# PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 8, 2026

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

*The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, which permits financial institutions to deduct interest expenses allocable to the Bonds to the extent permitted under prior law.*

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

# INDEPENDENT SCHOOL DISTRICT NO. 1 (AITKIN PUBLIC SCHOOLS), MINNESOTA

(Aitkin and Crow Wing Counties)

**(Minnesota School District Credit Enhancement Program)**

## $10,780,000* GENERAL OBLIGATION FACILITIES MAINTENANCE, CAPITAL FACILITIES, AND TAX ABATEMENT BONDS, SERIES 2026A

**PROPOSAL OPENING**: October 19, 2026, 9:30 A.M., C.T. **CONSIDERATION**: October 19, 2026, 6:30 P.M., C.T.

**PURPOSE/AUTHORITY/SECURITY:** The $10,780,000* General Obligation Facilities Maintenance, Capital Facilities, and Tax Abatement Bonds, Series 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 469, as amended, including Sections 469.1812 through 469.1815, Minnesota Statutes, Chapter 475, as amended, and Minnesota Statutes, Sections 123B.595 and 123B.62, as amended, by Independent School District No. 1 (Aitkin Public Schools), Minnesota (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, certain capital projects and parking lot improvements at the District's sites and facilities. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

**DATE OF BONDS:** November 12, 2026

**MATURITY:** February 1 as follows:

| Year | Amount* | Year | Amount* | Year | Amount* |
|---|---|---|---|---|---|
| 2028 | $1,310,000 | 2032 | $1,740,000 | 2036 | $120,000 |
| 2029 | 1,455,000 | 2033 | 875,000 | 2037 | 125,000 |
| 2030 | 1,525,000 | 2034 | 895,000 | | |
| 2031 | 1,665,000 | 2035 | 1,070,000 | | |

***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:** The Bonds are being offered without option of prior optional redemption.

**MINIMUM PROPOSAL:** $10,780,000.

**GOOD FAITH DEPOSIT:** A good faith deposit in the amount of $215,600 shall be made by the winning bidder by wire transfer of funds.

**PAYING AGENT:** Bond Trust Services Corporation.

**BOND COUNSEL:** Kennedy & Graven, Chartered.

**MUNICIPAL ADVISOR:** Ehlers and Associates, Inc.

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

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

## REPRESENTATIONS

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

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

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

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

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

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

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

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

## CLOSING CERTIFICATES

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

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PROPOSAL FORM

## AITKIN PUBLIC SCHOOLS
## SCHOOL BOARD

| | | Term Expires |
|---|---|---|
| Cindi Hills | Board Chair | January 2029 |
| Brian Leitinger | Vice Chair | January 2029 |
| Kassie Peterson | Clerk | January 2027 |
| Jen Burgos | Member | January 2027 |
| Roland Hill | Member | January 2027 |
| Dawn Houser | Member | January 2029 |
| Holly Mindrum | Member | January 2027 |

## ADMINISTRATION

Mary Morem, Superintendent of Schools
Amber Kulig, Business Manager

## PROFESSIONAL SERVICES

Pemberton Law, Attorney to the District, Fergus Falls, Minnesota

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

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

# INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 1 (Aitkin Public Schools), Minnesota (the "District") and the issuance of its $10,780,000* General Obligation Facilities Maintenance, Capital Facilities, and Tax Abatement 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 October 19, 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 Debt Issuance 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 November 12, 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"). 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.

## OPTIONAL REDEMPTION

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

*Preliminary, subject to change.

## AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 469, as amended, including Sections 469.1812 through 469.1815, Minnesota Statutes, Chapter 475, as amended, and Minnesota Statutes, Sections 123B.595 and 123B.62, 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 "Commissioner") (the "Facilities Maintenance Portion"), certain capital projects approved by the Commissioner (the "Capital Facilities Portion") and parking lot improvements at the District's sites and facilities (the Tax Abatement Portion").

## ESTIMATED SOURCES AND USES*

| Sources | Facilities Maintenance Portion | Capital Facilities Portion | Tax Abatement Portion | Total Bond Issue |
|---|---|---|---|---|
| Par Amount of Bonds | $7,480,000 | $1,000,000 | $2,300,000 | $10,780,000 |
| Reoffering Premium | 359,032 | 38,589 | 119,691 | 517,312 |
| **Total Sources** | **$7,839,032** | **$1,038,589** | **$2,419,691** | **$11,297,312** |
| **Uses** | | | | |
| Total Underwriter's Discount (1.000%) | $74,800 | $10,000 | $23,000 | $107,800 |
| Costs of Issuance | 86,735 | 11,596 | 26,670 | 125,000 |
| Deposit to Construction Fund | 7,677,497 | 1,016,994 | 2,370,021 | 11,064,512 |
| **Total Uses** | **$7,839,032** | **$1,038,589** | **$2,419,691** | **$11,297,312** |

**Breakdown of Principal Payments*:**

| Payment Date | Facilities Maintenance Portion | Capital Facilities Portion | Tax Abatement Portion | Total Bond Issue |
|---|---|---|---|---|
| 2/01/2028 | $1,020,000 | $70,000 | $220,000 | $1,310,000 |
| 2/01/2029 | 1,115,000 | 85,000 | 255,000 | 1,455,000 |
| 2/01/2030 | 1,170,000 | 90,000 | 265,000 | 1,525,000 |
| 2/01/2031 | 1,290,000 | 95,000 | 280,000 | 1,665,000 |
| 2/01/2032 | 1,350,000 | 95,000 | 295,000 | 1,740,000 |
| 2/01/2033 | 465,000 | 100,000 | 310,000 | 875,000 |
| 2/01/2034 | 460,000 | 105,000 | 330,000 | 895,000 |
| 2/01/2035 | 610,000 | 115,000 | 345,000 | 1,070,000 |
| 2/01/2036 | - | 120,000 | - | 120,000 |
| 2/01/2037 | - | 125,000 | - | 125,000 |
| **Total** | **$7,480,000** | **$1,000,000** | **$2,300,000** | **$10,780,000** |

*Preliminary, subject to change.

## SECURITY

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

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

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

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

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

## RATING

The District will be participating in the State of Minnesota Credit Enhancement Program ("MNCEP") for this issue and is requesting a 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 June 22, 2026 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, as amended, which provides for payment by the State of Minnesota (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. The Rule was last amended, effective February 27, 2019, to include an expanded list of material events.

