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

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 6, 2026

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds may, however, be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

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 a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "TAX CONSIDERATIONS" herein.

New Issue **Rating Application Made: Moody's Ratings**

INDEPENDENT SCHOOL DISTRICT NO. 738
(HOLDINGFORD PUBLIC SCHOOLS), MINNESOTA
(Stearns and Morrison Counties)

(Minnesota School District Credit Enhancement Program)

$9,015,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2026A

PROPOSAL OPENING: November 18, 2026, 9:30 A.M., C.T. **CONSIDERATION**: November 18, 2026, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $9,015,000* 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. 738 (Holdingford Public Schools), Minnesota (the "District"), to provide funds for facility maintenance 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 Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS: December 10, 2026

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2028	$100,000	2035	$225,000	2042	$290,000
2029	120,000	2036	235,000	2043	300,000
2030	135,000	2037	250,000	2044	1,200,000
2031	185,000	2038	260,000	2045	1,265,000
2032	190,000	2039	270,000	2046	1,335,000
2033	205,000	2040	405,000	2047	1,405,000
2034	215,000	2041	425,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 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: $9,015,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $180,300 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Dorsey & Whitney LLP.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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PROPOSAL FORM

HOLDINGFORD PUBLIC SCHOOLS
SCHOOL BOARD

		Term Expires
Lori Opatz	Board Chair	January 2027
Rob Knettel	Vice Chair	January 2027
Evelyn Martini	Clerk	January 2027
Benjamin Christensen	Treasurer	January 2029
Nicole Burg	Member	January 2027
Sarah Hansen	Member	January 2029
Patrick Meier	Member	January 2029

ADMINISTRATION

David Oehrlein, Superintendent of Schools
Garrity Gerber, Director of Finance and Operations

PROFESSIONAL SERVICES

Jovanovich, Dege & Athmann, P.A., Attorney to the District, St. Cloud, Minnesota

Dorsey & Whitney LLP, 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. 738 (Holdingford Public Schools), Minnesota (the "District") and the issuance of its $9,015,000* 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 November 18, 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 December 10, 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 August 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 2028 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

The Bonds maturing on and after February 1, 2035 are be subject to redemption and prepayment at the option of the District, in whole or in part, in such order as the District shall determine and within a maturity by lot as selected by the Registrar in multiples of $5,000, on February 1, 2034, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption.

The District is required to cause notice of the call for redemption thereof to be published as required by law and, at least thirty (30) days prior to the designated redemption date, cause notice of the call for redemption to be mailed, by first class mail, to the registered owners of any Bonds to be redeemed at their addresses as they appear on the bond register, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

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 indoor air quality 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	$9,015,000	
Reoffering Premium	92,967	
Total Sources		**$9,107,967**
Uses		
Total Underwriter's Discount (1.000%)	$90,150	
Costs of Issuance	109,250	
Deposit to Construction Fund	8,908,567	
Total Uses		**$9,107,967**

*Preliminary, subject to change.

SECURITY

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

RATING

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

The District currently has an "A1" underlying rating from Moody's and will be requesting an underlying rating on this issue. Such rating reflects only the views of such organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Disclosure Undertaking described under the heading "CONTINUING DISCLOSURE" neither the District nor the underwriter 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 May 20, 2026 and the Award Resolution (collectively, 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 (the "State") 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 9, 2026, for General Obligation State Bonds, Series 2026A, 2026B, 2026C, and 2026D, the State disclosed the following information about the State Credit Enhancement Program for School Districts:

> "As of June 30, 2026, 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 $20,512,000,000. 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 $1,677,000,000, with the maximum amount of principal and interest payable in any one month being $1,342,410,000. 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.

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

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

In the previous five years, the District believes it has not failed to comply in all material respects with its prior undertakings under the Rule. Ehlers is currently engaged as dissemination agent for the District.

LEGAL OPINION

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

TAX CONSIDERATIONS

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

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

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

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

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

Tax Exempt Interest

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

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of the Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of the Bond proceeds and other amounts. The District has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be

included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

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

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

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

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

Market Discount

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

Bond Premium

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

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

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

The Bonds are "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

Income or loss on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations.

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

Sale or Other Disposition

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

Information Reporting and Backup Withholding

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

MUNICIPAL ADVISOR

Ehlers has served as municipal advisor to the District in connection with the issuance of the 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, 2026 have been audited by BerganKDV, Ltd., St. Cloud, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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 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 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 bond 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 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 United States or State 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 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	2023/24	2024/25	2025/26
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 $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]	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: – 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

2025/26 Economic Market Value $1,227,210,394[1]

2025/26 Assessor's Estimated Market Value

	Stearns County	Morrison County	Total
Real Estate	$1,097,977,900	$34,019,300	$1,131,997,200
Personal Property	2,755,700	32,400	2,788,100
Total Valuation	$1,100,733,600	$34,051,700	$1,134,785,300

2025/26 Net Tax Capacity

	Stearns County	Morrison County	Total
Real Estate	$8,693,239	$267,172	$8,960,411
Personal Property	54,808	648	55,456
Net Tax Capacity	$8,748,047	$267,820	$9,015,867
Less: Captured Tax Increment Tax Capacity[2]	(826)	0	(826)
Taxable Net Tax Capacity	$8,747,221	$267,820	$9,015,041

2025/26 NET TAX CAPACITY BY CLASSIFICATION

	2025/26 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$4,431,325	49.15%
Agricultural	3,615,121	40.10%
Commercial/industrial	324,215	3.60%
Public utility	3,056	0.03%
Non-homestead residential	349,717	3.88%
Commercial & residential seasonal/rec.	236,977	2.63%
Personal property	55,456	0.62%
Total	$9,015,867	100.00%

[1] According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District was about 92.48% 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 $1,227,210,394.

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

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent Increase/Decrease in Estimated Market Value
2021/22	$757,759,500	$666,434,900	$5,801,370	$5,761,614	4.49%
2022/23	899,659,900	809,281,100	7,147,963	7,114,465	18.73%
2023/24	1,023,370,100	931,491,100	8,180,235	8,157,409	13.75%
2024/25	1,064,291,500	958,947,263	8,319,346	8,319,346	4.00%
2025/26	1,134,785,300	1,029,889,366	9,015,867	9,015,041	6.62%

LARGEST TAXPAYERS

Taxpayer	Type of Property	2025/26 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Broadstone ETI Portfolio LLC	Industrial	$74,168	0.82%
Scepaniak Properties LLC	Commercial/Industrial	47,964	0.53%
Individual	Industrial	32,716	0.36%
Individual	Agricultural	31,177	0.35%
Gregory G Konsor Trust	Agricultural/Residential	29,653	0.33%
Stainless Kings LLC	Industrial	22,522	0.25%
Caloris Manufacturing LLC	Commercial	22,316	0.25%
Individual	Agricultural	20,771	0.23%
Xcel Energy	Utility	20,546	0.23%
Mark J Traut Rev Trust	Agricultural	20,543	0.23%
Total		$322,376	3.58%

District's Total 2025/26 Net Tax Capacity $9,015,867

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

[1] Net Tax Capacity includes tax increment values.

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2]	$22,790,000

*Preliminary, subject to change.

Other Obligations - Cooperative District/Joint Governmental Obligations

The District is a member of Benton-Stearns Education District No. 6383 (the "Education District"). The Education District issued its $1,223,983 Building Lease on December 22, 2011. 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.

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

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

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 17.03% 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:

2025/26 Economic Market Value	$1,227,210,394
Multiply by 15%	0.15
Statutory Debt Limit	$184,081,559
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(22,790,000)
Unused Debt Limit*	$161,291,559

*Preliminary, subject to change.

Independent School District No. 738 (Holdingford Public Schools), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 12/10/2026)

	Facilities Maintenance Bonds Series 2016A		School Building Bonds Series 2019A		Facilities Maintenance Bonds Series 2022A		Facilities Maintenance Bonds Series 2026A							
Dated	10/19/2016		02/07/2019		02/10/2022		12/10/2026							
Amount	$1,725,000		$10,695,000		$3,355,000		$9,015,000*							
Maturity	02/01		02/01		02/01		02/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2027	120,000	11,700	580,000	176,438	0	40,576	0	0	700,000	228,714	928,714	22,090,000	3.07%	**2027**
2028	125,000	19,800	605,000	323,875	0	81,153	100,000	537,314	830,000	962,142	1,792,142	21,260,000	6.71%	**2028**
2029	130,000	16,050	635,000	293,625	0	81,153	120,000	465,640	885,000	856,468	1,741,468	20,375,000	10.60%	**2029**
2030	130,000	12,150	670,000	261,875	0	81,153	135,000	459,640	935,000	814,818	1,749,818	19,440,000	14.70%	**2030**
2031	135,000	8,250	700,000	228,375	0	81,153	185,000	452,890	1,020,000	770,668	1,790,668	18,420,000	19.18%	**2031**
2032	140,000	4,200	725,000	207,375	0	81,153	190,000	443,640	1,055,000	736,368	1,791,368	17,365,000	23.80%	**2032**
2033			745,000	185,625	0	81,153	205,000	434,140	950,000	700,918	1,650,918	16,415,000	27.97%	**2033**
2034			765,000	163,275	0	81,153	215,000	423,890	980,000	668,318	1,648,318	15,435,000	32.27%	**2034**
2035			790,000	139,369	0	81,153	225,000	413,140	1,015,000	633,661	1,648,661	14,420,000	36.73%	**2035**
2036			815,000	114,681	0	81,153	235,000	401,890	1,050,000	597,724	1,647,724	13,370,000	41.33%	**2036**
2037			840,000	89,213	0	81,153	250,000	390,140	1,090,000	560,505	1,650,505	12,280,000	46.12%	**2037**
2038			870,000	60,863	0	81,153	260,000	377,640	1,130,000	519,655	1,649,655	11,150,000	51.08%	**2038**
2039			900,000	31,500	0	81,153	270,000	363,990	1,170,000	476,643	1,646,643	9,980,000	56.21%	**2039**
2040					815,000	81,153	405,000	349,815	1,220,000	430,968	1,650,968	8,760,000	61.56%	**2040**
2041					830,000	63,223	425,000	328,553	1,255,000	391,775	1,646,775	7,505,000	67.07%	**2041**
2042					845,000	44,963	290,000	306,240	1,135,000	351,203	1,486,203	6,370,000	72.05%	**2042**
2043					865,000	25,950	300,000	291,015	1,165,000	316,965	1,481,965	5,205,000	77.16%	**2043**
2044							1,200,000	275,265	1,200,000	275,265	1,475,265	4,005,000	82.43%	**2044**
2045							1,265,000	212,265	1,265,000	212,265	1,477,265	2,740,000	87.98%	**2045**
2046							1,335,000	145,220	1,335,000	145,220	1,480,220	1,405,000	93.84%	**2046**
2047							1,405,000	74,465	1,405,000	74,465	1,479,465	0	100.00%	**2047**
	780,000	72,150	9,640,000	2,276,088	3,355,000	1,229,694	9,015,000	7,146,792	22,790,000	10,724,723	33,514,723			

* Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2025/26 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Morrison County	$59,446,947	0.4505%	$8,845,000	$39,847
Stearns County	252,173,181	3.4687%	1,205,000	41,798
City of Holdingford	729,313	100.0000%	3,903,000	3,903,000
City of St. Stephen	1,052,203	0.6078%	672,000	4,084
Krain Township	2,264,020	21.1385%	228,374	48,275
District's Share of Total Overlapping Debt				$4,037,004

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value $1,227,210,394	Debt/ Per Capita 5,024[3]
Direct G.O. Debt Paid From Taxes and State Aids*	$22,790,000		
Less: Agricultural Credit[4]	(3,881,137)		
Tax Supported General Obligation Debt*	$18,908,863	1.54%	$3,763.71
District's Share of Total Overlapping Debt	$4,037,004	0.33%	$803.54
Total*	$22,945,867	1.87%	$4,567.25

*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 2025 population.

[4] Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 17.03% 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 $3,881,137.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date	% Collected
2021/22	$2,085,782	$2,069,365	$2,085,637	99.99%
2022/23	2,411,600	2,390,484	2,411,197	99.98%
2023/24	2,396,697	2,377,517	2,395,965	99.97%
2024/25	2,619,042	2,599,341	2,614,675	99.83%
2025/26	2,693,850	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.

