,118,294	5,525,987	319.7%	51.6%
	6/30/16	0.1024%	24,424,843	843,484	25,268,327	5,319,200	459.2%	44.9%
	6/30/15	0.1112%	6,878,820	388,564	7,267,384	5,637,120	122.0%	76.8%

Independent School District No. 840
 St. James, Minnesota
 Schedule of Employer's Contributions
 Year Ended June 30, 2025

**Schedule of Employer's Contributions
 Last 10 Fiscal Years**

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	6/30/25	\$ 216,632	\$ 216,632	\$ -	\$ 2,888,427	7.5%
	6/30/24	194,672	194,672	-	2,595,627	7.5%
	6/30/23	179,789	179,789	-	2,397,187	7.5%
	6/30/22	173,227	173,227	-	2,309,693	7.5%
	6/30/21	158,216	158,216	-	2,109,542	7.5%
	6/30/20	156,248	156,248	-	2,083,307	7.5%
	6/30/19	154,124	154,124	-	2,054,987	7.5%
	6/30/18	156,368	156,368	-	2,084,907	7.5%
	6/30/17	149,615	149,615	-	1,994,867	7.5%
	6/30/16	137,703	137,703	-	1,836,040	7.5%
TRA	6/30/25	\$ 576,797	\$ 576,797	\$ -	\$ 6,591,966	8.8%
	6/30/24	523,989	523,989	-	5,988,446	8.8%
	6/30/23	507,358	507,358	-	5,934,012	8.6%
	6/30/22	490,218	490,218	-	5,877,914	8.3%
	6/30/21	454,707	454,707	-	5,592,952	8.1%
	6/30/20	430,174	430,174	-	5,431,490	7.9%
	6/30/19	428,695	428,695	-	5,567,468	7.7%
	6/30/18	426,137	426,137	-	5,681,827	7.5%
	6/30/17	414,449	414,449	-	5,525,987	7.5%
	6/30/16	398,940	398,940	-	5,319,200	7.5%
6/30/15	422,784	422,784	-	5,637,120	7.5%	

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

PERA

2024 Changes

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.

2023 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% 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.

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

TRA

2024 Changes

Changes in Actuarial Assumptions

- 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.50% to 7.00%. This does not affect the GASB valuation which was already using the 7.00% assumption.

Changes in Plan Provisions

- Effective July 1, 2025, the normal retirement age for Tier 2 members will decrease from 66 to 65.
- The employer contribution rate will increase from 8.75% to 9.50% on July 1, 2025.
- The employer contribution ate will increase from 7.75% to 8.00% on July 1, 2025.

2022 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- 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, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- 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, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.

- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Augmentation in the early retirement reduction factors is phased out o Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes of benefit terms

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

Changes in Actuarial Assumptions

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

PERA's Comprehensive Annual Financial Report may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at <https://minnesotatra.org>.

Supplementary Information
June 30, 2025

Independent School District No. 840
St. James, Minnesota

Independent School District No. 840
 St. James, Minnesota
 General Fund
 Schedule of Changes in UFARS Fund Balances
 June 30, 2025

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	\$ 25,505	\$ (15,105)	\$ 10,400
Restricted for student activities	19,258	(9,243)	10,015
Restricted for scholarships	162,114	12,041	174,155
Restricted for staff development	292,402	38,296	330,698
Restricted for literacy incentive aid	22,519	45,897	68,416
Restricted for operating capital	2,380	103,162	105,542
Restricted for learning and development	197,759	2,716	200,475
Restricted for gifted and talented	37,892	12,247	50,139
Restricted for english learner	96,897	(45,663)	51,234
Restricted for basic skills	559,108	319,902	879,010
Restricted for school library aid	69	-	69
Restricted for achievement and integration	7,835	(7,835)	-
Restricted for safe schools	6,100	13,553	19,653
Restricted for literacy aid	-	30,788	30,788
Restricted for teacher compensation for READ act	-	38,734	38,734
Restricted for long-term facilities maintenance	14,158	(58,065)	(43,907)
Restricted for student support personnel	40,000	40,000	80,000
Restricted for medical assistance	6,166	22,461	28,627
Restricted for payments in lieu of taxes	35,357	6,512	41,869
Restricted for Friends of Court	114,867	(13,699)	101,168
Assigned for vehicles and equipment	100,000	209,633	309,633
Assigned for HS Little Theater project	-	600	600
Unassigned	2,719,867	430,085	3,149,952
	<u>\$ 4,460,253</u>	<u>\$ 1,177,017</u>	<u>\$ 5,637,270</u>