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

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

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

## LEGAL OPINION

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

## TAX EXEMPTION

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

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

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

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

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

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

**Legislative proposals**

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

## NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will NOT designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code, relating to the ability of certain financial institutions (within the meaning of Section 265(b)(5) of the Code) to deduct from income for federal income tax purposes, 80% of the interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## MUNICIPAL ADVISOR

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

## MUNICIPAL ADVISOR AFFILIATED COMPANIES

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

## INDEPENDENT AUDITORS

The basic financial statements of the District for the fiscal year ended June 30, 2025 have been audited by CliftonLarsonAllen LLP, Brainerd, 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 (tax abatement revenues and state aids) be insufficient. In the event of delayed billing, collection or distribution of property taxes, sufficient funds may not be available to the District in time to pay debt service when due.

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

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

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

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

**Taconite Tax Loss:** The District, in common with other Iron Range Communities, receives grants and aids which are derived from special taconite taxes and which may be reduced in the event of production curtailment. Also, homeowners now receive substantial homestead credits from taxes derived from taconite sources which may be reduced with a cut in production. Reduction of grants, state aids and credits could increase the District's need for other local taxes.

**Iron Mining Economy:** The District is located on Minnesota's Iron Range, with an economy directly related to the mining industry, including processing and shipping of iron ore (pellets) for the nation's steel industry and for foreign shipments. Beginning in 1981, economic downturns reduced demand for steel and for taconite pellets, and some taconite plants curtailed operations and employment.

**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 District's finance vendor, Arrowhead Regional Computing Consortium ("ARCC") recently suffered a network interruption in 2023 that impacted their systems. This interruption required ARCC to shut down parts of their network as they worked to remediate this issue. While there was indication that any sensitive information was accessed or misused, the District, in coordination with ARCC, provided resources and recommended District staff take certain measures to protect the integrity of their personal credit files.

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%<br>Over $500,000 - 1.25% | First $500,000 - 1.00%<br>Over $500,000 - 1.25% | First $500,000 - 1.00%<br>Over $500,000 - 1.25% |
| Agricultural homestead[1] | First $500,000 HGA - 1.00%<br>Over $500,000 HGA - 1.25%<br>First $2,150,000 - 0.50% [2]<br>Over $2,150,000 - 1.00% [2] | First $500,000 HGA - 1.00%<br>Over $500,000 HGA - 1.25%<br>First $3,500,000 - 0.50% [2]<br>Over $3,500,000 - 1.00% [2] | First $500,000 HGA - 1.00%<br>Over $500,000 HGA - 1.25%<br>First $3,500,000 - 0.50% [2]<br>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]<br>Over $500,000 - 1.25% [3] | First $500,000 - 1.00% [3]<br>Over $500,000 - 1.25% [3] | First $500,000 - 1.00% [3]<br>Over $500,000 - 1.25% [3] |
| Residential non-homestead: | 1 unit - 1st $500,000 - 1.00%<br>Over $500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City[4] - 1.25%<br>Affordable Rental:<br>First $174,000 - 0.75%<br>Over $174,000 - 0.25% | 1 unit - 1st $500,000 - 1.00%<br>Over $500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City [4] - 1.25%<br>Affordable Rental: – 0.25% | 1 unit - 1st $500,000 - 1.00%<br>Over $500,000 - 1.25%<br>2-3 units - 1.25%<br>4 or more - 1.25%<br>Small City [4] - 1.25%<br>Affordable Rental – 0.25% |
| Industrial/Commercial/Utility[5] | First $150,000 - 1.50%<br>Over $150,000 - 2.00% | First $150,000 - 1.50%<br>Over $150,000 - 2.00% | First $150,000 - 1.50%<br>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** $3,790,930,325[1]

**2025/26 Assessor's Estimated Market Value**

| | Aitkin County | Crow Wing County | Total |
|---|---|---|---|
| Real Estate | $3,134,514,700 | $266,048,600 | $3,400,563,300 |
| Personal Property | 72,701,700 | 581,600 | 73,283,300 |
| Total Valuation | $3,207,216,400 | $266,630,200 | $3,473,846,600 |

**2025/26 Net Tax Capacity**

| | Aitkin County | Crow Wing County | Total |
|---|---|---|---|
| Real Estate | $31,227,090 | $2,526,277 | $33,753,367 |
| Personal Property | 1,437,411 | 10,502 | 1,447,913 |
| Net Tax Capacity | $32,664,501 | $2,536,779 | $35,201,280 |
| Less: | | | |
| Captured Tax Increment Tax Capacity[2] | (40,020) | 0 | (40,020) |
| Fiscal Disparities Contribution[3] | (1,013,144) | (11,630) | (1,024,774) |
| Power Line Adjustment[4] | (234) | 0 | (234) |
| Taxable Net Tax Capacity | $31,611,103 | $2,525,149 | $34,136,252 |
| Plus: Fiscal Disparities Distribution[3] | 571,091 | 10,926 | 582,017 |
| Adjusted Taxable Net Tax Capacity | $32,182,194 | $2,536,075 | $34,718,269 |

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[1] According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District was about 91.66% 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 $3,790,930,325.

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

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

[4] Ten percent of the net tax capacity of certain high voltage transmission lines is removed when setting local tax rates. However, taxes are paid on the full value of these lines. The taxes attributable to 10% of value of these lines are used to fund a power line credit. Certain property owners receive a credit when the high voltage transmission line runs over their property.

## 2025/26 NET TAX CAPACITY BY CLASSIFICATION

| | 2025/26 Net Tax Capacity | Percent of Total Net Tax Capacity |
|---|---|---|
| Residential homestead | $11,380,081 | 32.33% |
| Agricultural | 4,689,053 | 13.32% |
| Commercial/industrial | 1,589,297 | 4.51% |
| Railroad operating property | 130,232 | 0.37% |
| Non-homestead residential | 2,409,692 | 6.85% |
| Commercial & residential seasonal/rec. | 13,555,012 | 38.51% |
| Personal property | 1,447,913 | 4.11% |
| Total | $35,201,280 | 100.00% |

## TREND OF VALUATIONS

| Levy Year | Assessor's Estimated Market Value | Assessor's Taxable Market Value | Net Tax Capacity[1] | Adjusted Taxable Net Tax Capacity[2] | Percent Increase/Decrease in Estimated Market Value |
|---|---|---|---|---|---|
| 2021/22 | $2,117,134,000 | $2,039,124,670 | $20,621,084 | $20,609,924 | 5.19% |
| 2022/23 | 2,760,760,900 | 2,691,278,882 | 27,681,772 | 27,613,390 | 30.40% |
| 2023/24 | 3,136,851,300 | 3,082,934,132 | 31,851,745 | 31,526,212 | 13.62% |
| 2024/25 | 3,320,125,100 | 3,228,686,510 | 33,371,190 | 32,989,760 | 5.84% |
| 2025/26 | 3,473,846,600 | 3,383,759,537 | 35,201,280 | 34,718,269 | 4.63% |