TAX CAPACITY RATES[3]

	2021/22	2022/23	2023/24	2024/25	2025/26
I.S.D. No. 738 (Holdingford Public Schools)	27.630%	22.102%	18.826%	21.929%	18.935%
Morrison County	51.655%	47.424%	42.111%	41.964%	42.198%
Stearns County	48.462%	42.945%	40.103%	40.492%	40.450%
City of Holdingford	45.502%	43.627%	37.153%	35.187%	35.993%
City of St. Stephen	35.674%	28.609%	27.944%	28.340%	28.445%
Town of Holding[4]	32.648%	26.532%	23.472%	22.140%	21.201%
RRA	0.028%	0.025%	0.050%	0.052%	0.052%
Stearns County HRA	0.316%	0.275%	0.261%	0.084%	0.079%
Morrison County HRA	0.104%	0.090%	0.134%	0.128%	0.118%
Region 5 Development Commission	0.123%	0.109%	0.084%	0.084%	0.080%
Rural Dev. Finance Authority	0.246%	0.213%	0.192%	0.182%	0.202%
St. Cloud Regional Airport	N/A	N/A	N/A	N/A	0.245%
Referendum Market Value Rates:					
I.S.D. No. 738 (Holdingford Public Schools)	0.16166%	0.19388%	0.18197%	0.16866%	0.18425%

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

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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 15 of each year.

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

4 Representative town rate.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 172, including 96 non-licensed employees and 76 licensed employees (73 of whom are teachers). The District provides education for 1,048 students in grades kindergarten through twelve.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Education Holdingford	June 30, 2027
IUOE Local 70 (Assistants and Custodians)	June 30, 2027
Holdingford Principals Association	June 30, 2027
Food Service Employees	June 30, 2027
Bus Drivers	June 30, 2027
Administrative Assistants	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 actuarial study shows a total OPEB liability of $1,241,221 as of June 30, 2027. In May of 2009, the District issued $1,400,000 in OPEB Bonds to fund a revocable trust. As of June 30, 2026, the net position of the trust was $492,378. Future OPEB costs will be paid partially from the trust and partially from operating funds.

Source: The District's most recent actuarial study.

STUDENT BODY

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2022/23	83	499	491	1,073
2023/24	70	484	514	1,068
2024/25	75	504	484	1,063
2025/26	67	505	476	1,048
2026/27	60	486	484	1,030

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2027/28	60	463	493	1,016
2028/29	60	438	497	995
2029/30	65	411	496	972

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Holdingford Elementary	1997	2020
Holdingford JR/SR High School	1967	1971, 1989, 2020

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 September 1, 2026)

Fund	Total Cash and Investments
General	$4,963,790
Food Service	530,369
Community Service	309,341
Debt Service	664,173
Trust & Agency	492,378
Total Funds on Hand	$6,960,052

BUDGET SUMMARY

Fund	June 30, 2026 Actual Fund Balance	2026-27 Projected Revenues and Transfers In	2026-27 Projected Expenditures and Transfers Out	2026-27 Revenues over (under) expenditures	June 30, 2027 Projected Fund Balance
General	$4,565,785	$14,667,041	($14,858,549)	($191,508)	$4,374,277
Food Service	559,227	1,115,509	(1,165,426)	(49,917)	509,309
Community Service	315,440	547,653	(629,041)	(81,388)	234,052
Building/Construction	0	9,015,000	(2,375,000)	6,640,000	6,640,000
Debt Service	331,585	1,220,235	(1,159,428)	60,807	392,393
OPEB Revocable Trust Fund	492,378	9,031	(2,457)	6,574	498,952
Total All Funds	$6,264,415	$26,574,469	($20,189,900)	$6,384,568	$12,648,982

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 2026 audited financial statements.

COMBINED STATEMENT	FISCAL YEAR ENDING JUNE 30				
	2022 Audited	2023 Audited	2024 Audited	2025 Audited	2026 Audited
Revenues					
Local property taxes	$1,227,786	1,145,892	$1,541,545	$1,488,058	$1,857,508
Other local and county revenues	445,500	539363	708,780	708,003	657,569
Revenue from state sources	10,317,839	10,892,031	11,667,750	12,153,241	12,725,030
Revenue from federal sources	715,438	959,034	188,894	244,769	187,372
Rebate	0	0	2,334	0	0
Sales and other conversion of assets	28,926	25,644	58,673	28,913	31,979
Total Revenues	$12,735,489	$13,561,964	$14,167,976	$14,622,984	$15,459,458
Expenditures					
Adminitstration	$810,099	$775,602	$785,435	$870,743	$890,361
District support services	306,270	318,224	322,900	336,202	386,095
Elementary and secondary regular instruction	5,833,428	5,856,126	6,391,565	6,419,452	6,568,290
Vocational education instruction	197,295	244,991	284,243	331,828	317,362
Special education instruction	2,277,607	2,279,703	2,492,533	2,501,590	2,349,138
Instructional support services	603,487	345,366	530,074	768,562	673,251
Pupil support services	796,190	853,383	896,012	1,127,773	1,147,690
Sites and buildings	1,715,785	1,477,275	1,514,032	1,669,544	1,812,487
Fiscal and other fixed cost programs	53,383	81,637	89,538	109,927	113,399
Capital outlay	741,286	1,539,000	642,316	952,934	650,555
Debt service	92,842	100,064	109,366	99,440	95,997
Total Expenditures	$13,427,672	$13,871,371	$14,058,014	$15,187,995	$15,004,625
Excess of revenues over (under) expenditures	($692,183)	($309,407)	$109,962	($565,011)	$454,833
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	$350	$27,550	$463	$425	$135
Financed purchases issuance	215,282	0	75,013	125,515	245,633
Lease issuance	0	0	0	14,671	23,131
Insurance recovery	1,276	0	0	0	0
Transfers (out)	0	0	0	(2,939)	(1,395)
Total Other Financing Sources (Uses)	216,908	27,550	75,476	137,672	267,504
Net changes in Fund Balances	($475,275)	($281,857)	$185,438	($427,339)	$722,337
General Fund Balance July 1	$4,842,481	$4,367,206	$4,085,349	$4,270,787	$3,843,448
Change in accounting principle	0	0	0	0	0
General Fund Balance June 30	$4,367,206	$4,085,349	$4,270,787	$3,843,448	$4,565,785
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	$30,802	$63,334	$29,336	$258,086	$16,554
Restricted	1,435,324	1,565,837	1,688,677	1,143,009	1,377,008
Assigned	170,370	215,565	172,802	190,614	721,750
Unassigned	2,730,710	2,240,613	2,379,972	2,251,739	2,450,473
Total	$4,367,206	$4,085,349	$4,270,787	$3,843,448	$4,565,785

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 4,956, and a 2025 U.S. Census population of 5,024, and comprising an area of 110 square miles, is located approximately 86 miles northwest of St. Paul, Minnesota.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
Polar Tank Trailer, Inc.	Bulk tank manufacturing	253
I.S.D. No. 738 (Holdingford Public Schools)	Elementary and secondary education	172
Scepaniak, WMD, Inc.	Sand & gravel wholesalers	110
Two Rivers Enterprises	Manufacture stainless steel kitchen equipment	60
Ignition Logistics Group	Transportation and logistics	40
Boho Café	Restaurant	25
Shady's Sunset Bay	Bar/restaurant	25
Hyatt House	Assisted living	20
Rudolph's Redneck Roost	Sports Bar	20
Opatz Metal and Rolloffs	Recycling	14

Source: The District, 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	4,714
2020 U.S. Census population	4,956
Percent of Change 2010 - 2020	5.13%
2025 State Demographer Estimate	5,024

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

Income and Age Statistics

	The District	Stearns County	State of Minnesota	United States
2024 per capita income	$41,270	$38,286	$48,237	$44,673
2024 median household income	$98,899	$77,066	$89,062	$80,734
2024 median family income	$113,856	$99,842	$113,993	$99,999
2024 median gross rent	$1,081	$1,068	$1,280	$1,413
2024 median value owner occupied units	$304,100	$273,400	$329,300	$332,700
2024 median age	39.2 yrs.	35.1 yrs.	38.8 yrs.	38.9 yrs.

	State of Minnesota	United States
District % of 2024 per capita income	85.56%	92.38%
District % of 2024 median family income	99.88%	113.86%

Source: 2010 and 2020 Census of Population and Housing, and 2024 American Community Survey (Based on a five-year estimate), U.S. Census Bureau (https://data.census.gov) and Minnesota State Demographer (https://mn.gov/admin/demography/data-by-place/school-district-data.jsp).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	Stearns County	Stearns County	State of Minnesota
2022	83,418	2.5%	2.5%
2023	84,371	2.8%	2.8%
2024	85,536	3.1%	3.1%
2025	85,461	4.0%	3.9%
2026, September	83,720	4.2%	4.4%

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

FINANCIAL STATEMENTS

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

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



Independent School District No. 738
Holdingford, Minnesota

Basic Financial Statements

June 30, 2026

Independent School District No. 738
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Independent School District No. 738
Board of Education and Administration
June 30, 2026

Board of Education	Position	Term Expires
Lori Opatz	Chairperson	December 31, 2027
Robert Knettel	Vice Chairperson	December 31, 2027
Evelyn Martini	Clerk	December 31, 2027
Ben Christensen	Treasurer	December 31, 2029
Sarah Hansen	Director	December 31, 2029
Nicole Burg	Director	December 31, 2027
Patrick Meier	Director	December 31, 2029

Administration	
Chris Swenson	Superintendent
Garrity Gerber	Business Manager

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Independent Auditor's Report

To the School Board
Independent School District No. 738
Holdingford, Minnesota

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 738, Holdingford, Minnesota, as of and for the year ended June 30, 2026, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 738, as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Independent School District No. 738 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter
The District has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
The management of Independent School District No. 738 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, for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplemental information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2026, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



St. Cloud, Minnesota
September 9, 2026

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Year Ended June 30, 2026

As management of Independent School District No. 738, Holdingford, Minnesota (the District), we offer readers of the District's financial statements this discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2026. This discussion should be read in conjunction with the District's basic financial statements and accompanying notes.
During fiscal year 2026, the District implemented Governmental Accounting Standards Board Statement No. 103, *Financial Reporting Model Improvements*. The implementation changed certain financial statement presentation and disclosure requirements but did not affect beginning net position, fund balance or the District's change in net position for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of the government-wide financial statements, fund financial statements, notes to the basic financial statements and required supplementary information. These components provide different perspectives on the District's financial position and operations.

The **Government-Wide Financial Statements** provide a broad view of the District's finances using accounting methods similar to those used by private-sector entities. The Statement of Net Position presents the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The Statement of Activities presents the cost of the District's programs and the extent to which those costs were financed by program revenues, such as charges for services and operating or capital grants, with the remainder supported primarily by state aid and property taxes.

The Government-Wide Statements are prepared using the economic resources measurement focus and accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, regardless of when the related cash is received or paid. The District's governmental activities include instruction, pupil and instructional support, administration, sites and buildings, food service, community education and debt-related costs.

The **Fund Financial Statements** provide more detailed information about individual District funds. Governmental funds focus on near-term inflows, outflows and available financial resources and are prepared using the modified accrual basis of accounting. The District's major governmental funds for fiscal year 2026 are the General Fund and Debt Service Fund. Other governmental funds include Food Service and Community Service.

Because the government-wide statements and governmental fund statements use different measurement focuses and bases of accounting, reconciliations are provided to explain the differences between governmental fund balances and government-wide net position and between changes in governmental fund balances and the change in government-wide net position.

The Internal Service Fund is used to account for the District's OPEB Revocable Trust Fund and the custodial fund holds amounts contributed for scholarships. Both of these funds are prepared using the economic resources measurement focus and accrual basis of accounting.

The **Notes to the Basic Financial Statements** provide additional information necessary for a complete understanding of the financial statements. Required supplementary information includes the General Fund budgetary comparison schedule and information related to pensions and other postemployment benefits.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

		Fund Financial Statements		
	Government-Wide	**Governmental Funds**	**Proprietary Fund**	**Fiduciary Fund**
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary, such as special education and building maintenance, food service and community education	Activities the District operates similar to private businesses: Internal Service Fund	Instances in which the District administers resources on behalf of someone else.
Required Financial Statements	• Statements of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenue, Expenditures and Changes in Fund Balances	• Statement of Net Position • Statement of Revenue, Expenses and Changes in Fund Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability 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 due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial, and capital, short-term and long-term	All assets and liabilities, both financial, and capital, short-term and long-term
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All revenue and expenses during the year, regardless of when cash is received or paid

FINANCIAL SUMMARY

The following condensed financial information summarizes the District's governmental activities for fiscal years 2026 and 2025.

Condensed Statement of Net Position
Table 1

	Governmental Activities		
	2026	2025	Increase (Decrease)
Assets			
Receivables and other assets	$ 10,998,271	$ 10,018,007	$ 980,264
Capital assets	29,186,312	29,709,985	(523,673)
Total assets	40,184,583	39,727,992	456,591
Deferred Outflows of Resources	1,793,457	1,958,589	(165,132)
Liabilities			
Payables and other liabilities	1,748,944	1,530,784	218,160
Long-term liabilities	22,291,331	23,550,461	(1,259,130)
Total liabilities	24,040,275	25,081,245	(1,040,970)
Deferred Inflows of Resources	5,530,735	5,359,001	171,734
Net Position			
Net investment in capital assets	14,524,270	14,514,633	9,637
Restricted	2,394,961	2,197,006	197,955
Unrestricted	(4,512,201)	(5,465,304)	953,103
Total net position	$ 12,407,030	$ 11,246,335	$ 1,160,695

FY2026 amounts are reported in the District's Statement of Net Position. The comparable FY2025 amounts are from the District's prior-year audited financial statements.