Independent School District No. 840
 St. James, Minnesota
 Combining Balance Sheet – Nonmajor Governmental Funds
 Year Ended June 30, 2025

	Special Revenue Funds			Total Nonmajor Funds
	Food Service	Community Service	Capital Projects	
Assets				
Cash and investments	\$ 452,672	\$ 667,006	\$ 90,006	\$ 1,209,684
Receivables				
Current property taxes	-	48,828	-	48,828
Delinquent property taxes	-	935	-	935
Accounts	-	16,265	-	16,265
Due from other Minnesota School Districts	-	158	-	158
Due from Minnesota Department of Education	-	45,525	-	45,525
Due from Federal through Minnesota Department of Education	25,680	14,248	-	39,928
Due from other governmental units	-	19,177	-	19,177
Inventories	9,060	-	-	9,060
Total assets	<u>\$ 487,412</u>	<u>\$ 812,142</u>	<u>\$ 90,006</u>	<u>\$ 1,389,560</u>
Liabilities				
Salaries payable	\$ 16,442	\$ 117,462	\$ -	\$ 133,904
Accounts payable	59,906	19,069	-	78,975
Unearned revenue	528	6,004	-	6,532
Total liabilities	<u>76,876</u>	<u>142,535</u>	<u>-</u>	<u>219,411</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	-	935	-	935
Unavailable revenue - property taxes	-	105,975	-	105,975
Total deferred inflows of resources	<u>-</u>	<u>106,910</u>	<u>-</u>	<u>106,910</u>
Fund Balances				
Nonspendable	9,060	-	-	9,060
Restricted	401,476	567,854	90,006	1,059,336
Unassigned	-	(5,157)	-	(5,157)
Total fund balances	<u>410,536</u>	<u>562,697</u>	<u>90,006</u>	<u>1,063,239</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 487,412</u>	<u>\$ 812,142</u>	<u>\$ 90,006</u>	<u>\$ 1,389,560</u>

Independent School District No. 840

St. James, Minnesota

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

Year Ended June 30, 2025

	Special Revenue Funds			Total Nonmajor Funds
	Food Service	Community Service	Capital Projects	
Revenues				
Local property tax levies	\$ -	\$ 96,461	\$ -	\$ 96,461
Earning on investments	-	22,925	20,352	43,277
Other local and county sources	24,783	746,417	-	771,200
State sources	380,434	364,103	-	744,537
Federal sources	756,971	56,966	-	813,937
Local sales and insurance recovery	99,011	-	-	99,011
Total revenues	1,261,199	1,286,872	20,352	2,568,423
Expenditures				
Community education and services	-	1,334,220	-	1,334,220
Pupil support services	1,268,006	-	-	1,268,006
Sites and buildings	-	-	68,071	68,071
Capital outlay	-	-	1,565,762	1,565,762
Total expenditures	1,268,006	1,334,220	1,633,833	4,236,059
Deficiency under Expenditures	(6,807)	(47,348)	(1,613,481)	(1,667,636)
Other Financing Sources (Uses)				
Bonds issued	-	-	1,640,000	1,640,000
Bond premium	-	-	63,487	63,487
Total Other Financing Sources (Uses)	-	-	1,703,487	1,703,487
Net Change in Fund Balances	(6,807)	(47,348)	90,006	35,851
Fund Balance - Beginning	417,343	610,045	-	1,027,388
Fund Balance - Ending	\$ 410,536	\$ 562,697	\$ 90,006	\$ 1,063,239

Other Supplementary Information
June 30, 2025

Independent School District No. 840
St. James, Minnesota

Independent School District No. 840
St. James, Minnesota
Uniform Financial Accounting and Reporting Standards Compliance Table
Year Ended June 30, 2025