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

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

## LARGEST TAXPAYERS[1]

| Taxpayer | Type of Property | 2025/26 Net Tax Capacity | Percent of District's Total Net Tax Capacity |
|---|---|---|---|
| Enbridge Energy LP | Utility | $1,272,826 | 3.62% |
| Mille Lacs Energy Cooperative | Utility | 233,615 | 0.66% |
| Burlington Northern Santa Fe | Railroad | 130,606 | 0.37% |
| R K Midwest Enterprises LLP | Commercial | 77,633 | 0.22% |
| Great River Energy | Utility | 75,622 | 0.21% |
| Aicota Health Care Center Inc. | Commercial | 74,196 | 0.21% |
| Mille Lacs Meadows Ranch Inc. | Commercial | 62,119 | 0.18% |
| Aitkin Auto Group Properties LLC | Commercial | 61,166 | 0.17% |
| American Peat Technology LLC | Commercial | 61,069 | 0.17% |
| Paulbeck's Real Property LLC | Commercial | 59,501 | 0.17% |
| Total | | $2,108,353 | 5.99% |

District's Total 2025/26 Net Tax Capacity $35,201,280

**Source:** Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Largest Taxpayers have been furnished by Aitkin and Crow Wing Counties.

# DEBT

## DIRECT DEBT[2]

**General Obligation Debt (see schedule following)**

| | |
|---|---|
| Total G.O. debt secured by tax abatement revenues and state aids[3] (includes the Tax Abatement Portion of the Bonds)* | $2,300,000 |
| Total G.O. debt secured by taxes and state aids[2] (includes the Facilities Maintenance and Capital Facilities Portions of the Bonds)* | 10,075,000 |
| Total General Obligation Debt* | $12,375,000 |

*Preliminary, subject to change.

[1] In 2025, the estimated median commercial and industrial sales ratio used to equalize utility values in Aitkin County dropped below 90% to 73.79%, thereby resulting in lower valuations for this classification of property. Depreciation may also have affected the decrease in valuations.

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

[3] Based upon the agricultural land valuation and current statistics, the District anticipates a portion of this debt will be paid by the State of Minnesota.

**Lease Purchase Obligations (see schedule following)**

| | |
|---|---|
| Total lease purchase obligations paid by annual appropriations[1] | $835,000 |

## DEBT PAYMENT HISTORY

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

## FUTURE FINANCING

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

## STATE AID FOR DEBT SERVICE

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

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

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

Some school districts will also receive aid for debt service payments through the State School Building Bond Agricultural Credit, which is paid to school districts to offset a portion of certain bond levies (Minnesota Statutes, Section 273.1387). 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 8.81% of total annual debt service levies, based on the District's 2024/25 qualifying agricultural land valuation.

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

## 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 | $3,790,930,325 |
| Multiply by 15% | 0.15 |
| Statutory Debt Limit | $568,639,549 |
| Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Facilities Maintenance and Capital Facilities Portions of the Bonds)* | (10,075,000) |
| Less: Long-Term Debt Outstanding Being Paid Solely from Annual Appropriations | (835,000) |
| Unused Debt Limit* | $557,729,549 |

*Preliminary, subject to change.

**Independent School District No. 1 (Aitkin Public Schools), Minnesota**
**Schedule of Bonded Indebtedness**
**General Obligation Debt Secured by Tax Abatement Revenues**
**(As of 11/12/2026)**

| | Tax Abatement Bonds 1) Series 2026A | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Dated** | 11/12/2026 | | | | | | | |
| **Amount** | $2,300,000* | | | | | | | |
| **Maturity** | 02/01 | | | | | | | |
| **Fiscal Year Ending** | **Principal** | **Estimated Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** | **% Paid** | **Fiscal Year Ending** |
| **2028** | 220,000 | 140,236 | 220,000 | 140,236 | 360,236 | 2,080,000 | 9.57% | **2028** |
| **2029** | 255,000 | 104,000 | 255,000 | 104,000 | 359,000 | 1,825,000 | 20.65% | **2029** |
| **2030** | 265,000 | 91,250 | 265,000 | 91,250 | 356,250 | 1,560,000 | 32.17% | **2030** |
| **2031** | 280,000 | 78,000 | 280,000 | 78,000 | 358,000 | 1,280,000 | 44.35% | **2031** |
| **2032** | 295,000 | 64,000 | 295,000 | 64,000 | 359,000 | 985,000 | 57.17% | **2032** |
| **2033** | 310,000 | 49,250 | 310,000 | 49,250 | 359,250 | 675,000 | 70.65% | **2033** |
| **2034** | 330,000 | 33,750 | 330,000 | 33,750 | 363,750 | 345,000 | 85.00% | **2034** |
| **2035** | 345,000 | 17,250 | 345,000 | 17,250 | 362,250 | 0 | 100.00% | **2035** |
| | 2,300,000 | 577,736 | 2,300,000 | 577,736 | 2,877,736 | | | |

* Preliminary, subject to change.

1) This represents the $2,300,000 Tax Abatement Portion of the $10,780,000 General Obligation Facilities Maintenance, Capital Facilities, and Tax Abatement Bonds, Series 2026A.

**Independent School District No. 1 (Aitkin Public Schools), Minnesota**
**Schedule of Bonded Indebtedness**
**General Obligation Debt Secured by Taxes**
**(As of 11/12/2026)**

| | Facilities Maintenance Bonds Series 2018A | | Fac. Maintenance and Capital Fac. Bonds 1) Series 2026A | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Dated** | 05/10/2018 | | 11/12/2026 | | | | | | | |
| **Amount** | $3,080,000 | | $8,480,000* | | | | | | | |
| **Maturity** | 02/01 | | 02/01 | | | | | | | |
| **Fiscal Year Ending** | **Principal** | **Interest** | **Principal** | **Estimated Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** | **% Paid** | **Fiscal Year Ending** |
| **2027** | 210,000 | 23,925 | 0 | 0 | 210,000 | 23,925 | 233,925 | 9,865,000 | 2.08% | **2027** |
| **2028** | 215,000 | 41,550 | 1,090,000 | 514,804 | 1,305,000 | 556,354 | 1,861,354 | 8,560,000 | 15.04% | **2028** |
| **2029** | 220,000 | 35,100 | 1,200,000 | 367,663 | 1,420,000 | 402,763 | 1,822,763 | 7,140,000 | 29.13% | **2029** |
| **2030** | 225,000 | 28,500 | 1,260,000 | 307,663 | 1,485,000 | 336,163 | 1,821,163 | 5,655,000 | 43.87% | **2030** |
| **2031** | 235,000 | 21,750 | 1,385,000 | 244,663 | 1,620,000 | 266,413 | 1,886,413 | 4,035,000 | 59.95% | **2031** |
| **2032** | 240,000 | 14,700 | 1,445,000 | 175,413 | 1,685,000 | 190,113 | 1,875,113 | 2,350,000 | 76.67% | **2032** |
| **2033** | 250,000 | 7,500 | 565,000 | 103,163 | 815,000 | 110,663 | 925,663 | 1,535,000 | 84.76% | **2033** |
| **2034** | | | 565,000 | 74,913 | 565,000 | 74,913 | 639,913 | 970,000 | 90.37% | **2034** |
| **2035** | | | 725,000 | 46,663 | 725,000 | 46,663 | 771,663 | 245,000 | 97.57% | **2035** |
| **2036** | | | 120,000 | 10,413 | 120,000 | 10,413 | 130,413 | 125,000 | 98.76% | **2036** |
| **2037** | | | 125,000 | 5,313 | 125,000 | 5,313 | 130,313 | 0 | 100.00% | **2037** |
| | 1,595,000 | 173,025 | 8,480,000 | 1,850,666 | 10,075,000 | 2,023,691 | 12,098,691 | | | |

* Preliminary, subject to change.