The District's total net position increased approximately $1.16 million, or 10.3%, during fiscal year 2026. Total liabilities declined approximately $1.04 million, primarily reflecting scheduled debt repayment together with decreases in pension and other postemployment benefit liabilities. Unrestricted net position improved approximately $953,000 but remained negative at June 30, 2026. The negative unrestricted amount is substantially affected by recognition of long-term pension, OPEB, compensated absence and other liabilities under the government-wide accounting model and should not be interpreted as the amount of resources currently available for District operations. The increase was driven by the operations of the governmental funds and the decrease in liabilities as discussed above.

FINANCIAL SUMMARY (CONTINUED)

Condensed Changes in Net Position
Table 2

	Governmental Activities		
	2026	2025	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	$ 580,134	$ 683,103	$ (102,969)
Operating grants and contributions	4,896,360	4,676,531	219,829
Capital grants and contributions	334,785	452,944	(118,159)
General revenues			
Property taxes	2,702,420	2,491,679	210,741
State aid	9,378,337	9,202,755	175,582
Earnings on investments	236,093	257,251	(21,158)
Miscellaneous	82,970	51,755	31,215
Total revenues	18,211,099	17,816,018	395,081
Expenses			
Administration	860,147	884,882	(24,735)
District support services	408,401	372,892	35,509
Regular instruction	6,504,752	6,435,360	69,392
Vocational instruction	302,590	329,860	(27,270)
Special education instruction	2,289,631	2,485,980	(196,349)
Instructional support services	815,976	1,000,243	(184,267)
Pupil support services	1,169,235	1,201,765	(32,530)
Sites and buildings	1,582,980	1,442,831	140,149
Fiscal and other fixed costs programs	113,399	109,927	3,472
Food service	1,043,296	1,086,237	(42,941)
Community education and services	485,875	483,782	2,093
Unallocated depreciation	1,032,247	1,032,324	(77)
Interest and other fiscal charges	441,875	476,725	(34,850)
Total expenses	17,050,404	17,342,808	(292,404)
Change in net position	1,160,695	473,210	687,485
Net position - beginning, as previously stated	11,246,335	11,387,676	(141,341)
Change in accounting principle	-	(614,551)	614,551
Net position - beginning, as restated	11,246,335	10,773,125	473,210
Net position - ending	$ 12,407,030	$ 11,246,335	$ 1,160,695

FINANCIAL SUMMARY (CONTINUED)

The District's governmental activities generated approximately $18.2 million of revenues during fiscal year 2026 compared with $17.8 million in fiscal year 2025. Expenses decreased approximately $292,000, or 1.7%. As a result, the increase in net position was approximately $687,000 greater than the prior year's increase. FY2026 governmental revenues and expenses are reported in the Statement of Activities. Comparative FY2025 amounts are from the prior-year audited Statement of Activities.

DETAILED ANALYSES

Government-Wide Financial Position and Results of Operations

The District's financial position improved during fiscal year 2026. Total net position increased from approximately $11.25 million to $12.41 million. Several factors contributed to this result. General revenues increased approximately $396,000 from the prior year driven by an increase in property taxes and state aid.

Property tax revenue increased approximately $211,000 from the prior year. The increase reflects changes in the District's levy authority and the state/local shares of equalized revenue programs. As District property wealth per pupil increases, certain equalized revenue programs may shift from state aid toward local property tax revenue. Fiscal year 2026 levy changes also included adjustments related to Long-Term Facilities Maintenance, OPEB, leased facilities, the expiration of prior debt obligations and the adjustment of local optional revenue aid calculations.

The state formula aid increased as a result of changes in state funding and general education revenue, namely a 2.7% increase in the general education formula and a one-year change in the calculation of compensatory revenue which resulted in approximately $164,000 more than 2025.

Total governmental expenses decreased approximately $292,000. Special education expense decreased approximately $196,000 as a vehicle purchase in 2025 increased this categorical expense and there was a reduction in a high school special education teaching position. Instructional support expense decreased approximately $184,000 namely due to the increase in 2025 for the one-time funding of READ act training, and a reduction in coding of staff development time. Interest and fiscal charges decreased approximately $35,000 as the District works through long-term liabilities.

Changes in pension and OPEB-related assets, liabilities, deferred outflows and deferred inflows also affect government-wide financial results even though those changes do not necessarily represent current-year cash transactions. At June 30, 2026, the District reported a net pension liability of approximately $5.76 million and a total OPEB liability of approximately $1.18 million. Changes in these liabilities reflect actuarial measurements, plan experience, assumptions, investment performance, contributions and changes in the District's proportionate share, as applicable.

General Fund

The General Fund is the District's principal operating fund. General Fund revenue totaled approximately $15.46 million in fiscal year 2026 compared with approximately $14.62 million in fiscal year 2025, an increase of approximately $836,000 or 5.7%.

DETAILED ANALYSES (CONTINUED)

General Fund (Continued)

State revenue accounted for approximately 82% of General Fund revenue and increased approximately $572,000 due to increased General Education Aid and other state aids. This is driven by a 2.7% increase in the general education formula, a one-year increase in compensatory revenue and some small operating grants. Additionally, for the first time, Holdingford was awarded Voluntary Pre-Kindergarten (VPK) seats that moved revenue (and expenses) previously related to School Readiness in the Community Ed Fund to the General Fund.

Property tax revenue increased approximately $369,000 as a result of an increase in the General Fund levy. The increase also reflects the retirement of the 2010A bond, which ended the prior diversion of approximately $100,000 of levy authority associated with operating capital to debt service. Other local, federal and miscellaneous revenue decreased approximately $105,000, primarily due to lower federal funding and fewer donations.

General Fund expenditures totaled approximately $15.00 million compared with approximately $15.19 million in fiscal year 2025, a decrease of approximately $183,000. Regular instruction expenditures increased in part because of the financed purchase of a scoreboard and other capital outlay. Special education expenditures decreased due to a vehicle purchase occurring in the prior year and fewer employees during fiscal year 2026. Sites and buildings expenditures decreased from the prior year because fiscal year 2025 included larger project expenditures.

The General Fund reported an excess of revenues over expenditures of approximately $455,000. After other financing sources and uses, including financed purchase and lease issuances, General Fund balance increased approximately $722,000, from $3.84 million to $4.57 million.

At June 30, 2026, the General Fund included approximately $2.45 million of unassigned fund balance. This represented approximately 16.3% of fiscal year 2026 General Fund expenditures, compared with the District's policy goal of maintaining a minimum unassigned fund balance of 15% of annual budgeted General Fund expenditures.

The District also had $721,750 of assigned General Fund balance at year-end, including amounts assigned for District activity accounts and future projects. Restrictions and assignments reduce the portion of total fund balance available for general future spending.

General Fund Budget-to-Actual Results

The original fiscal year 2026 General Fund budget anticipated expenditures would exceed revenues by $69,059. The budget was amended during the year, increasing anticipated revenue by $323,803 and expenditures by $299,320. The final budget anticipated a decrease in fund balance of $51,708; actual results instead produced an increase of $722,337.

Actual General Fund revenue exceeded the final budget by approximately $542,000, or 3.6%. State revenue exceeded budget by approximately $310,000, primarily because of conservative budgeting, while local, county, federal and other revenues also exceeded budget.

Total expenditures were approximately $42,000 above the final budget, or less than one percent. Significant individual variances included regular instruction exceeding budget due in part to the scoreboard financed purchase, special education expenditures below budget due to employee benefit estimates and vacant positions, and sites and buildings exceeding budget due to a building lease not included in the budget.

DETAILED ANALYSES (CONTINUED)

Debt Service Fund

The Debt Service Fund accounts for resources accumulated for principal and interest payments on the District's outstanding bonded debt.

The Debt Service Fund began fiscal year 2026 with a fund balance of approximately $348,000 and ended the year with approximately $332,000. Revenue totaled approximately $1.14 million while expenditures for scheduled principal and interest totaled approximately $1.16 million, resulting in a decrease in fund balance of approximately $16,000.

The change represents the timing of debt service levy and aid collections in relation to scheduled bond principal and interest requirements. Debt Service Fund resources are restricted for payment of the District's debt obligations and are not available for General Fund operations.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Assets

Capital Assets Net of Depreciation
Table 4

	Governmental Activities		
	2026	2025	Increase (Decrease)
Land	$ 103,023	$ 103,023	$ -
Construction in progress	-	-	-
Land improvements	2,642,352	2,773,547	(131,195)
Buildings and improvements	23,599,064	24,167,052	(567,988)
Equipment and vehicles	2,742,240	2,545,340	196,900
Lease Equipment / Right to Use Assets*	99,633	121,023	(21,390)
Total	$ 29,186,312	$ 29,709,985	$ (523,673)

At June 30, 2026, the District had approximately $29.19 million invested in capital assets, net of accumulated depreciation and amortization, compared with approximately $29.71 million at June 30, 2025.

During fiscal year 2026, the District added approximately $1.08 million of capital assets. Significant categories of additions included approximately $655,000 of equipment and vehicles, $346,000 of buildings and improvements, $58,000 of land improvements and $23,000 of lease equipment.

Items of note for 2026 Include:

- Football scoreboard
- Gymnasium wall pads

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY (CONTINUED)

Capital Assets (Continued)

- Carpet and door replacements
- Access control upgrades and additional security cameras
- Sidewalk replacement near the Elementary pods
- Drainage tile south of the football field

Depreciation and amortization expense totaled approximately $1.59 million, resulting in an overall decrease in net capital assets during the year.

The District continues to evaluate and plan for long-term building, equipment, technology and infrastructure needs through its capital planning and Long-Term Facilities Maintenance processes.

Long-Term Financing

Long-Term Debt
Table 5

	Governmental Activities		
	2026	2025	Increase (Decrease)
G.O. Taxable Capital Facilities Bonds (2010)	$ -	$ -	$ -
G.O. Facilities Maintenance Bonds (2016)	780,000	900,000	(120,000)
G.O Building Bonds (2019)	9,640,000	10,190,000	(550,000)
G.O. Facilities Maintenance Bonds (2022)	3,355,000	3,355,000	-
Unamortized premium	473,346	513,574	(40,228)
Financed purchases	320,839	118,811	202,028
Lease liabilities	92,857	117,967	(25,110)
Compensated absences payable	684,746	755,704	(70,958)
Total	$ 15,346,788	$ 15,951,056	$ (604,268)

Outstanding general obligation bond principal decreased from approximately $14.45 million at the beginning of fiscal year 2026 to approximately $13.78 million at year-end as the District made $670,000 of scheduled principal payments.

The District also reported $320,839 of financed purchase obligations, $92,857 of lease liabilities and $684,746 of compensated absences and severance liabilities at June 30, 2026. Total long-term debt and related liabilities reported in Note 7 decreased from approximately $15.95 million to approximately $15.35 million during the year.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY (CONTINUED)

Long-Term Financing (Continued)

On June 24, 2026, the District entered into a financed purchase agreement totaling $245,633 for a scoreboard. The agreement provides for annual principal and interest payments through June 2031.

At June 30, 2026, the District's outstanding general obligation bonds consisted of the 2016A Facilities Maintenance Bonds, 2019A School Building Bonds and 2022A Facilities Maintenance Bonds. Scheduled principal payments on outstanding general obligation bonds extend through fiscal year 2043.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The District's financial outlook is affected by enrollment, state education funding, staffing costs, capital needs and legislative changes. The following matters were known to management as of the issuance date of these financial statements and are expected to affect future financial position or operating results.

Enrollment

Enrollment continues to be an important factor in the District's financial outlook because a substantial portion of Minnesota school funding is determined by student enrollment and pupil units.

Resident ADM has declined from approximately 895 in fiscal year 2022 to approximately 793 in fiscal year 2026, a reduction of approximately 11.5%. The effect of declining resident enrollment has been substantially mitigated by students open-enrolling into the District. Total pupil units served increased slightly in fiscal year 2026 despite the decline in resident enrollment.

The District's fiscal year 2027 budget continues to recognize open enrollment as an important component of total enrollment. At the same time, lower birth rates in recent years are expected to place downward pressure on early elementary enrollment. Current District enrollment projections indicate continued modest enrollment declines between 1-2% over the next three years.

Fiscal Year 2027 Budget

For fiscal year 2027, the School Board adopted General Fund revenues of approximately $14.67 million and expenditures of approximately $14.87 million, resulting in a planned operating deficit of approximately $201,000 before other financing sources and uses.

The adopted budget was developed after an earlier projection indicated a General Fund deficit of approximately $450,000. In response, the District held supply budgets generally flat and incorporated staffing reductions while adjusting elementary staffing to reflect projected kindergarten enrollment.

The fiscal year 2027 budget also reflects several capital and facility expenditures, including a replacement school bus, E-Rate-supported network infrastructure improvements, furniture and equipment replacement, building modifications and projects identified through the District's Long-Term Facilities Maintenance plan.