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$17,625,424	<u>\$17,625,425</u>	(\$1)	Total Revenue	\$20,352	<u>\$20,352</u>	\$0
Total Expenditures	\$16,448,407	<u>\$16,448,406</u>	\$1	Total Expenditures	\$1,633,833	<u>\$1,633,833</u>	\$0
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$10,400	<u>\$10,400</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
Restricted / Reserved:				Restricted / Reserved:			
4.01 Student Activities	\$10,015	<u>\$10,015</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.02 Scholarships	\$174,155	<u>\$174,155</u>	\$0	4.13 Funded by COP/FP	\$0	<u>\$0</u>	\$0
4.03 Staff Development	\$330,698	<u>\$330,698</u>	\$0	4.67 LTFM	\$69,654	<u>\$69,654</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	Restricted:			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$20,352	<u>\$20,352</u>	\$0
4.12 Literacy Incentive Aid	\$68,416	<u>\$68,416</u>	\$0	Unassigned:			
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	07 DEBT SERVICE			
4.20 American Indian Education Aid	\$0	<u>\$0</u>	\$0	Total Revenue	\$1,688,827	<u>\$1,688,827</u>	\$0
4.24 Operating Capital	\$105,542	<u>\$105,542</u>	\$0	Total Expenditures	\$1,677,273	<u>\$1,677,273</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Non Spendable:			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.28 Learning & Development	\$200,475	<u>\$200,475</u>	\$0	Restricted / Reserved:			
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.37 Q Comp	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$50,139	<u>\$50,139</u>	\$0	Restricted:			
4.39 English Learner	\$51,234	<u>\$51,234</u>	\$0	4.64 Restricted Fund Balance	\$393,620	<u>\$393,620</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	Unassigned:			
4.41 Basic Skills Programs	\$879,010	<u>\$879,010</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.43 School Library Aid	\$69	<u>\$69</u>	\$0				
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	08 TRUST			
4.49 Safe Schools Levy	\$19,653	<u>\$19,653</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Restricted / Reserved:			
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.56 READ Act - Literacy Aid	\$30,788	<u>\$30,788</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	\$0
4.57 READ Act - Tchr Training Compensation	\$38,734	<u>\$38,734</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	\$0				
4.67 LTFM	(\$43,907)	<u>(\$43,907)</u>	\$0	18 CUSTODIAL			
4.71 Student Support Personnel Aid	\$90,000	<u>\$90,000</u>	\$0	Total Revenue	\$1,500	<u>\$1,500</u>	\$0
4.72 Medical Assistance	\$28,627	<u>\$28,627</u>	\$0	Total Expenditures	\$1,000	<u>\$1,000</u>	\$0
Restricted:				Restricted / Reserved:			
4.64 Restricted Fund Balance	\$101,168	<u>\$101,168</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$2,117	<u>\$2,117</u>	\$0
4.76 Payments in Lieu of Taxes	\$41,869	<u>\$41,869</u>	\$0	4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0
Committed:				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.18 Committed for Separation	\$0	<u>\$0</u>	\$0				
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0	20 INTERNAL SERVICE			
Assigned:				Total Revenue	\$73,980	<u>\$73,980</u>	\$0
4.62 Assigned Fund Balance	\$310,233	<u>\$310,233</u>	\$0	Total Expenditures	\$82,687	<u>\$82,686</u>	\$1
Unassigned:				4.22 Unassigned Fund Balance (Net Assets)	\$11,951	<u>\$11,952</u>	(\$1)
4.22 Unassigned Fund Balance	\$3,149,952	<u>\$3,149,955</u>	(\$3)				
				25 OPEB REVOCABLE TRUST			
				Total Revenue	\$0	<u>\$0</u>	\$0
				Total Expenditures	\$0	<u>\$0</u>	\$0

Independent School District No. 840
St. James, Minnesota
Uniform Financial Accounting and Reporting Standards Compliance Table
Year Ended June 30, 2025

02 FOOD SERVICES

Total Revenue	\$1,261,199	<u>\$1,261,200</u>	(\$1)
Total Expenditures	\$1,268,006	<u>\$1,268,006</u>	\$0
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance Restricted / Reserved:	\$9,060	<u>\$9,060</u>	\$0
4.52 OPEB Liab Not In Trust Restricted:	\$0	<u>\$0</u>	\$0
4.64 Restricted Fund Balance Unassigned:	\$401,476	<u>\$401,477</u>	(\$1)
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0