1) This represents the $8,480,000 Facilities Maintenance and Capital Facilities Portions of the $10,780,000 General Obligation Facilities Maintenance, Capital Facilities, and Tax Abatement Bonds, Series 2026A.

**Independent School District No. 1 (Aitkin Public Schools), Minnesota**
**Schedule of Bonded Indebtedness**
**Non-General Obligation Debt Secured by Annual Appropriation**
**(As of 11/12/2026)**

| | Certificates of Participation Series 2023A | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Dated** | 06/22/2023 | | | | | | | |
| **Amount** | $1,005,000 | | | | | | | |
| **Maturity** | 04/01 | | | | | | | |
| **Fiscal Year Ending** | **Principal** | **Interest** | **Total Principal** | **Total Interest** | **Total P & I** | **Principal Outstanding** | **% Paid** | **Fiscal Year Ending** |
| **2027** | 90,000 | 16,700 | 90,000 | 16,700 | 106,700 | 745,000 | 10.78% | **2027** |
| **2028** | 95,000 | 29,800 | 95,000 | 29,800 | 124,800 | 650,000 | 22.16% | **2028** |
| **2029** | 100,000 | 26,000 | 100,000 | 26,000 | 126,000 | 550,000 | 34.13% | **2029** |
| **2030** | 100,000 | 22,000 | 100,000 | 22,000 | 122,000 | 450,000 | 46.11% | **2030** |
| **2031** | 105,000 | 18,000 | 105,000 | 18,000 | 123,000 | 345,000 | 58.68% | **2031** |
| **2032** | 110,000 | 13,800 | 110,000 | 13,800 | 123,800 | 235,000 | 71.86% | **2032** |
| **2033** | 115,000 | 9,400 | 115,000 | 9,400 | 124,400 | 120,000 | 85.63% | **2033** |
| **2034** | 120,000 | 4,800 | 120,000 | 4,800 | 124,800 | 0 | 100.00% | **2034** |
| | 835,000 | 140,500 | 835,000 | 140,500 | 975,500 | | | |

## OVERLAPPING DEBT[1]

| Taxing District | 2025/26 Taxable Net Tax Capacity | % In District | Total G.O. Debt[2] | District's Proportionate Share |
|---|---|---|---|---|
| County of: | | | | |
| Aitkin | $60,034,627 | 52.6548% | $7,510,000 | $3,954,375 |
| City of: | | | | |
| Aitkin | 1,954,498 | 100.0000% | 4,473,000 | 4,473,000 |
| Towns of: | | | | |
| Deerwood[3] | 5,238,014 | 0.2352% | 684,000 | 1,609 |
| Fleming | 1,799,428 | 98.0734% | 84,160 | 82,539 |
| Northland | 3,739,262 | 100.0000% | 165,000 | 165,000 |
| District's Share of Total Overlapping Debt | | | | $8,676,523 |

[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] Adjusted Taxable Net Tax Capacity shown and used in calculations.

### DEBT RATIOS

| | G.O. Debt | Debt/Economic Market Value $3,790,930,325 | Debt/ Per Capita 9,826[1] |
|---|---|---|---|
| Direct G.O. Debt Secured By: | | | |
| Tax Abatement Revenues and State Aids* | $2,300,000 | | |
| Taxes and State Aids* | 10,075,000 | | |
| Total General Obligation Debt* | $12,375,000 | | |
| Less: Agricultural Credit[2] | (1,090,238) | | |
| Tax Supported General Obligation Debt* | $11,284,763 | 0.30% | $1,148.46 |
| District's Share of Total Overlapping Debt | $8,676,523 | 0.23% | $883.02 |
| Total* | $19,961,285 | 0.53% | $2,031.48 |

*Preliminary, subject to change.

## TAX LEVIES, COLLECTION AND RATES

### TAX LEVIES AND COLLECTIONS

| Tax Year | Net Tax Levy[3] | Total Collected Following Year | Collected to Date | % Collected |
|---|---|---|---|---|
| 2021/22 | $2,485,932 | $2,452,447 | $2,480,700 | 99.79% |
| 2022/23 | 2,549,726 | 2,515,306 | 2,544,064 | 99.78% |
| 2023/24 | 2,998,340 | 2,955,993 | 2,987,355 | 99.63% |
| 2024/25 | 3,047,179 | 3,001,362 | 3,026,363 | 99.32% |
| 2025/26 | 3,094,337 | In process of collection | | |

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[4] Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

---

1 Estimated 2025 population.

2 Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 8.81% of the principal and interest of the District's general obligation bonds. Assuming this percentage continues for the life of the issue, the State's proportionate share of principal is $1,090,238.

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

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

### TAX CAPACITY RATES[1]

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|---|---|---|---|---|---|
| I.S.D. No. 1 (Aitkin Public Schools) | 7.786% | 6.087% | 7.007% | 7.069% | 6.733% |
| Aitkin County | 47.424% | 34.843% | 31.534% | 31.356% | 31.318% |
| Crow Wing County | 31.244% | 23.769% | 22.028% | 22.080% | 21.300% |
| City of Aitkin | 107.847% | 96.932% | 93.688% | 97.715% | 97.255% |
| Town of Rabbit Lake[2] | 22.708% | 16.335% | 15.224% | 14.390% | 12.363% |
| Crow Wing County HRA | 0.600% | 0.451% | 0.404% | 0.208% | 0.193% |
| Regional Development | 0.172% | 0.123% | 0.130% | 0.134% | 0.128% |
| Region 5 | 0.120% | 0.093% | 0.088% | 0.085% | 0.079% |
| *Referendum Market Value Rates:* | | | | | |
| I.S.D. No. 1 (Aitkin Public Schools) | 0.10307% | 0.07491% | 0.06357% | 0.06422% | 0.05637% |

**Source:** Tax Levies and Collections and Tax Capacity Rates have been furnished by Aitkin and Crow Wing Counties.

# THE ISSUER

## EMPLOYEES

The District is governed by an elected school board and employs a staff of 225, including 138 non-licensed employees and 87 licensed employees (80 of whom are teachers). The District provides education for 921 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.