State Funding and Legislative Changes

The basic General Education formula allowance increases from $7,481 in fiscal year 2026 to $7,683 in fiscal year 2027, an increase of 2.7%. However, individual District revenues are affected by changes in enrollment and categorical funding in addition to the formula allowance.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS (CONTINUED)

State Funding and Legislative Changes (Continued)

Compensatory education revenue continues to be affected by changes in the state funding formula. The District's fiscal year 2027 budget anticipates approximately a $150,000 reduction in compensatory revenue compared with the elevated level received in fiscal year 2026.

State Special Education Cross Subsidy Reduction Aid is scheduled to increase from 44% to 50% beginning in fiscal year 2027, partially offsetting unreimbursed special education costs. The 2025 Legislature directed the state budget forecast to assume $250 million in biennial special education savings beginning with the biennium starting July 1, 2027. The law established a Blue Ribbon Commission on Special Education to recommend program and funding changes and provides a mechanism for adjusting special education cross-subsidy aid if enacted savings are less than the assumed amount. Because the specific future changes and their district-level impacts have not yet been determined, the financial effect on the District cannot presently be quantified.

Indoor Air Quality and HVAC Improvement Project

The District is planning a significant indoor air quality and HVAC improvement project for fiscal year 2027 and subsequent periods. A facility evaluation determined that a substantial portion of the District's existing HVAC equipment has reached or exceeded its expected useful life and that numerous building areas require improvements to meet current ventilation and indoor air quality needs.

The planned project includes modification or replacement of 22 HVAC systems affecting more than half of the District's building space. Current project planning estimates the investment at approximately $9 million. The District anticipates financing the project through a 20-year facilities maintenance bond, with construction activity primarily occurring in future fiscal periods.

The fiscal year 2027 adopted budget includes approximately $9.0 million of Construction Fund revenue, primarily reflecting anticipated financing for the project, while expenditures will occur as the project progresses.

Because of the size of the project and the related financing, the project is expected to materially increase both the District's capital assets and outstanding long-term debt in future financial statements.

BASIC FINANCIAL STATEMENTS

Independent School District No. 738
Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Cash and investments	$ 7,390,358
Current property taxes receivable	1,456,355
Delinquent property taxes receivable	5,884
Accounts receivable	3,419
Lease receivable	373,305
Due from Department of Education	1,570,504
Due from Federal Government through Department of Education	116,141
Due from other Minnesota school districts	37,905
Due from other governmental units	7,842
Inventory	12,253
Interest receivable	7,694
Prepaid items	16,611
Capital assets not being depreciated	
Land	103,023
Capital assets, net of accumulated depreciation/amortization	
Land improvements	4,336,255
Buildings and improvements	35,513,715
Equipment and vehicles	6,367,656
Lease equipment	221,689
Less accumulated depreciation/amortization	(17,356,026)
Total assets	40,184,583
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	1,635,825
Deferred outflows of resources related to OPEB	157,632
Total deferred outflows of resources	1,793,457
Total assets and deferred outflows of resources	$ 41,978,040
Liabilities	
Accounts payable	$ 376,148
Salaries and benefits payable	1,046,519
Interest payable	196,855
Due to other Minnesota school districts	100,000
Due to other governmental units	194
Unearned revenue	29,228
Bond payable, net premium	
Payable within one year	700,000
Payable after one year	13,548,346
Financed purchases from direct borrowing	
Payable within one year	67,197
Payable after one year	253,642
Lease liability	
Payable within one year	43,773
Payable after one year	49,084
Compensated absences and severance payable	
Payable within one year	58,403
Payable after one year	626,343
Total other post employment benefits obligation	1,180,570
Net pension liability	5,763,973
Total liabilities	24,040,275
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	2,802,147
Lease receivable	373,305
Deferred inflows of resources related to OPEB	180,529
Deferred inflows of resources related to pensions	2,174,754
Total deferred inflows of resources	5,530,735
Net Position	
Net investment in capital assets	14,524,270
Restricted for	
Debt service	143,131
Other purposes	2,251,830
Unrestricted	(4,512,201)
Total net position	12,407,030
Total liabilities, deferred inflows of resources and net position	$ 41,978,040

See notes to basic financial statements.

Independent School District No. 738
Statement of Activities
Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 860,147	$ -	$ -	$ -	$ (860,147)
District support services	408,401	-	-	-	(408,401)
Elementary and secondary regular instruction	6,504,752	131,105	1,056,444	-	(5,317,203)
Vocational education instruction	302,590	6,420	33,057	-	(263,113)
Special education instruction	2,289,631	41,939	2,336,626	-	88,934
Instructional support services	815,976	3,864	261,924	-	(550,188)
Pupil support services	1,169,235	-	127,409	-	(1,041,826)
Sites and buildings	1,582,980	21,790	-	334,785	(1,226,405)
Fiscal and other fixed cost programs	113,399	-	-	-	(113,399)
Food service	1,043,296	54,433	984,924	-	(3,939)
Community education and services	485,875	320,583	120,536	-	(44,756)
Unallocated depreciation	1,032,247	-	-	-	(1,032,247)
Interest and fiscal charges on long-term debt	441,875	-	-	-	(441,875)
Total governmental activities	$ 17,050,404	$ 580,134	$ 4,920,920	$ 334,785	(11,214,565)
General revenues					
Taxes					
Property taxes, levied for general purposes					1,854,232
Property taxes, levied for community service					73,296
Property taxes, levied for debt service					774,892
State aid-formula grants					9,353,777
Other general revenues					82,835
Investment income					236,093
Gain on sale of capital assets					135
Total general revenues					12,375,260
Change in net position					1,160,695
Net position - beginning					11,246,335
Net position - ending					$ 12,407,030

See notes to basic financial statements.

Independent School District No. 738
Balance Sheet - Governmental Funds
June 30, 2026

	General	Debt Service	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	$ 5,175,055	$ 760,592	$ 962,333	$ 6,897,980
Current property taxes receivable	824,432	597,779	34,144	1,456,355
Delinquent property taxes receivable	3,587	2,141	156	5,884
Accounts receivable	3,419	-	-	3,419
Lease receivable	373,305	-	-	373,305
Due from Department of Education	1,526,305	34,592	9,607	1,570,504
Due from Federal Government through Department of Education	116,141	-	-	116,141
Due from other Minnesota school districts	37,905	-	-	37,905
Due from other governmental units	6,175	-	1,667	7,842
Inventory	-	-	12,253	12,253
Prepaid items	16,554	-	57	16,611
Interest receivable	7,694	-	-	7,694
Total assets	$ 8,090,572	$ 1,395,104	$ 1,020,217	$ 10,505,893
Liabilities				
Accounts payable	$ 368,914	$ -	$ 7,234	$ 376,148
Salaries and benefits payable	1,009,805	-	36,714	1,046,519
Interest payable	432	-	-	432
Due to other Minnesota school districts	100,000	-	-	100,000
Due to other governmental units	194	-	-	194
Unearned revenue	-	-	29,228	29,228
Total liabilities	1,479,345	-	73,176	1,552,521
Deferred Inflows of Resources				
Property taxes levied for subsequent year's expenditures	1,668,550	1,061,378	72,219	2,802,147
Lease receivable	373,305	-	-	373,305
Unavailable revenue - delinquent property taxes	3,587	2,141	156	5,884
Total deferred inflows of resources	2,045,442	1,063,519	72,375	3,181,336
Fund Balances				
Nonspendable	16,554	-	12,310	28,864
Restricted	1,377,008	331,585	862,356	2,570,949
Assigned	721,750	-	-	721,750
Unassigned	2,450,473	-	-	2,450,473
Total fund balances	4,565,785	331,585	874,666	5,772,036
Total liabilities, deferred inflows of resources and fund balances	$ 8,090,572	$ 1,395,104	$ 1,020,217	$ 10,505,893

Independent School District No. 738
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2026

Total fund balances - governmental funds	$ 5,772,036
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:	
Cost of capital assets	46,542,338
Less accumulated depreciation	(17,356,026)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(13,775,000)
Net premium on bonds payable	(473,346)
Financed purchase payable	(320,839)
Lease payable	(92,857)
Compensated absences and severance payable	(684,746)
Total OPEB liability	(1,180,570)
Net pension liability	(5,763,973)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds:	
Deferred outflows of resources related to pensions	1,635,825
Deferred inflows of resources related to pensions	(2,174,754)
Deferred outflows of resources related to OPEB	157,632
Deferred inflows of resources related to OPEB	(180,529)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	5,884
The OPEB Revocable Trust Internal Service Fund is used by management to charge the costs of other post employment benefits. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position.	492,378
Governmental funds do not report a liability for accrued interest on bonds and financed purchases until due and payable.	(196,423)
Total net position - governmental activities	$ 12,407,030

See notes to basic financial statements.

Independent School District No. 738
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2026

	General	Debt Service	Nonmajor Funds	Total Governmental Funds
Revenues				
Local property taxes	$ 1,857,508	$ 777,835	$ 73,458	$ 2,708,801
Other local and county revenues	657,569	19,848	370,816	1,048,233
Revenue from state sources	12,725,030	345,922	723,729	13,794,681
Revenue from federal sources	187,372	-	360,336	547,708
Sales and other conversion of assets	31,979	-	54,852	86,831
Total revenues	15,459,458	1,143,605	1,583,191	18,186,254
Expenditures				
Current				
Administration	890,361	-	-	890,361
District support services	386,095	-	-	386,095
Elementary and secondary regular instruction	6,568,290	-	-	6,568,290
Vocational education instruction	317,362	-	-	317,362
Special education instruction	2,349,138	-	-	2,349,138
Instructional support services	673,251	-	-	673,251
Pupil support services	1,147,690	-	-	1,147,690
Sites and buildings	1,812,487	-	-	1,812,487
Fiscal and other fixed cost programs	113,399	-	-	113,399
Food service	-	-	1,032,352	1,032,352
Community education and services	-	-	505,712	505,712
Capital outlay				
District support services	11,037	-	-	11,037
Elementary and secondary regular instruction	301,155	-	-	301,155
Vocational education instruction	21,011	-	-	21,011
Instructional support services	194,799	-	-	194,799
Pupil support services	49,437	-	-	49,437
Sites and buildings	73,116	-	-	73,116
Food service	-	-	76,497	76,497
Debt service				
Principal	87,954	670,000	-	757,954
Interest and fiscal charges	8,043	490,053	-	498,096
Total expenditures	15,004,625	1,160,053	1,614,561	17,779,239
Excess of revenues over (under) expenditures	454,833	(16,448)	(31,370)	407,015
Other Financing Sources				
Proceeds from sale of capital assets	135	-	-	135
Financed purchases issuance	245,633	-	-	245,633
Lease issuance	23,131	-	-	23,131
Transfers in	-	-	1,395	1,395
Transfers out	(1,395)	-	-	(1,395)
Total other financing sources	267,504	-	1,395	268,899
Net change in fund balances	722,337	(16,448)	(29,975)	675,914
Fund Balances				
Beginning of year	3,843,448	348,033	904,641	5,096,122
End of year	$ 4,565,785	$ 331,585	$ 874,666	$ 5,772,036

See notes to basic financial statements.

Independent School District No. 738
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended June 30, 2026

Net change in fund balances - total governmental funds	$	675,914
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation and amortization expense:		
Capital outlays		1,082,288
Depreciation and amortization expense		(1,593,492)
Disposal of capital assets		(12,469)
Compensated absences and severance amounts are reported as expenditures in the governmental funds when they are paid. They are expensed, as incurred in the Statement of Activities.		70,958
Governmental funds recognize OPEB contributions as expenditures at the time of payment in the funds, whereas the Statement of Activities factors in items related to OPEB on a full accrual perspective.		(9,318)
Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.		357,561
Principal payments on long-term bonds, leases, and financed purchases are recognized as expenditures in the governmental funds but have no effect on the net position in the Statement of Activities.		761,846
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		12,101
Governmental funds report the effect of bond discounts and premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		40,228
Proceeds from the sale of bonds, leases, and financed purchases are recognized as other the financing sources in the governmental funds increasing fund balance but are recognized as liability on the Statement of Net Position.		(268,764)
The OPEB revocable trust internal service fund is used by management to charge the costs of other post employment benefits. The increase in net position is reported within the governmental activities column in the Statement of Activities.		50,223
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		(6,381)
Change in net position - governmental activities	$	1,160,695

See notes to basic financial statements.

Independent School District No. 738
Statement of Net Position - Proprietary Fund
June 30, 2026

	Governmental Activities - Internal Service Fund
Assets	
Cash and cash equivalents	$ 492,378
Net Position	
Unrestricted	$ 492,378

See notes to basic financial statements.

Independent School District No. 738
Statement of Revenues, Expenses and Changes
in Fund Net Position - Proprietary Fund
Year Ended June 30, 2026

	Governmental Activities
	Internal Service Fund
Operating Expense	
Employee benefits	$ 2,331
Operating loss	(2,331)
Nonoperating Revenue	
Investment income	52,554
Change in net position	50,223
Net Position	
Beginning of year	442,155
End of year	$ 492,378

See notes to basic financial statements.