04 COMMUNITY SERVICE

Total Revenue	\$1,286,872	<u>\$1,286,872</u>	\$0
Total Expenditures	\$1,334,220	<u>\$1,334,221</u>	(\$1)
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance Restricted / Reserved:	\$0	<u>\$0</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0
4.31 Community Education	\$209,630	<u>\$209,630</u>	\$0
4.32 E.C.F.E	\$168,932	<u>\$168,932</u>	\$0
4.37 Q Comp	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0
4.44 School Readiness	\$77,148	<u>\$77,147</u>	\$1
4.47 Adult Basic Education	\$112,144	<u>\$112,144</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	\$0
4.57 READ Act - Tchr Training Compensation	\$0	<u>\$0</u>	\$0
<i>Restricted:</i>			
4.64 Restricted Fund Balance Unassigned:	\$0	<u>\$0</u>	\$0
4.63 Unassigned Fund Balance	(\$5,157)	<u>(\$5,155)</u>	(\$2)

4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
---	-----	------------	-----

45 OPEB IRREVOCABLE TRUST

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

47 OPEB DEBT SERVICE

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

Additional Reports
June 30, 2025

Independent School District No. 840
St. James, Minnesota



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. 840
St. James, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 840 (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 and have issued our report thereon dated November 11, 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2025-001, 2025-002, and 2025-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2025-004 to be a significant deficiency.

Report on Compliance and Other Matters

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

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Mankato, Minnesota
November 11, 2025



Independent Auditor's Report on *Minnesota Legal Compliance*

Members of the School Board
Independent School District No. 840
St. James, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 840 ("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, and have issued our report thereon dated November 11, 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 – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Mankato, Minnesota
November 11, 2025

Section I – Financial Statement Findings

**2025-001 Segregation of Duties
 Material Weakness**

Criteria: A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The District has a lack of segregation of duties in certain areas due to limited staff. The District has limited segregation of duties in many accounting and financial reporting internal control areas. The areas involved are receipts and receivables, disbursements and payables, payroll, deposits, and reconciliations of these areas.

Cause: The District does not have the economic resources to hire additional qualified accounting staff in order to segregate duties.

Effect: Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions. School Board oversight will mitigate some of the effect.

Recommendation: The functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the

View of Responsible Officials: There are no disagreements with this finding.

**2025-002 Preparation of Financial Statements, Including Schedule of Expenditures of Federal Awards
Material Weakness**

Criteria: A good system of internal control contemplates an adequate system for drafting of the financial statements and schedule of expenditures of federal awards.

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements or the schedule of expenditures of federal awards being audited. As auditors, we are requested to draft the financial statements, accompanying notes to the financial statements, as well as assist in preparation of the schedule of expenditures of federal awards.

Cause: The District does not have the economic resources to hire additional qualified accounting staff or hire professional accounting services in order to draft financial statements and the schedule of expenditures of federal awards.

Effect: This control deficiency could result in a misstatement to the financial statements or schedule of expenditures of federal awards that would not be prevented or detected.

Recommendation: It is the responsibility of the management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials: There are no disagreements with this finding.

**2025-003 Material Journal Entries
Material Weakness**

Criteria: A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition: During the course of our engagement, we proposed material audit adjustments to the trial balance that would not have been identified as a result of the District's existing internal controls.

Cause: The District does not have the economic resources to hire additional qualified accounting staff or hire professional accounting services in order to make all of the necessary year-end adjustments to the trial balance.

Effect: This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation: A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

View of Responsible Officials: There are no disagreements with this finding.

**2025-004 Lack of Required Employee Documentation
Significant Deficiency**

Criteria: A good system of internal control contemplates an adequate system for maintaining complete records of all employees.

Condition: During the course of our engagement, we noted one employee personnel file out of seven that were tested lacked a completed USCIS Form I-9, Employment Eligibility Verification.

Cause: The District does not have a system of internal control designed to ensure that all required employee documentation is complete.

Effect: This control deficiency could result in inaccurate personnel information entered into the payroll system and employment of individuals unauthorized to work in the United States.

Recommendation: The District should maintain a policy to ensure that all required employee documentation is received as new employees are hired and periodic review to ensure that all personnel records are complete.

View of Responsible Officials: There are no disagreements with this finding.

Section II – Minnesota Legal Compliance Findings

None reported

FORM OF LEGAL OPINION

(See following pages)



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

§ _____
INDEPENDENT SCHOOL DISTRICT NO. 840
(ST. JAMES PUBLIC SCHOOLS)
WANTONWAN, BROWN AND MARTIN COUNTIES, MINNESOTA
GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS
SERIES 2026A

We have acted as bond counsel to Independent School District No. 840 (St. James Public Schools), Wantonwan, Brown and Martin Counties, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation Facilities Maintenance 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 August 18, 2025, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropriated and available funds to pay the obligations of the State thereunder.