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

[2] Representative town rate.

**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 |
|---|---|
| Aitkin Principals Association | June 30, 2027 |
| Aitkin Education Support Staff | June 30, 2027 |
| Bus Drivers - IUOE #70 | June 30, 2027 |
| Education Minnesota - Aitkin | June 30, 2027 |
| Custodians/Mechanics - IUOE #70 | June 30, 2027 |

## POST EMPLOYMENT BENEFITS

The District has obligations for some post-employment benefits for its employees. Accounting for these obligations is dictated by Governmental Accounting Standards Board Statement No. 75 (GASB 75). The District's most recent Audited Financial Statements (Audit) shows a total OPEB liability of $423,491 as of June 30, 2025. The District has been funding these obligations on a pay-as-you-go basis.

**Source:** The District's most recent Audit.

## STUDENT BODY

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

| Year | Kindergarten | Grades 1-6 | Grades 7-12 | Total |
|---|---|---|---|---|
| 2022/23 | 75 | 402 | 539 | 1,016 |
| 2023/24 | 56 | 396 | 518 | 970 |
| 2024/25 | 59 | 371 | 509 | 939 |
| 2025/26 | 62 | 383 | 476 | 921 |
| 2026/27 | 56 | 395 | 441 | 892 |

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

| Year | Kindergarten | Grades 1-6 | Grades 7-12 | Total |
|---|---|---|---|---|
| 2027/28 | 61 | 372 | 432 | 865 |
| 2028/29 | 68 | 380 | 416 | 864 |
| 2029/30 | 64 | 375 | 421 | 860 |

## SCHOOL BUILDINGS

| School Building | Year Constructed | Years of Additions/ Remodelings |
|---|---|---|
| Rippleside Elementary | 1957 | 1965, 1981, 1988, 1992, 1995, 2001 |
| Aitkin High School | 1936 | 1957, 1959, 1976, 1979, 1992, 2001 |

## 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 June 30, 2026)

| Fund | Total Cash and Investments |
|---|---|
| General | $6,461,743 |
| Food Service | 239,979 |
| Community Service | 245,616 |
| Debt Service | 60,655 |
| Building/Construction | 65,624 |
| Trust & Agency | 460,152 |
| OPEB | 520,084 |
| Total Funds on Hand | $8,053,854 |

## BUDGET SUMMARIES

### FISCAL YEAR ENDING JUNE 30, 2026 - AMENDED

| Fund | June 30, 2025 Actual Fund Balance | 2025-26 Projected Revenues and Transfers In | 2025-26 Projected Expenditures and Transfers Out | 2025-26 Revenues over (under) expenditures | June 30, 2026 Projected Fund Balance |
|---|---|---|---|---|---|
| General | $5,525,642 | $17,404,993 | ($17,449,668) | ($44,675) | $5,480,967 |
| Food Service | 304,976 | 861,888 | (903,448) | (41,560) | 263,416 |
| Comm. Service | 384,356 | 623,820 | (606,886) | 16,934 | 401,290 |
| Building Construction | 65,617 | 1,950 | 0 | 1,950 | 67,567 |
| Debt Service | 74,234 | 248,457 | (255,175) | (6,718) | 67,516 |
| Custodial | 295,480 | 14,700 | (20,250) | (5,550) | 289,930 |
| OPEB | 516,432 | 119,000 | (111,900) | 7,100 | 523,532 |
| Total All Funds | $7,166,737 | $19,274,808 | ($19,347,327) | ($72,519) | $7,094,218 |

**FISCAL YEAR ENDING JUNE 30, 2027**

| 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 | $5,480,967 | $16,952,677 | ($17,288,433) | ($335,756) | $5,145,211 |
| Food Service | 263,416 | 860,850 | (934,432) | (73,582) | 189,834 |
| Comm. Service | 401,290 | 625,894 | (632,632) | (6,738) | 394,552 |
| Building Construction | 67,567 | 0 | 0 | 0 | 67,567 |
| Debt Service | 67,516 | 285,154 | (259,175) | 25,979 | 93,495 |
| Custodial | 289,930 | 14,700 | (20,250) | (5,550) | 284,380 |
| OPEB | 523,532 | 119,000 | (111,700) | 7,300 | 530,832 |
| Total All Funds | $7,094,218 | $18,858,275 | ($19,246,622) | ($388,347) | $6,705,871 |

## SUMMARY GENERAL FUND INFORMATION

The following are summaries of the revenues, expenditures and fund balances for the District's General Fund. These summaries are not purported to be the complete audited financial statements of the District, and potential purchasers should read the included financial statements in their entirety for more complete information concerning the District. Copies of the complete statements are available upon request. Appendix A includes the 2025 audited financial statements.