Independent School District No. 738
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2026

	Governmental Activities
	Internal Service Fund
Cash Flows - Operating Activities	
Employee benefits paid	$ (2,331)
Cash Flows - Investing Activities	
Interest received	52,554
Net change in cash and cash equivalents	50,223
Cash and Cash Equivalents	
Beginning of year	442,155
End of year	$ 492,378
Reconciliation of Operating Loss to Net Cash Flows - Operating Activities	
Operating loss	$ (2,331)
Net cash flows - operating activities	$ (2,331)

Independent School District No. 738
Statement of Fiduciary Net Position
As of June 30, 2026

	Custodial Fund
Assets	
Cash and cash equivalents	$ 16,000
Net Position	
Restricted for scholarships	$ 16,000

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2026

	Custodial Fund
Additions	
Contributions	$ 24,000
Deductions	
Scholarships	9,000
Change in net position	15,000
Net Position	
Beginning of year	1,000
End of year	$ 16,000

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basic Financial Statement Information

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

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

Depreciation and amortization expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation and amortization expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. **Revenue Recognition**
   Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

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

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund would be employee and District contributions. Operating expenses for proprietary funds include claims paid and administrative expenses. All revenues and expenses not meeting the above definition are reported as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds:

Major Funds:

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

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

Nonmajor Funds:

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

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

Proprietary Fund:

OPEB Revocable Trust Internal Service Fund – This fund is used to account for a revocable trust fund, the purpose of which is to fund postemployment benefits (other than pension benefits) accrued by the employees of the District to be paid as they come due. The fund accounts for these assets held in trust.

Fiduciary Fund:

Custodial Fund – This fund is used to account for contributions received and disbursed for parties outside the District. The district acts as a fiscal agent, ensuring proper recordkeeping and oversight. This fund was established in fiscal year ended June 30, 2025.

D. Deposits and Investments

1. **District Governmental Funds**
   Cash and investments at June 30, 2026, were comprised of deposits and investments as outlined in Note 2.B.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

1. District Governmental Funds (Continued)

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

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

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid Class or MNTrust Investment Shares Portfolio. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. Withdrawals from the MNTrust Limited Term Duration are available on the third Wednesday of each month upon at least two weeks advance notice.

Other Post Employment Benefits Deposits and Investments

These funds represent deposits and investments administered by the District's OPEB Fund Investment Managers. As of June 30, 2026, they were comprised of deposits and investments as outlined in Note 2.B.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and investments.

E. Property Tax Receivable

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

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2025, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2026. The remaining portion of the levy will be recognized when measurable and available.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

J. Capital Assets
Capital assets are recorded in the government-wide basic financial statements but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 or an aggregate cost of $25,000 and an estimated useful life in excess of five years or three years for technology equipment. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and improvements and 3 to 20 years for equipment and vehicles.

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

K. Lease Receivable
The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Lease Receivable (Continued)

At the commencement of a lease, the District measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date.

Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term in a systematic and rational manner.

Key estimates and judgments include how the District determines (1) the discount rate, (2) lease term, and (3) lease receipts.

The District determines the discount rate for leases based on the applicable State and Local Government Securities (SLGS) rate. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

L. Right-to-Use Lease Assets/Lease Liabilities

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

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

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

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. A deferred outflow relating to pensions and a deferred outflow of resources related to OPEB are reported in the government-wide Statement of Net Position. A deferred outflows of resources related to pensions and OPEB are recorded for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflows of Resources (Continued)

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

N. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the current period. The face amount of debt issued, premium and discount are reported as other financing sources (uses) and principal payments are reported as expenditures when paid. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Compensated Absences

The District permits some employees to accumulate varying amounts of vacation pay as determined by their contract. All vacation is accrued in the government-wide financial statements and is included in the compensated absences liability.

District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment; however, unused sick leave does enter into the calculation of an employee's severance pay upon termination as described below.

Teachers who leave employment after reaching 55 years of age and have thirty years of uninterrupted service are entitled to severance. Severance is calculated at a base rate of $30,000, less total accumulated employer contributions to employee's 403(b) plan. Severance that is earned and unused as of June 30, 2026, is included in the compensated absences liability.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Compensated Absences (Continued)

The liability for compensated absences reported in the Statement of Net Position consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

P. Pensions

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

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

Q. Fund Equity

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

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include items that are inherently nonspendable, such as, but not limited to, inventory, prepaid items, long-term receivables, nonfinancial assets held for resale, or the permanent principal of endowment funds.

- Restricted Fund Balances – These are subject to externally enforceable legal restrictions.

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

- Assigned Fund Balances – These are amounts that are constrained by the District's intent to be used for specific purposes but do not meet the criteria of restricted or committed. The School Board may assign balances. The School Board also delegates the power to assign fund balances to the Business Manager.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity (Continued)

- Unassigned Fund Balance – This is the amount that is the residual in the General Fund not reported in any other classification. The unassigned amount in the General Fund is technically available for expenditure for any purpose. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance of 15% of annual budgeted General Fund expenditures.

R. Net Position

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

S. Use of Estimates

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

T. Budgetary Information

The District follows these procedures in establishing the budgetary data:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue and Debt Service.
4. Budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary control for the governmental funds is established by each fund's total appropriations.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Expenditures exceed appropriations in the general fund for the year ended June 30, 2026.

	Appropriations	Expenditures
General Fund	$ 14,962,532	$ 15,004,625

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy that requires the District's deposits to be collateralized as required by *Minnesota Statute* § 118.03 for an amount exceeding FDIC, SAIF, BIF, FCUA, or other federal deposit coverage. As of June 30, 2026, the District's bank balance was not exposed to custodial credit risk because it was fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

1. District Governmental Funds Pooled

As of June 30, 2026, the District had the following pooled deposits:

Checking	$ 324,794
Certificates of deposit	2,688,000
Total	$ 3,012,794

2. OPEB Revocable Trust Fund Not Pooled

As of June 30, 2026, the District's OPEB Revocable Trust Fund had the following deposits:

Deposits	$ 8,300

B. Investments

1. District Governmental Funds Pooled

As of June 30, 2026, the District's governmental funds had the following investments:

Type	Maturities	Fair Value	Ratings (S&P)
MSDLAF Liquid Class	Various	$ 546	AAA
MSDLAF MAX Class	Various	27,310	AAA
MN Trust Investment Shares Portfolio	Various	3,562,956	AAA
MN Trust Limited Term Duration	Various	300,102	AAA
Total		$ 3,890,914	

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

2. OPEB Revocable Trust Fund Not Pooled

As of June 30, 2026, the District's OPEB Revocable Trust Fund had the following investments:

Type	Maturities	Fair Value
Money Market Funds	Various	$ 5,349
Exchange-Traded Funds	Various	487,028
Total		$ 492,377

Credit Risk: This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District's investment policy refers to *Minnesota Statutes* §§ 118A.01 through 118A.06. Statutes limit investments based on type. Ratings are indicated in the charts above.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy indicates the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The District's investment policy places no specific limits on the amount the District may invest in any one issuer.

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

Interest Rate Risk: This is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy states the portfolio shall be managed in a manner to attain a market rate of return through budgetary and economic cycles while preserving and protecting capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

C. Deposits and Investments

The following is a summary of total deposits and investments:

District governmental funds	
Deposits	$ 3,012,794
Petty cash	1,973
Investments	3,890,914
OPEB Revocable Trust Fund	
Deposits	8,300
Investments	492,377
Total deposits and investments	$ 7,406,358

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Deposits and investments are presented in the June 30, 2026, basic financial statements as shown on the chart below.

Statement of Net Position	
Cash and investments	$ 7,390,358
Statement of Fiduciary Net Position	
Cash and investments	16,000
Total	$ 7,406,358

NOTE 4 – INTERFUND ACTIVITY

A. Interfund Transfers

The General Fund transferred $1,395 to the Community Service Fund to cover deficit Preschool Screening activity during the year.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2026, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 103,023	$ -	$ -	$ 103,023
Other Capital assets				
Land improvements	4,277,983	58,272	-	4,336,255
Buildings and improvements	35,167,356	346,359	-	35,513,715
Equipment and vehicles	5,745,669	654,526	32,539	6,367,656
Lease equipment	221,014	23,131	22,456	221,689
Total other capital assets	45,412,022	1,082,288	54,995	46,439,315
Less accumulated depreciation and amortization for				
Land improvements	1,504,436	189,467	-	1,693,903
Buildings and improvements	11,000,304	914,347	-	11,914,651
Equipment and vehicles	3,200,329	451,906	26,819	3,625,416
Lease equipment	99,991	37,772	15,707	122,056
Total accumulated depreciation and amortization	15,805,060	1,593,492	42,526	17,356,026
Total other capital assets, net	29,606,962	(511,204)	12,469	29,083,289
Governmental activities, capital assets, net	$ 29,709,985	$ (511,204)	$ 12,469	$ 29,186,312

Depreciation and amortization expense for the year ended June 30, 2026, was charged to the following functions:

District Support Services	$ 36,576
Elementary and Secondary Regular Instruction	105,255
Vocational Education Instruction	4,604
Special Education	17,991
Instructional Support Services	165,724
Pupil Support Services	65,523
Sites and Buildings	130,460
Food Service	34,383
Community Education	729
Unallocated	1,032,247
Total depreciation expense	$ 1,593,492

NOTE 6 – LEASE RECEIVABLE

The District entered into a lease agreement for a cell phone tower on March 1, 2017. The term of the lease is 30 years, with an option to terminate the agreement based on specific arrangements. Payments consisting of principal and interest of $1,000, and increasing at 15% each five years, are paid monthly to the District. The District entered into a lease agreement for a bandwidth range that FCC allocated to the District on July 1, 2007. The term of the lease is 40 years, with an option to terminate the agreement based on specific arrangements. Payments consisting of principal and interest of $525, and increasing incrementally each five years, are paid monthly to the District.

NOTE 7 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. Bonds						
2016A G.O. Facilities Maintenance Bonds, Series 2016A	10/19/16	3.00%	$ 1,725,000	02/01/32	$ 780,000	$ 120,000
2019A G.O. School Building Bonds, Series 2019A	02/07/19	3.00%-5.00%	10,695,000	02/01/39	9,640,000	580,000
2022A G.O. Facilities Maintenance Bonds, Series 2022A	02/10/22	2.20%-3.00%	3,355,000	02/01/43	3,355,000	-
Total G.O. Bonds					13,775,000	700,000
Unamortized net premium on bonds					473,346	-
Total G.O. Bonds, net of premium					14,248,346	700,000
Financed purchases from direct borrowing					320,839	67,197
Lease liability					92,857	43,773
Compensated absences and severance payable					684,746	58,403
Total all long-term liabilities					$ 15,346,788	$ 869,373

The long-term bond, financed purchases, and lease liabilities listed above were issued to finance acquisition and construction of capital facilities and to refinance (refund) previous bond issues. The Debt Service Fund is responsible for the payment of bond principal and interest. The General Fund is responsible for the financed purchases and lease liabilities.

NOTE 7 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds and Financed Purchases

Minimum annual principal and interest payments required to retire bond liabilities and financed purchases:

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest
2027	$ 700,000	$ 457,428
2028	730,000	424,828
2029	765,000	390,828
2030	800,000	355,178
2031	835,000	317,778
2032-2036	3,980,000	1,220,290
2037-2041	4,255,000	569,410
2042-2043	1,710,000	70,913
Total	$ 13,775,000	$ 3,806,653

Year Ending June 30,	Financed Purchases from Direct Borrowing Principal	Financed Purchases from Direct Borrowing Interest
2027	$ 67,197	$ 5,060
2028	62,790	9,467
2029	65,276	6,981
2030	40,427	4,395
2031	41,842	2,980
2032	43,307	1,516
Total	$ 320,839	$ 30,399

NOTE 7 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 14,445,000	$ -	$ 670,000	$ 13,775,000
Unamortized net premium on bonds	513,574	-	40,228	473,346
Financed purchases from direct borrowing	118,811	245,633	43,605	320,839
Lease liability	117,967	23,131	48,241	92,857
Compensated absences and severance payable	755,704	-	70,958	684,746
Total long-term liabilites	$ 15,951,056	$ 268,764	$ 873,032	$ 15,346,788

The change in the compensated absences liability is presented as a net change.

D. Financed Purchase Obligations

On August 23, 2024, the District entered into a finance purchase agreement for the acquisition of a bus. The finance purchase obligation and corresponding equipment totaled $125,515. The finance purchase agreement included annual principal and interest payments of $27,435, for August 2024, through August 2028.

On June 24, 2026, the District entered into a finance purchase agreement for the acquisition of a scoreboard. The finance purchase obligation and corresponding equipment totaled $245,633. The finance purchase agreement included annual principal and interest payments of $44,822, for June 2026 through June 2031.