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

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

Dated _____, 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. 840
(ST. JAMES PUBLIC SCHOOLS)
WANTONWAN, BROWN AND MARTIN COUNTIES, MINNESOTA
GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS
SERIES 2026A

CONTINUING DISCLOSURE CERTIFICATE

_____, 2026

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Independent School District No. 840 (St. James Public Schools), Wantonwan, Brown and Martin Counties, Minnesota (the “District”), in connection with the issuance of its General Obligation Facilities Maintenance 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 _____[, as syndicate manager] (the “Purchaser”), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

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

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

“Bonds” means the General Obligation Facilities Maintenance Bonds, Series 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. 840 (St. James Public Schools), Wantonwan, Brown and Martin 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 5(a) of this Disclosure Certificate.

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

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

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

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

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

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

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

(a) The District shall provide to the Repository not later than twelve (12) months after the end of the Fiscal Year commencing with the year that ends June 30, 2026, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate, provided that the Audited Financial Statements of the District may be submitted separately from the balance of the Annual Report.

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

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

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

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

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

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

Section 5. Reporting of Material Events.

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the obligated person;

13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT SCHOOL DISTRICT NO. 840 (ST. JAMES PUBLIC SCHOOLS), WANTONWAN, BROWN AND MARTIN COUNTIES, MINNESOTA

Board Chair

Clerk

TERMS OF PROPOSAL

**\$2,855,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2026A
INDEPENDENT SCHOOL DISTRICT NO. 840 (ST. JAMES PUBLIC SCHOOLS), MINNESOTA**

Proposals for the purchase of \$2,855,000* General Obligation Facilities Maintenance Bonds, Series 2026A (the "Bonds") of Independent School District No. 840 (St. James Public 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 9:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 9:30 A.M., Central Time, on May 11, 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 6:00 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 Minnesota Statutes, Section 123B.595, as amended, by the District, to provide funds for roofing projects included in the District's ten-year facility plan approved by the Commissioner of Education. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated June 4, 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	\$90,000	2032	\$185,000	2037	\$220,000
2028	35,000	2033	180,000	2038	230,000
2029	250,000	2034	190,000	2039	235,000
2030	160,000	2035	200,000	2040	250,000
2031	160,000	2036	210,000	2041	260,000

ADJUSTMENT OPTION

The District reserves the right to decrease the par amount of the Bonds on the day of sale. Adjustments may be made in any maturity and will be made in increments of \$5,000. 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, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

DELIVERY

On or about June 4, 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 \$2,855,000 plus accrued interest on the principal sum of \$2,855,000 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 9:30 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 \$57,100 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith.

The District and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the District scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The District's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The District reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the District requested and received a rating on the Bonds from a rating agency, the District will pay that rating fee. Any rating agency fees not requested by the District are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

CONTINUING DISCLOSURE

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

NEW ISSUE PRICING

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

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

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

(1) The District shall disseminate this Terms of Proposal to potential underwriters in a manner that is

- reasonably designed to reach potential investors;
- (2) all bidders shall have an equal opportunity to bid;
 - (3) the District may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
 - (4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

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

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

(d) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the hold-the-offering-price rule, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the proposal submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (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. 840
(St. James Public Schools), Minnesota

PROPOSAL FORM

The School Board
Independent School District No. 840 (St. James Public Schools), Minnesota (the "District")

May 11, 2026

RE: \$2,855,000* General Obligation Facilities Maintenance Bonds, Series 2026A (the "Bonds")

DATED: June 4, 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 \$2,855,000) 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	2032	_____ % due	2037
_____ % due	2028	_____ % due	2033	_____ % due	2038
_____ % due	2029	_____ % due	2034	_____ % due	2039
_____ % due	2030	_____ % due	2035	_____ % due	2040
_____ % due	2031	_____ % due	2036	_____ % due	2041

The District reserves the right to decrease the par amount of the Bonds on the day of sale. Adjustments may be made in any maturity and will be made in increments of \$5,000. 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 \$57,100 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about June 4, 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 June 4, 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. 840 (St. James Public Schools), Minnesota, on May 11, 2026.

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