| COMBINED STATEMENT | FISCAL YEAR ENDING JUNE 30 | | | | |
|---|---|---|---|---|---|
| | 2021 Audited | 2022 Audited | 2023 Audited | 2024 Audited | 2025 Audited |
| Revenues | | | | | |
| Local property taxes | $1,751,401 | $1,757,779 | $2,557,784 | $2,595,507 | $3,156,601 |
| Other local and county revenues | 315,437 | 469,068 | 548,533 | 617,408 | 633,368 |
| Revenue from state sources | 11,209,055 | 11,077,969 | 10,651,577 | 11,889,901 | 12,218,375 |
| Revenue from federal sources | 1,372,960 | 2,050,986 | 952,622 | 1,069,720 | 349,873 |
| Earnings and investments | 6,230 | 6,032 | 138,969 | 245,533 | 250,438 |
| **Total Revenues** | $14,655,083 | $15,361,834 | $14,849,485 | $16,418,069 | $16,608,655 |
| Expenditures | | | | | |
| Current: | | | | | |
| Administration | $688,940 | $699,298 | $754,806 | $802,787 | $842,625 |
| District support services | 465,672 | 464,771 | 462,686 | 454,921 | 495,912 |
| Elementary and secondary regular instruction | 6,749,429 | 6,692,333 | 6,815,108 | 7,345,358 | 7,075,898 |
| Vocational education instruction | 165,250 | 154,052 | 166,737 | 181,181 | 203,191 |
| Special education instruction | 2,250,234 | 2,393,919 | 2,521,029 | 2,660,067 | 3,032,203 |
| Instructional support services | 690,194 | 911,498 | 695,993 | 651,627 | 697,293 |
| Pupil support services | 1,298,524 | 1,303,272 | 1,439,291 | 1,540,608 | 1,774,055 |
| Sites and buildings | 1,106,186 | 1,166,790 | 1,243,471 | 1,102,932 | 1,161,463 |
| Fiscal and other fixed cost programs | 91,935 | 99,352 | 135,552 | 146,164 | 111,715 |
| Debt service | 340,372 | 397,935 | 290,763 | 323,543 | 512,524 |
| Capital outlay | 1,449,210 | 1,535,489 | 764,638 | 862,960 | 1,513,032 |
| **Total Expenditures** | $15,295,946 | $15,818,709 | $15,290,074 | $16,072,148 | $17,419,911 |
| **Excess of revenues over (under) expenditures** | ($640,863) | ($456,875) | ($440,589) | $345,921 | ($811,256) |
| **Other Financing Sources (Uses)** | | | | | |
| Sale of real property | $0 | $600 | $0 | $0 | $0 |
| Proceeds from capital leases | 898,432 | 0 | 0 | 0 | 0 |
| Sale of equipment | 170,569 | 151,855 | 8,290 | 10,475 | 95,554 |
| Insurance recovery | 0 | 22,179 | 11,365 | 141,742 | 58,805 |
| Issuance of lease liability | 0 | 135,341 | 0 | 0 | 0 |
| Issuance of lease purchase agreement | | 83,141 | 0 | 0 | 868,227 |
| Transfers in | 0 | 0 | 31,155 | 0 | 0 |
| **Total Other Financing Sources (Uses)** | 1,069,001 | 393,116 | 50,810 | 152,217 | 1,022,586 |
| **Net changes in Fund Balances** | $428,138 | ($63,759) | ($389,779) | $498,138 | $211,330 |
| General Fund Balance July 1 | $4,841,574 | $5,269,712 | $5,205,953 | $4,816,174 | $5,314,312 |
| Prior Period Adjustment | 0 | 0 | 0 | 0 | 0 |
| General Fund Balance June 30 | $5,269,712 | $5,205,953 | $4,816,174 | $5,314,312 | $5,525,642 |
| **DETAILS OF JUNE 30 FUND BALANCE** | | | | | |
| Nonspendable | $3,237 | $99,629 | $120,237 | $146,453 | $164,745 |
| Restricted | 1,165,815 | 987,741 | 963,700 | 971,300 | 1,408,057 |
| Assigned | 1,749,150 | 1,763,650 | 1,650,903 | 1,394,603 | 1,106,030 |
| Unassigned | 2,351,510 | 2,354,933 | 2,081,334 | 2,801,956 | 2,846,810 |
| **Total** | $5,269,712 | $5,205,953 | $4,816,174 | $5,314,312 | $5,525,642 |

# GENERAL INFORMATION

## LOCATION

The District, with a 2020 U.S. Census population of 9,492 and a 2025 population estimate of 9,826, and comprising an area of 822 square miles, is located approximately 130 miles north of St. Paul, Minnesota.

## LARGER EMPLOYERS[1]

Larger employers in the District include the following:

| Firm | Type of Business/Product | Estimated No. of Employees |
|---|---|---|
| Riverwood Health Care Center | Hospital, clinic and nursing home | 400 |
| Aitkin County | County government and services | 271 |
| I.S.D. No. 1 (Aitkin Public Schools) | Elementary and secondary education | 225 |
| Aicota Health Care Center | Nursing home/assisted living | 155 |
| Bluelinx | Lumber-wholesale | 80 |
| Element Manufacturing | Metal fabrication shop | 75 |
| Arrowhead Transit | Transportation service | 56 |
| McDonald's | Restaurant | 48 |
| Mille Lacs Energy Co-Op | Energy cooperative | 47 |
| American Peat Technology LLC | Nursery, garden center and farm supply retailers | 47 |

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

## U.S. CENSUS DATA

**Population Trend:** The District

| | |
|---|---|
| 2010 U.S. Census population | 9,900 |
| 2020 U.S. Census population | 9,492 |
| Percent of Change 2010 - 2020 | -4.12% |
| | |
| 2025 State Demographer Estimate | 9,826 |

[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 | Aitkin County | State of Minnesota | United States |
|---|---|---|---|---|
| 2024 per capita income | $39,191 | $36,503 | $48,237 | $44,673 |
| 2024 median household income | $66,528 | $60,833 | $89,062 | $80,734 |
| 2024 median family income | $84,182 | $79,426 | $113,993 | $99,999 |
| 2024 median gross rent | $824 | $869 | $1,280 | $1,413 |
| 2024 median value owner occupied units | $279,700 | $255,800 | $329,300 | $332,700 |
| 2024 median age | 57.2 yrs. | 56.9 yrs. | 38.8 yrs. | 38.9 yrs. |

| | State of Minnesota | United States |
|---|---|---|
| District % of 2024 per capita income | 81.25% | 87.73% |
| District % of 2024 median family income | 73.85% | 84.18% |

**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 | Aitkin County | Aitkin County | State of Minnesota |
| 2022 | 6,575 | 4.5% | 2.5% |
| 2023 | 6,670 | 5.1% | 2.8% |
| 2024 | 6,746 | 5.4% | 3.1% |
| 2025 | 6,775 | 6.7% | 3.9% |
| 2026, August | 6,653 | 6.2% | 4.8% |

**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. 001

## FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

## YEAR ENDED JUNE 30, 2025

CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

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# INTRODUCTORY SECTION

**INDEPENDENT SCHOOL DISTRICT NO. 001**
**SCHOOL BOARD AND ADMINISTRATION**
**JUNE 30, 2025**

## SCHOOL BOARD

| NAME | TERM ON BOARD EXPIRES | BOARD POSITION |
|---|---|---|
| Cindi Hills | 12/2028 | Chairperson |
| Roland Hill | 12/2026 | Vice Chairperson |
| Holly Mindrum | 12/2026 | Treasurer |
| Jen Burgos | 12/2028 | Clerk |
| Brian Leitinger | 12/2028 | Director |
| Dawn Houser | 12/2028 | Director |
| Kassie Peterson | 12/2026 | Director |

## ADMINISTRATION

| | |
|---|---|
| Dan Stifter | Superintendent |

# FINANCIAL SECTION

CliftonLarsonAllen LLP
CLAconnect.com

# INDEPENDENT AUDITORS' REPORT

School Board
Independent School District No. 001
Aitkin, Minnesota

## Report on the Audit of the Financial Statements

### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 001 (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2025, and the respective changes in financial position 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Emphasis of Matter*

As described in Note 12 of the financial statements, net position was restated due to a change in accounting principle. Our opinions are not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

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

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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.