NOTE 7 – LONG-TERM DEBT (CONTINUED)

E. Lease Liability

The District entered into lease agreements for copier machines with various start dates and payment amounts. These agreements are 60-month agreements using an average annual rate of 4.43%. The copier leases have been capitalized and are being amortized. The District also entered into a lease agreement for postage machine. Monthly payments are $163 are due for 60 months, using an annual interest rate of 2.95%. The postage machine has been capitalized and is being amortized. Finally, the District entered into a lease agreement for a Turf Tank. Annual payments of $9,500 are due for 6 years, using an annual interest rate of 3.27%. The Turf Tank has been capitalized and is being amortized. Minimum annual principal and interest payments required to retire the lease liability are as follows:

Year Ending June 30,	Lease Liabilities	
	Principal	Interest
2027	$ 43,773	$ 2,669
2028	21,717	1,358
2029	20,111	651
2030	7,256	118
Total	$ 92,857	$ 4,796

NOTE 8 – FUND BALANCES/NET POSITION

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

NOTE 8 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances

Fund balances are classified as listed below to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Nonmajor Funds	Total
Nonspendable for				
Prepaid items	$ 16,554	$ -	$ 57	$ 16,611
Inventory	-	-	12,253	12,253
Total nonspendable	16,554	-	12,310	28,864
Restricted/reserved for				
Student Activities	72,881	-	-	72,881
Operating Capital	355,452	-	-	355,452
Long-Term Facilities Maintenance	426,897	-	-	426,897
Staff Development	191,853	-	-	191,853
Literacy Aid	9,468	-	-	9,468
Safe Schools Revenue	32,662	-	-	32,662
English Learner	24,560	-	-	24,560
Medical Assistance	237,207	-	-	237,207
Student Support Personnel Aid	26,028	-	-	26,028
Debt Service	-	331,585	-	331,585
Food Service	-	-	546,957	546,957
Community Education	-	-	65,696	65,696
Early Childhood and Family Education	-	-	62,116	62,116
School Readiness	-	-	187,587	187,587
Total restricted	1,377,008	331,585	862,356	2,570,949
Assigned for				
District activity accounts	233,291	-	-	233,291
Future projects	488,459	-	-	488,459
Total assigned	721,750	-	-	721,750
Unassigned	2,450,473	-	-	2,450,473
Total fund balance	$ 4,565,785	$ 331,585	$ 874,666	$ 5,772,036

Nonspendable for Prepaid Items – This balance represents the portion of fund balance that is not available as amounts have already been spent on prepaid items.

Nonspendable for Inventory – This balance represents the portion of fund balance that is not available as amounts have already been spent on inventory.

NOTE 8 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

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

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

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

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

Restricted/Reserved for Literacy Aid – One Time Funds - This balance represents resources available for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy.

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

Restricted/Reserved for English Learner – This balance represents resources available for English Learner students per *Minnesota Statute* § 124D.59, subd. 2.

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

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

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

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

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

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

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

NOTE 8 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Assigned for District Activity Accounts – This balance represents resources that have been assigned for district activities under board control.

Assigned for Future Projects – This balance represents resources that have been assigned for items approved by the board in the following fiscal year.

B. Net Position

Net Position restricted for other purposes on the Statement of Net Position is comprised of the total positive restricted fund balances of the General, Food Service and Community Service funds adjusted to full accrual.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2026, was $420,346. The components of pension expense are noted in the following plan summaries.

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

Teachers' Retirement Association

A. Plan Description

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

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

B. Benefits Provided

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier I Benefits

Tier I	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 of service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006 or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006 or after	1.9% per year

With these provisions:

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

Or

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. An early retirement reduction is applied to members retiring prior to age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

Tier II Benefits
Members first employed after June 30, 1989, receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 65, effective July 1, 2024. An early retirement reduction is applied to members retiring before age 65. Beginning June 30, 2025, new reduction factors will apply, including special factors for members retiring at age 60 or later with at least 30 years of service.

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

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

C. Contributions
Per *Minnesota Statute* Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2026 for coordinated were 8.00% for the employee and 9.81% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2026, were $572,718. The District's contributions were equal to the required contributions for each year as set by state statute.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the July 1, 2025, 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 study	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.
Post-retirement	PubT-2010(A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projections uses the MP-2021 scale.
Beneficiaries	PubT-2010(A) Contingent Surviror Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projections uses the MP-2021 scale.
Disabled retirees	Pub-2010(A) 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 the actuary.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	33.5 %	5.10 %
International stocks	16.5	5.30
Bonds (fixed income)	25.0	0.75
Alternative assets (private markets)	25.0	5.90
Total	100.0 %	

Changes in actuarial assumptions since the previous valuation:

- Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2025 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.

F. Net Pension Liability

As of June 30, 2026, the District reported a liability of $4,833,346 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as July 1, 2025. 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 0.0843% at the end of the measurement period and 0.0817% for the beginning of the year.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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	$ 4,833,346
State's proportionate share of the net pension liability associated with the District	300,185
Total	$ 5,133,531

For the year ended June 30, 2026, the District recognized pension expense of $412,643. Included in this amount, the District recognized ($7,518) as pension expense for the support provided by direct aid.

During the plan year ended June 30, 2025, the State of Minnesota contributed $28,462,000 to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the $28,462,000 in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $24,005 for the year ended June 30, 2026 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.

As of June 30, 2026, 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	$ 222,883	$ 47,469
Net difference between projected and actual earnings on plan investments	-	970,509
Changes of assumptions	273,020	511,277
Changes in proportion	221,070	-
Contributions to TRA subsequent to the measurement date	572,718	-
Total	$ 1,289,691	$ 1,529,255

The $572,718 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2027.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

Year Ended June 30,	Pension Expense Amount
2027	$ 362,929
2028	(523,863)
2029	(463,556)
2030	(227,960)
2031	40,168
Total	$ (812,282)

G. Pension Liability Sensitivity

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

Sensitivity of NPL to Changes in the Discount Rate		
1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
$ 9,117,035	$ 4,833,346	$ 1,307,897

H. Pension Plan Fiduciary Net Position

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes* Chapters 353, 353D, 353E, 353G and 356. *Minnesota Statute* Chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plan is tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

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

B. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the 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% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% 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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

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

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2026 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2026, were $192,241. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

As of June 30, 2026, the District reported a liability of $930,627 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $22,450.

School's proportionate share of net pension liability	$	930,627
State of Minnesota's proportionate share of the net pension liability associated with the School		22,450
Total	$	953,077

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0281% at the end of the measurement period and 0.0293% for the beginning of the period.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

For the year ended June 30, 2026, the District recognized pension expense of $7,703 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized ($3,443) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

As of June 30, 2026, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 88,668	$ -
Changes in actuarial assumptions	22,423	214,135
Net difference between projected and actual investments earnings	-	370,305
Change in proportion	42,802	61,059
Contributions paid to PERA subsequent to the measurement date	192,241	-
Total	$ 346,134	$ 645,499

The $192,241 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, 2027. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2027	$ (107,389)
2028	(172,148)
2029	(145,918)
2030	(66,151)
Total	$ (491,606)

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

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

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.5% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3.0% after 27 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The 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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)
The following changes in actuarial assumptions and plan provisions occurred in 2025:

Changes in Actuarial Assumptions
- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions
- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

G. Discount Rate
The discount rate used to measure the total pension liability in 2025 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
District's proportionate share of the PERA net pension liability	$ 2,260,345	$ 930,626	$ (148,075)

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

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are accumulated in a trust.

B. Benefits Paid

Teachers hired before July 1, 2011, who apply for early retirement shall remain eligible to receive certain health insurance benefits toward single medical insurance to the earlier of five years or Medicare eligibility. One retired principal is receiving full single coverage of a Medicare Supplement Plan, benefits to continue for nine years. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Members

As of July 1, 2025, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Active employees	145
Total	156

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2026, the District contributed $115,925 to the plan.

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2025, using the Entry Age, Level Percentage of Pay accrual method and the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Salary increases	Rates vary by service and contract group.
Inflation	2.50%
Healthcare cost trend increases	6.50% as of July 1, 2025, decreasing gradually to an ultimate rate of 5.0% over 6 years and then to 4.00% over the next 48 years.
Mortality Assumption	Pub-2016 Public Retirement Plans Headcount - Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2025, valuation was based on the results of an actuarial experience study for the period July 1, 2024, through July 1, 2025.

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The discount rate used to measure the total OPEB liability was 4.90% based on the 20- Year Municipal Bond Yield.

The following changes in actuarial assumptions occurred in 2025:

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvements Scale to the Pub-2016 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2021 Generational Improvements.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The discount rate changed from 4.10% to 4.90%.

F. Total OPEB Liability

The District's total OPEB liability of $1,180,570 was measured as of July 1, 2025, and was determined by an actuarial valuation as of July 1, 2025.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at July 1, 2024	$ 1,323,107
Changes for the year	
Service cost	60,904
Interest	54,015
Assumption changes	(39,012)
Differences between expected and actual experience	(83,958)
Benefit payments	(134,486)
Balances at July 1, 2025	$ 1,180,570

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 4.90% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% Decrease in Discount Rate (3.90%)	Current Discount Rate (4.90%)	1% Increase in Discount Rate (5.90%)
Total OPEB liability (asset)	$ 1,260,901	$ 1,180,570	$ 1,103,939

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 healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate
Total OPEB liability (asset)	$ 1,069,024	$ 1,180,570	$ 1,312,132

G. Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2026, the District recognized OPEB expense of $113,599. At June 30, 2026, 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
Liability Gains/Losses	$ 9,844	$ 83,707
Changes of assumptions	31,863	96,822
Contributions made subsequent to the measurement date	115,925	-
Total	$ 157,632	$ 180,529

NOTE 10 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

The $115,925 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2027. Remaining deferred outflows of resources will be recognized as follows:

Fiscal Year Ending June 30,	Total
2027	$ (15,610)
2028	(22,314)
2029	(34,389)
2030	(17,011)
2031	(17,006)
Thereafter	(32,492)
Total	$ (138,822)

NOTE 11 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2026.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

During the current fiscal year, the District implemented GASB Statement No. 103, Financial Reporting Model Improvements. This statement enhances the financial reporting model by standardizing presentation structures, expanding communication effectiveness, and refining note disclosures. The implementation of GASB Statement No. 103 required the following presentation modifications:

- Reclassification of budgetary comparison schedules from basic financial statements to Required Supplementary Information (RSI).

The District evaluated the requirements of GASB Statement No. 103 and implemented the applicable provisions during the current fiscal year. Implementation of this Statement resulted in modifications to certain financial statement presentations and disclosures. The adoption of GASB Statement No. 103 had no effect on beginning net position, fund balance, or the District's change in net position for the current year.

NOTE 13 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 105, *Subsequent Events*. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. This Statement will be effective for the year ending June 30, 2027.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 738
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2026

	Budgeted Amounts		Variance with Original Budget - Over (Under)	Actual	Variance with Final Budget - Over (Under)
	Original	Final	Final Budget	Amounts	Actual
Revenues					
Local property taxes	$ 1,705,233	$ 1,777,402	$ 72,169	$ 1,857,508	$ 80,106
Other local and county revenues	514,135	532,088	17,953	657,569	125,481
Revenue from state sources	12,169,753	12,415,151	245,398	12,725,030	309,879
Revenue from federal sources	174,373	165,470	(8,903)	187,372	21,902
Sales and other conversion of assets	30,659	27,845	(2,814)	31,979	4,134
Total revenues	14,594,153	14,917,956	323,803	15,459,458	541,502
Expenditures					
Current					
Administration	862,850	885,085	22,235	890,361	5,276
District support services	355,141	360,711	5,570	386,095	25,384
Elementary and secondary regular instruction	6,719,506	6,734,889	15,383	6,568,290	(166,599)
Vocational education instruction	330,942	292,435	(38,507)	317,362	24,927
Special education instruction	2,620,437	2,494,664	(125,773)	2,349,138	(145,526)
Instructional support services	510,565	610,263	99,698	673,251	62,988
Pupil support services	1,001,990	1,173,944	171,954	1,147,690	(26,254)
Sites and buildings	1,871,283	1,747,604	(123,679)	1,812,487	64,883
Fiscal and other fixed cost programs	121,905	112,882	(9,023)	113,399	517
Capital outlay					
District support services	-	-	-	11,037	11,037
Elementary and secondary regular instruction	13,946	29,687	15,741	301,155	271,468
Vocational education instruction	2,000	29,810	27,810	21,011	(8,799)
Special education instruction	3,620	3,620	-	-	(3,620)
Instructional support services	109,651	260,479	150,828	194,799	(65,680)
Pupil support services	9,408	63,543	54,135	49,437	(14,106)
Sites and buildings	29,000	34,513	5,513	73,116	38,603
Debt service					
Principal	91,306	114,180	22,874	87,954	(26,226)
Interest and fiscal charges	9,662	14,223	4,561	8,043	(6,180)
Total expenditures	14,663,212	14,962,532	299,320	15,004,625	42,093
Excess of revenues over (under) expenditures	(69,059)	(44,576)	24,483	454,833	499,409
Other Financing Sources					
Proceeds from sale of capital assets	-	-	-	135	135
Financed purchase issuance	-	-	-	245,633	245,633
Lease issuance	-	-	-	23,131	23,131
Transfers out	-	(7,132)	(7,132)	(1,395)	5,737
Total other financing sources	-	(7,132)	(7,132)	267,504	274,636
Net change in fund balances	$ (69,059)	$ (51,708)	$ 17,351	722,337	$ 774,045
Fund Balances					
Beginning of year				3,843,448	
End of year				$ 4,565,785	

See notes to required supplementary information – Budget.