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

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

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

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

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

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about 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, the schedule of revenues, expenditures, and changes in fund balances – budget and actual – general fund, the schedule of revenues, expenditures, and changes in fund balances – budget and actual – food service, the schedule of revenues, expenditures, and changes in fund balances – budget and actual – community service, the schedule of the changes in the District's net OPEB liability (asset) and related ratios, the schedule of money weighted rate of return on plan assets, the schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The uniform financial accounting and reporting standards compliance table 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 GAAS. In our opinion, the uniform financial accounting and reporting standards compliance table is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

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

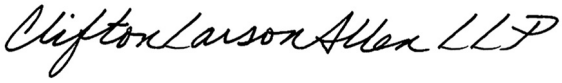
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated.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

**Report on Summarized Comparative Information**

We have previously audited the District's 2024 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated October 28, 2024. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent in, all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota
October 31, 2025

# REQUIRED SUPPLEMENTARY INFORMATION

This section of Independent School District No. 001's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025.

## FINANCIAL HIGHLIGHTS

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

- Net position increased by $895,505 on revenues of $18,633,356 compared to expenses of $17,737,851.
- General Fund revenues increased from $16,418,069 in FY2024 to $16,608,655 in FY2025, an increase of $190,586, or 1.2%, while expenditures increased from $16,072,148 in FY2024 to $17,419,911 in FY2025, an increase of $1,347,763 or 8.4%.
- The General Fund balance increased $211,330 mainly due to an increase in state funding and insurance proceeds.
- The Food Service Fund balance decreased $9,206 due to an increase in food costs being more than the reimbursements.
- The Community Service Fund balance decreased $28,803 due to an increase in costs related to the programs offered which was higher than the increase in revenues from those programs.
- The Capital Projects Fund balance increased $3,861.
- The Debt Service Fund balance increased $3,712 due to an increase in property tax revenue.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Government-Wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

### Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

  The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has two kinds of funds:

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

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Fund Financial Statements (Continued)

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position

The District's combined net position was $3,920,337 on June 30, 2025. This was an increase of $318,655 from the prior year balance of $3,601,682 (see Table A-1).

**Table A-1**
**The District's Net Position**

| | Governmental Activities as of June 30, | | Percentage |
|---|---|---|---|
| | 2025 | 2024 | Change |
| Current and Other Assets | $ 11,324,475 | $ 11,080,389 | 2.20 % |
| Capital Assets | 9,808,739 | 9,453,613 | 3.76 |
| Total Assets | 21,133,214 | 20,534,002 | 2.92 |
| Deferred Outflows of Resources | 2,346,611 | 2,628,536 | (10.73) |
| Current Liabilities | 1,737,861 | 1,760,150 | (1.27) |
| Net Pension Liability | 7,728,914 | 10,173,189 | (24.03) |
| Long-Term Liabilities | 4,041,078 | 3,322,577 | 21.62 |
| Total Liabilities | 13,507,853 | 15,255,916 | (11.46) |
| Deferred Inflows of Resources | 6,051,635 | 4,304,940 | 40.57 |
| Net Position: | | | |
| Net Investment in Capital Assets | 6,589,213 | 6,362,516 | 3.56 |
| Restricted | 2,236,249 | 1,860,621 | 20.19 |
| Unrestricted | (4,905,125) | (5,198,305) | (5.64) |
| Total Net Position | $ 3,920,337 | $ 3,024,832 | 29.61 |

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

### Changes in Net Position

The increase in net position occurred primarily as a result of the increase in grant funding. A summary of the revenues and expenses is presented below and described in more detail following the table.

**Table A-2**
**Change in Net Position**

| | Governmental Activities for the Fiscal Year Ended June 30, | | Percentage |
|---|---|---|---|
| | 2025 | 2024 | Change |
| **REVENUES** | | | |
| Program Revenues: | | | |
| Charges for Services | $ 550,837 | $ 602,054 | (8.51)% |
| Operating Grants and Contributions | 4,673,657 | 5,318,036 | (12.12) |
| Capital Grants and Contributions | 2,171 | 29,297 | (92.59) |
| General Revenues: | | | |
| Property Taxes | 3,548,012 | 2,990,297 | 18.65 |
| Unrestricted State Aid | 9,096,565 | 8,689,866 | 4.68 |
| Investment Earnings | 287,596 | 294,562 | (2.36) |
| Other | 474,518 | 385,604 | 23.06 |
| Total Revenues | 18,633,356 | 18,309,716 | 1.77 |
| **EXPENSES** | | | |
| Administration | 819,941 | 765,815 | 7.07 |
| District Support Services | 491,225 | 486,242 | 1.02 |
| Regular Instruction | 7,387,536 | 7,519,506 | (1.76) |
| Vocational Education Instruction | 204,475 | 169,762 | 20.45 |
| Special Education Instruction | 2,957,233 | 2,488,049 | 18.86 |
| Instructional Support Services | 714,259 | 695,071 | 2.76 |
| Pupil Support Services | 1,885,133 | 1,755,581 | 7.38 |
| Sites and Buildings | 1,366,220 | 1,583,120 | (13.70) |
| Fiscal and Other Fixed Cost Programs | 111,715 | 146,164 | (23.57) |
| Food Service | 897,528 | 914,509 | (1.86) |
| Community Service | 595,974 | 696,070 | (14.38) |
| Interest and Fiscal Charges on Long-Term Liabilities | 84,023 | 98,257 | (14.49) |
| Unallocated Depreciation Expense | 222,589 | 226,463 | (1.71) |
| Total Expenses | 17,737,851 | 17,544,609 | 1.10 |
| **CHANGE IN NET POSITION** | 895,505 | 765,107 | |
| Beginning Net Position, as Restated | 3,024,832 | 2,259,725 | |
| **NET POSITION - END OF YEAR** | $ 3,920,337 | $ 3,024,832 | |

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

### Changes in Net Position (Continued)

The cost of all governmental activities this year was $17,737,851.

- Some of the cost was paid by the users of the District's programs ($550,837).
- The federal and state governments subsidized certain programs with grants and contributions ($4,675,828).
- Most of the District's costs, however, were paid for by the District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with $3,548,012 in property taxes, $9,096,565 of state aid and $762,114 investment earnings and other general revenues.