Independent School District No. 738
Notes to the Required Supplementary Information - Budget

Budgetary Comparison Schedules

Final Budget to Actual

Revenues
Other local and county revenues – The actual amount is over the final budget due to conservative budgeting and donations that were not included in the budget.

Revenue from state sources – The actual amount is over the final budget due to not budgeting for new grants in current year.

Expenditures
Elementary and secondary regular instruction, current – The actual amount is under the final budget due to process of estimating salaries and benefits including open positions during the year. Not all those positions were filled.

Special education instruction, current – The actual amount is under the final budget due to the budget including open positions during the year that were not filled.

Elementary and secondary regular instruction, capital outlay – The actual amount is over the final budget due to the scoreboard financed purchase that was not included in the budget.

Other Financing Sources (Uses)
Financed purchase issuance – The actual amount is over the final budget due to the scoreboard financed purchase that was not included in the budget.

Original Budget to Final Budget

Revenues
Revenue from state sources – The final budget increased due to adjustments to special education aid projections and additional state grants not known during initial adoption of the budget.

Expenditures
Special education instruction, current – The final budget decreased due to decrease in health insurance costs.

Instructional support services, current – The final budget increased due to increase in staff development costs.

Pupil support services, current – The final budget increased due to increase in transportation costs and additional employee.

Sites and buildings, current – The final budget decreased due to better reflect actual project costs during the year and a reduced electricity usage trend.

Instructional support services, capital outlay – The final budget increased due to adding purchases of student Chromebooks and teacher computers.

Independent School District No. 738
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2026	June 30, 2025	June 30, 2024	June 30, 2023
Total OPEB Liability				
Service cost	$ 60,904	$ 68,171	$ 68,343	$ 71,503
Interest	54,015	53,681	54,685	34,717
Differenced between expected and actual experience	(83,958)	-	(16,394)	-
Changes of assumptions	(39,012)	(14,067)	17,359	(121,658)
Benefit payments	(134,486)	(184,147)	(188,780)	(202,959)
Net change in total OPEB Liability	(142,537)	(76,362)	(64,787)	(218,397)
Beginning of year	1,323,107	1,399,469	1,464,256	1,682,653
End of year	$ 1,180,570	$ 1,323,107	$ 1,399,469	$ 1,464,256
Covered payroll	$ 7,237,801	$ 6,634,049	$ 6,440,821	$ 6,596,630
Total OPEB Liability as a percentage of covered-employee payroll	16.31%	19.94%	21.73%	22.20%

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

See notes to required supplementary information – OPEB.

June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
$ 89,758	$ 91,586	$ 79,766	$ 70,180	$ 68,136
39,402	50,232	52,349	53,752	56,620
34,454	-	74,338	-	-
50,085	46,964	25,668	-	-
(165,085)	(165,798)	(160,637)	(188,644)	(233,315)
48,614	22,984	71,484	(64,712)	(108,559)
1,634,039	1,611,055	1,539,571	1,604,283	1,712,842
$ 1,682,653	$ 1,634,039	$ 1,611,055	$ 1,539,571	$ 1,604,283
$ 6,404,495	$ 6,137,085	$ 5,958,335	$ 5,752,811	$ 5,585,253
26.27%	26.63%	27.04%	26.76%	28.72%

Other Post Employment Benefits

No assets have been accumulated in a trust to fund these benefits.

2026 Changes
Changes in Actuarial Assumptions
- The healthcare rates and mortality tables were updated.
- The salary increase rates for non-teachers were updated to reflect the latest experience study.
- The discount rate changed from 4.10% to 4.90%.

2025 Changes
Changes in Actuarial Assumptions
- The discount rate changed from 3.90% to 4.10%.

2024 Changes
Changes in Actuarial Assumptions
- The discount rate changed from 3.80% to 3.90%.
- The inflation rate changed from 2.50% to 2.00%.

2023 Changes
Changes in Actuarial Assumptions
- The discount rate changed from 2.10% to 3.80%.

2022 Changes
Changes in Actuarial Assumptions
- The health care rates, mortality tables and withdrawal rates were updated.
- The salary increase rates for non-teachers was updated.
- The inflation rate changed from 2.50% to 2.00%.
- The discount rate changed from 2.40% to 2.10%.

2021 Changes
Changes in Actuarial Assumptions
- The discount rate changed from 3.1% to 2.4%.

2020 Changes
Changes in Actuarial Assumptions
- The medical increase rates, mortality tables, salary scale and retiree election percentage assumption for Teachers were updated. The discount rate changed from 3.4% to 3.1%.

Independent School District No. 738
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

Fiscal Year Ending June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate d Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0244%	$ 1,981,159	$ 25,855	$ -	$ 1,513,347	130.9%	68.91%
2017	0.0249%	1,589,600	19,992	1,609,592	1,604,413	99.1%	75.90%
2018	0.0247%	1,370,255	44,929	1,415,184	1,659,987	82.5%	79.53%
2019	0.0237%	1,310,320	40,665	1,350,985	1,677,147	78.1%	80.23%
2020	0.0244%	1,462,892	45,016	1,507,908	1,739,547	84.1%	79.06%
2021	0.0261%	1,114,587	34,041	1,148,628	1,875,747	59.4%	87.00%
2022	0.0284%	2,249,289	65,869	2,315,158	2,124,987	105.8%	76.67%
2023	0.0280%	1,565,729	43,054	1,608,783	2,174,387	72.0%	83.10%
2024	0.0293%	1,084,818	28,051	1,112,869	2,483,520	43.7%	89.08%
2025	0.0281%	930,627	22,450	953,077	2,543,387	36.6%	90.78%

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

Fiscal Year Ending June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate d Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0801%	$ 19,105,761	$ 1,916,851	$ 21,022,612	$ 4,165,867	458.6%	44.88%
2017	0.0803%	16,029,337	1,550,167	17,579,504	4,323,427	370.8%	51.57%
2018	0.0789%	4,955,659	465,530	5,421,189	4,359,800	113.7%	78.07%
2019	0.0795%	5,067,347	448,261	5,515,608	4,512,620	112.3%	78.21%
2020	0.0798%	5,895,731	494,151	6,389,882	4,637,601	127.1%	75.48%
2021	0.0803%	3,514,168	296,475	3,810,643	4,805,400	73.1%	86.63%
2022	0.0810%	6,486,052	481,058	6,967,110	5,007,470	129.5%	76.17%
2023	0.0814%	6,720,566	470,756	7,191,322	5,024,632	133.8%	76.42%
2024	0.0817%	5,191,480	339,552	5,531,032	5,412,869	95.9%	82.07%
2025	0.0843%	4,833,346	300,185	5,133,531	5,866,023	82.4%	84.51%

See notes to required supplementary information - Pensions.

Independent School District No. 738
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017	$ 120,331	$ 120,331	$ -	$ 1,604,413	7.50%
2018	124,499	124,499	-	1,659,987	7.50%
2019	125,786	125,786	-	1,677,147	7.50%
2020	130,466	130,466	-	1,739,547	7.50%
2021	140,681	140,681	-	1,875,747	7.50%
2022	159,374	159,374	-	2,124,987	7.50%
2023	163,079	163,079	-	2,174,387	7.50%
2024	186,264	186,264	-	2,483,520	7.50%
2025	190,754	190,754	-	2,543,387	7.50%
2026	192,241	192,241	-	2,563,213	7.50%

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017	$ 324,257	$ 324,257	$ -	$ 4,323,427	7.50%
2018	326,985	326,985	-	4,359,800	7.50%
2019	347,923	347,923	-	4,512,620	7.71%
2020	367,298	367,298	-	4,637,601	7.92%
2021	390,679	390,679	-	4,805,400	8.13%
2022	417,623	417,623	-	5,007,470	8.34%
2023	429,606	429,606	-	5,024,632	8.55%
2024	473,626	473,626	-	5,412,869	8.75%
2025	513,277	513,277	-	5,866,023	8.75%
2026	572,718	572,718	-	5,838,104	9.81%

See notes to required supplementary information - Pensions.

TRA Retirement Fund

2025 Changes

Changes in Actuarial Assumptions

- Liability load for inactive non-vested members changed from 9% to 13% and the liability load for inactive vested members changed from 7% to 6%.

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 Pub-2010 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 and 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 of Benefit Terms

- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.

2023 Changes

Changes in Actuarial Assumptions

- None

2022 Changes

Changes in Actuarial Assumptions

- None

2021 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7.0%.

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

TRA Retirement Fund (Continued)

2018 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost-of-living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 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.

2017 Changes
Changes in Actuarial Assumptions

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

2016 Changes
Changes in Actuarial Assumptions

- The discount rate was 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%.

TRA Retirement Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- 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.
- 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.

General Employees Fund

2025 Changes

Changes in Actuarial Assumptions

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- • The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions

- • The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- • The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

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 6.5% to 7.0%.

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

General Employees Fund (Continued)

2022 Changes (Continued)
Changes in Plan Provisions
- There were no changes in plan provisions since the previous valuation.

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

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

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

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

General Employees Fund (Continued)

2019 Changes (Continued)

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.

General Employees Fund (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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SUPPLEMENTARY INFORMATION

Independent School District No. 738
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2026

	Special Revenue		
	Food Service	Community Service	Total Nonmajor Funds
Assets			
Cash and investments	$ 563,506	$ 398,827	$ 962,333
Current property taxes receivable	-	34,144	34,144
Delinquent property taxes receivable	-	156	156
Due from Department of Education	-	9,607	9,607
Due from other governmental units	-	1,667	1,667
Inventory	12,253	-	12,253
Prepaid items	16	41	57
Total assets	$ 575,775	$ 444,442	$ 1,020,217
Liabilities			
Accounts payable	$ 2,429	$ 4,805	$ 7,234
Salaries and benefits payable	970	35,744	36,714
Unearned revenue	13,150	16,078	29,228
Total liabilities	16,549	56,627	73,176
Deferred Inflows of Resources			
Property taxes levied for subsequent year's expenditures	-	72,219	72,219
Unavailable revenue - delinquent property taxes	-	156	156
Total deferred inflows of resources	-	72,375	72,375
Fund Balances			
Nonspendable	12,269	41	12,310
Restricted	546,957	315,399	862,356
Total fund balances	559,226	315,440	874,666
Total liabilities, deferred inflows of resources and fund balances	$ 575,775	$ 444,442	$ 1,020,217

Independent School District No. 738
Combining Statement of Revenues,
Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2026

	Special Revenue		
	Food Service	Community Service	Total Nonmajor Funds
Revenues			
Local property taxes	$ -	$ 73,458	$ 73,458
Other local and county revenues	17,053	353,763	370,816
Revenue from state sources	624,588	99,141	723,729
Revenue from federal sources	360,336	-	360,336
Sales and other conversion of assets	54,433	419	54,852
Total revenues	1,056,410	526,781	1,583,191
Expenditures			
Current			
Food service	1,032,352	-	1,032,352
Community education and services	-	505,712	505,712
Capital outlay			
Food service	76,497	-	76,497
Total expenditures	1,108,849	505,712	1,614,561
Net change in fund balances	(52,439)	21,069	(31,370)
Other Financing Sources			
Transfers in	-	1,395	1,395
Total other financing uses	-	1,395	1,395
Net change in fund balances	(52,439)	22,464	(29,975)
Fund Balances			
Beginning of year	611,665	292,976	904,641
End of year	$ 559,226	$ 315,440	$ 874,666

Independent School District No. 738
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2026

		Audited	UFARS	Audit-UFARS
01 GENERAL FUND				
Total revenue		$ 15,459,458	$ 15,459,455	$ 3
Total expenditures		15,004,625	15,004,623	2
Nonspendable:				
4.60	Nonspendable fund balance	16,554	16,554	-
Restricted/reserved:				
4.01	Student Activities	72,881	72,881	-
4.02	Scholarships	-	-	-
4.03	Staff Development	191,853	191,853	-
4.07	Capital Projects Levy	-	-	-
4.08	Cooperative Revenue	-	-	-
4.12	Literacy Incentive Aid	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.20	American Indian Ed Aid	-	-	-
4.24	Operating Capital	355,452	355,453	(1)
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	-	-	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Learning Program	-	-	-
4.37	Quality Compensation	-	-	-
4.38	Gifted and Talented	-	-	-
4.39	English Learner	24,560	24,560	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	-	-	-
4.43	School Library Aid	-	-	-
4.48	Achievement and Integration Revenue	-	-	-
4.49	Safe School Crime	32,662	32,662	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.56	Literacy Aid	9,468	9,468	-
4.57	Teacher Compensation for Read Act Training	-	-	-
4.59	Basic Skills Extended Time	-	-	-
4.67	Long-term Facilities Maintenance	426,897	426,897	-
4.71	Student Support Personnel	26,028	26,028	-
4.72	Medical Assistance	237,207	237,207	-
Restricted:				
4.64	Restricted fund balance	-	-	-
4.75	Title VII- Impact Aid	-	-	-
4.76	Payments of Liue of Taxes	-	-	-
Committed:				
4.18	Committed for separation	-	-	-
4.61	Committed	-	-	-
Assigned:				
4.62	Assigned fund balance	721,750	721,751	(1)
Unassigned:				
4.22	Unassigned fund balance	2,450,473	2,450,469	4
02 FOOD SERVICES FUND				
Total revenue		$ 1,056,410	$ 1,056,410	$ -
Total expenditures		1,108,849	1,108,848	1
Nonspendable:				
4.60	Nonspendable fund balance	12,269	12,268	1
Restricted/reserved:				
4.52	OPEB liabilities not held in trust	-	-	-
Restricted:				
4.64	Restricted fund balance	546,957	546,958	(1)
Unassigned:				
4.63	Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND				
Total revenue		526,781	526,779	2
Total expenditures		505,712	505,710	2
Nonspendable:				
4.60	Nonspendable fund balance	41	41	-
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	65,696	65,696	-
4.32	ECFE	62,116	62,116	-
4.37	Q Comp	-	-	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	187,587	187,587	-
4.47	Adult Basic Education	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.56	Literacy Aid	-	-	-
4.57	Teacher Comp Read Act	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audited	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.07	Capital Projects Levy	-	-	-
4.13	Building Projects funded by COP/LP	-	-	-
4.67	Long-Term Facilities Maintenance	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND				
Total revenue		$ 1,143,605	$ 1,143,605	$ -
Total expenditures		1,160,053	1,160,053	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.25	Bond refundings	-	-	-
4.33	Maximum effort loan aid	-	-	-
4.51	QZAB payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted fund balance	331,585	331,585	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Actvities	$ -	$ -	-
4.02	Scholarships	-	-	-
4.22	Net position	-	-	-
18 CUSTODIAL				
Total revenue		$ 24,000	24,000	$ -
Total expenditures		9,000	9,000	-
Restricted/Reserved				
4.01	Student Actvities	$ -	$ -	$ -
4.02	Scholarships	16,000	16,000	-
4.48	Achievment and Integration	-	-	-
4.64	Restricted	-	-	-
20 INTERNAL SERVICE FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
25 OPEB REVOCABLE TRUST				
Total revenue		$ 52,554	$ 52,554	$ -
Total expenditures		2,331	2,331	-
Unassigned:				
4.22	Net position	492,378	492,378	-
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
47 OPEB DEBT SERVICE				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.25	Bond refundings	-	-	-
4.64	Restricted fund balance	-	-	-

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

Independent Auditor's Report

To the School Board
Independent School District No. 738
Holdingford, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 738, Holdingford, Minnesota, as of and for the year ending June 30, 2026, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 9, 2026.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings on Internal Control as items that we consider to be a material weakness, Audit Finding 2026-001.

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 the Finding
Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying Schedule of Findings on Internal Control. The District's response was not subjected to the 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.

BerganKDV, Ltd.

St. Cloud, Minnesota
September 9, 2026

Independent School District No. 738
Schedule of Findings on Internal Control

Audit Finding 2026-001

Criteria:
Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:
During the year ended June 30, 2026, the District had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. This lack of segregation of accounting duties can be demonstrated in the following areas, which is not intended to be an all-inclusive list:

- The Business Manager prepares all journal entries without anyone reviewing them.
- The Business Manager has access to the electronic signatures and completes the monthly bank reconciliations. The bank reconciliations are not reviewed by anyone else.
- The Business Office Payroll/Benefits Specialist processes payroll and prints related checks or direct deposit notices.
- The Business Manager adds and disposes assets, calculates depreciation and maintains the master listing of capital assets.
- The District does not require purchase orders or approval beyond the Board for disbursements for food service, maintenance work, some contractual services and some budgeted expenses.

Management is aware of this condition and will take certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct.

Context:
This finding impacts the internal control for all significant accounting functions.

Cause:
There are a limited number of office employees.

Effect or Potential Effect:
The lack of adequate segregation of accounting duties could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Recommendation:
Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Independent School District No. 738
Schedule of Findings on Internal Control

Audit Finding 2026-001 (Continued)

Views of the Responsible Officials and Planned Corrective Action:

CORRECTIVE ACTION PLAN (CAP):

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

2. Actions Planned in Response to Finding
   The District reviews and makes improvements to its internal controls on an ongoing basis and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

3. Official Responsible for Ensuring CAP
   Chris Swenson, Superintendent, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is ongoing.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 738
Holdingford, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 738, Holdingford, Minnesota, as of and for the year ended June 30, 2026, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 9, 2026.

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 for Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to *Minnesota Statute* § 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 to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, Ltd.

St. Cloud, Minnesota
September 9, 2026

APPENDIX B

FORM OF LEGAL OPINION

(See following pages)

Form of Legal Opinion

Independent School District No. 738
Holdingford, Minnesota

[Purchaser]
[City, State]

Re: **$**[PAR] General Obligation Facilities Maintenance Bonds, Series 2026A
Independent School District No. 738 (Holdingford Public Schools)
Stearns and Morrison Counties, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Independent School District No. 738 (Holdingford Public Schools), Stearns and Morrison Counties, Minnesota, of the obligations described above, dated, as originally issued, as of December [__], 2026 (the Bonds), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the District in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the District, enforceable in accordance with their terms.

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

3. The resolution authorizing the issuance of the Bonds obligates the District to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of such law against the State of Minnesota in the absence of legally appropriated and available funds to pay the obligations of the State thereunder.

4. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the Code) and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on noncorporate taxpayers by Section 55 of the Code.

5. Interest on the Bonds (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The opinions expressed in paragraphs 1, 2, and 3 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 4, 5, and 6 above are subject to the compliance by the District with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, or the Bonds failing to be qualified tax-exempt obligations, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that interest on the Bonds may be taken into account in determining adjusted financial statement income for purposes of the federal alternative minimum tax imposed on applicable corporations (as defined in Section 59(k) of the Code) and is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

We have not been asked, and have not undertaken, to review the accuracy, completeness or sufficiency of any offering materials 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 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 occur after the date hereof and which may be retroactive.

Dated this [__] day of December, 2026.

Very truly yours,

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX D

FORM OF CONTINUING DISCLOSURE COVENANTS (EXCERPTS FROM AWARD RESOLUTION)

(See following pages)

Form of Continuing Disclosure Covenants

Excerpt from Resolution

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the District hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the outstanding Bonds. The District is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the District fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The District will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the District, the following information at the following times:

(1) on or before twelve (12) months after the end of each fiscal year of the District, commencing with the fiscal year ending June 30, 2027, the following financial information and operating data in respect of the District (the Disclosure Information):

(A) the audited financial statements of the District for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such

generally accepted accounting principles for reasons beyond the reasonable control of the District, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the District; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under the headings: "VALUATIONS – Current Property Valuations;" "DEBT – Direct Debt;" "TAX LEVIES, COLLECTION AND RATES – Tax Levies and Collections;" "THE ISSUER – Student Body;" and "GENERAL INFORMATION – Employment/Unemployment Data;" which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the District shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the District shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board (the MSRB) through its Electronic Municipal Market Access System (EMMA) or the SEC. The District shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the District have materially changed or been discontinued, such Disclosure Information need no longer be provided if the District includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other District operations in respect of which data is not included in the Disclosure Information and the District determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the District shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner, not in excess of 10 business days, to the MSRB through EMMA, notice of the occurrence of any of the following events (each a "Material Fact," as hereinafter defined):

(A) principal and interest payment delinquencies;
(B) non-payment related defaults, if material;
(C) unscheduled draws on debt service reserves reflecting financial difficulties;
(D) unscheduled draws on credit enhancements reflecting financial difficulties;

(E) substitution of credit or liquidity providers, or their failure to perform;

(F) 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 Bonds or other material events affecting the tax status of the Bonds;

(G) modifications to rights of Bond holders, if material;

(H) Bond calls, if material and tender offers;

(I) defeasances;

(J) release, substitution, or sale of property securing repayment of the Bonds if material;

(K) rating changes;

(L) bankruptcy, insolvency, receivership, or similar event of the obligated person;

(M) 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;

(N) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(O) 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; "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 debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule; and

(P) 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.

As used herein, for those events that must be reported if material, a "Material Fact" is a fact as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, a Material Fact is also a fact that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

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

For purposes of the events identified in paragraphs (O) and (P) above, the term "financial obligation" means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). 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.

(3) In a timely manner, to the MSRB through EMMA, notice of the occurrence of any of the following events or conditions:

(A) the failure of the District to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
(B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the District under subsection (d)(2);
(C) the termination of the obligations of the District under this section pursuant to subsection (d);
(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
(E) any change in the fiscal year of the District.

(c) Manner of Disclosure.

(1) The District agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).

(2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

(1) The covenants of the District in this section shall remain in effect so long as any Bonds are outstanding. Notwithstanding the preceding sentence, however, the obligations of the District under this section shall terminate and be without further effect as of any date on which the District delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the District to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the District from time to time, without notice to (except as provided in paragraph (c)(2) hereof) or the consent of the Owners of any Bonds, by a resolution of this Board filed in the office of the recording officer of the District accompanied by an opinion of Bond Counsel, who may rely on certificates of the District and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the District or the type of operations conducted by the District, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the District agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

APPENDIX E

TERMS OF PROPOSAL

$9,015,000* GENERAL OBLIGATION FACILITIES MAINTENANCE BONDS, SERIES 2026A INDEPENDENT SCHOOL DISTRICT NO. 738 (HOLDINGFORD PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of $9,015,000* General Obligation Facilities Maintenance Bonds, Series 2026A (the "Bonds") of Independent School District No. 738 (Holdingford 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 November 18, 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 deferred facility maintenance 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 December 10, 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:

Year	Amount*	Year	Amount*	Year	Amount*
2028	$100,000	2035	$225,000	2042	$290,000
2029	120,000	2036	235,000	2043	300,000
2030	135,000	2037	250,000	2044	1,200,000
2031	185,000	2038	260,000	2045	1,265,000
2032	190,000	2039	270,000	2046	1,335,000
2033	205,000	2040	405,000	2047	1,405,000
2034	215,000	2041	425,000		

ADJUSTMENT OPTION

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

TERM 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 August 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 2028 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

The Bonds maturing on and after February 1, 2035 are be subject to redemption and prepayment at the option of the District, in whole or in part, in such order as the District shall determine and within a maturity by lot as selected by the Registrar in multiples of $5,000, on February 1, 2034, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption.

The District is required to cause notice of the call for redemption thereof to be published as required by law and, at least thirty (30) days prior to the designated redemption date, cause notice of the call for redemption to be mailed, by first class mail, to the registered owners of any Bonds to be redeemed at their addresses as they appear on the bond register, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the District shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

DELIVERY

On or about December 10, 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 in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP ("Bond Counsel"), Minneapolis, Minnesota, bond counsel to the District.

SUBMISSION OF PROPOSALS

Proposals must not be for less than $9,015,000 plus accrued interest on the principal sum of $9,015,000 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 $180,300 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the 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, in the resolution awarding the Bonds, the District will agree to provide certain information and notices of the occurrences of certain events to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) System. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

ESTABLISHMENT OF ISSUE PRICE AT TIME OF AWARD

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

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

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

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

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

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

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

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

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the 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. 738
(Holdingford Public Schools), Minnesota

PROPOSAL FORM

The School Board **November 18, 2026**
Independent School District No. 738 (Holdingford Public Schools), Minnesota (the "District")

RE: $9,015,000* General Obligation Facilities Maintenance Bonds, Series 2026A (the "Bonds")
DATED: December 10, 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 $9,015,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% due	2028	_____	% due	2035	_____	% due	2042
_____	% due	2029	_____	% due	2036	_____	% due	2043
_____	% due	2030	_____	% due	2037	_____	% due	2044
_____	% due	2031	_____	% due	2038	_____	% due	2045
_____	% due	2032	_____	% due	2039	_____	% due	2046
_____	% due	2033	_____	% due	2040	_____	% due	2047
_____	% due	2034	_____	% due	2041			

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

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 2028 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 $180,300 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the 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 December 10, 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 December 10, 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. 738 (Holdingford Public Schools), Minnesota, on November 18, 2026.

By: _____ By: _____

Title: _____ Title: _____