Figure A-1
Sources of District's Revenues for Fiscal 2025

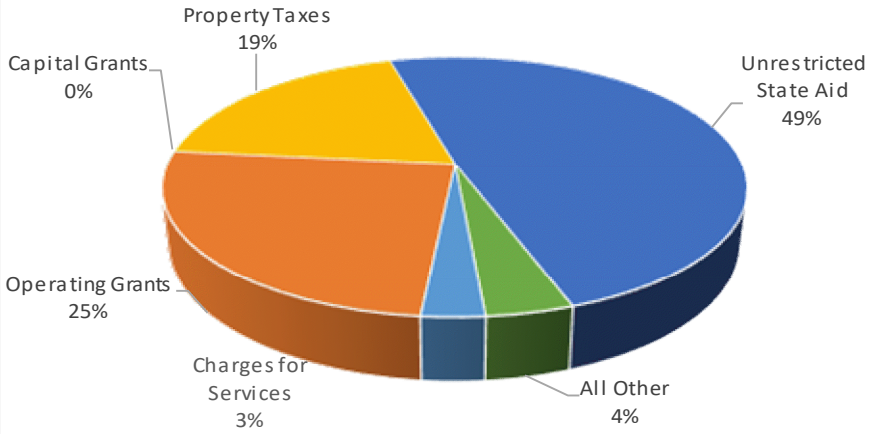
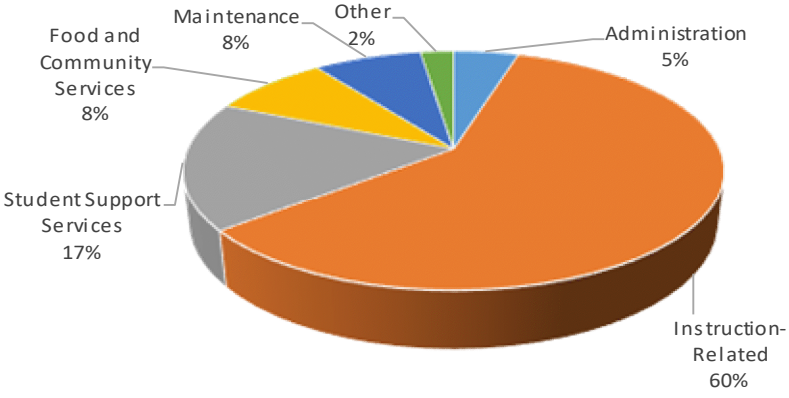



Figure A-2
District Expenses for Fiscal 2025



## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

### Changes in Net Position (Continued)

**Table A-3**
**Program Expenses and Net Cost of Services**

| | Total Cost of Services | | Percentage | Net Cost of Services | | Percentage |
|---|---|---|---|---|---|---|
| | 2025 | 2024 | Change | 2025 | 2024 | Change |
| Administration | $ 819,941 | $ 765,815 | 7.07 % | $ 809,011 | $ 761,713 | 6.21 % |
| District Support Services | 491,225 | 486,242 | 1.02 | 489,329 | 483,846 | 1.13 |
| Regular Instruction | 7,387,536 | 7,519,506 | (1.76) | 6,282,981 | 5,724,504 | 9.76 |
| Vocational Education Instruction | 204,475 | 169,762 | 20.45 | 171,827 | 166,788 | 3.02 |
| Special Education Instruction | 2,957,233 | 2,488,049 | 18.86 | 257,715 | (142,691) | (280.61) |
| Instructional Support Services | 714,259 | 695,071 | 2.76 | 706,317 | 689,944 | 2.37 |
| Pupil Support Services | 1,885,133 | 1,755,581 | 7.38 | 1,797,005 | 1,674,831 | 7.29 |
| Sites and Buildings | 1,366,220 | 1,583,120 | (13.70) | 1,365,823 | 1,567,143 | (12.85) |
| Fiscal and Other Fixed Cost Programs | 111,715 | 146,164 | (23.57) | 111,715 | 146,164 | (23.57) |
| Food Service | 897,528 | 914,509 | (1.86) | 19,537 | (3,574) | (646.64) |
| Community Service | 595,974 | 696,070 | (14.38) | 193,314 | 201,834 | (4.22) |
| Interest and Fiscal Charges on Long-Term Liabilities | 84,023 | 98,257 | (14.49) | 84,023 | 98,257 | (14.49) |
| Unallocated Depreciation Expense | 222,589 | 226,463 | (1.71) | 222,589 | 226,463 | (1.71) |
| Total | $ 17,737,851 | $ 17,544,609 | 1.10 | $ 12,511,186 | $ 11,595,222 | 7.90 |

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $6,354,825.

Revenues for the District's governmental funds were $18,347,069 while total expenditures were $19,188,761. See Table A-4 below for more information.

**Table A-4**
**Net Change in Fund Balance - All Governmental Funds**

| | Fiscal Year Ended June 30, | | |
|---|---|---|---|
| | 2025 | 2024 | Change |
| Revenue | $ 18,347,069 | $ 18,300,411 | $ 46,658 |
| Expenditures | 19,188,761 | 18,762,672 | 426,089 |
| Difference | (841,692) | (462,261) | (379,431) |
| Other Financing Sources - Net | 1,022,586 | 152,217 | 870,369 |
| Net Change in Fund Balance | $ 180,894 | $ (310,044) | $ 490,938 |

## GENERAL FUND

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

The following schedule presents a summary of General Fund revenues:

**Table A-5**
**General Fund Revenues**

| | Fiscal Year Ended | | Change | |
|---|---|---|---|---|
| | June 30, 2025 | June 30, 2024 | Increase (Decrease) | Percent Change |
| Local Sources: | | | | |
| Property Taxes | $ 3,156,601 | $ 2,595,507 | $ 561,094 | 21.6 % |
| Earnings on Investments | 250,438 | 245,533 | 4,905 | 2.0 |
| Other | 633,368 | 617,408 | 15,960 | 2.6 |
| State Sources | 12,218,375 | 11,889,901 | 328,474 | 2.8 |
| Federal Sources | 349,873 | 1,069,720 | (719,847) | (67.3) |
| Total General Fund Revenue | $ 16,608,655 | $ 16,418,069 | $ 190,586 | 1.2 |

The General Fund revenues increased by $190,586 or 1.2% from the prior year. This was primarily a result of increased state grant and tax revenue. The decrease in federal is due to the spend down of ESSER funds in the prior year.

The following schedule presents a summary of General Fund expenditures.

**Table A-6**
**General Fund Expenditures**

| | Year Ended June 30, 2025 | % of Total | Year Ended June 30, 2024 | % of Total |
|---|---|---|---|---|
| **USES OF REVENUE** | | | | |
| Salaries | $ 9,744,793 | 55.9 % | $ 9,414,408 | 54.0 % |
| Employee Benefits | 2,908,421 | 16.7 | 2,796,344 | 16.1 |
| Purchased Services | 1,850,439 | 10.6 | 1,665,689 | 9.6 |
| Supplies and Materials | 844,306 | 4.8 | 917,580 | 5.3 |
| Capital Expenditures | 1,513,032 | 8.7 | 813,180 | 4.7 |
| Other Expenditures | 46,396 | 0.3 | 91,624 | 0.5 |
| Debt Service | 512,524 | 2.9 | 373,323 | 2.1 |
| Total General Fund Expenditures | $ 17,419,911 | | $ 16,072,148 | |

The General Fund expenditures increased by $1,347,763 or 8.4% from the prior year. This was primarily due to an increase in salaries and related benefits expenditures and capital outlay.

## GENERAL FUND (CONTINUED)

### General Fund Budgetary Highlights

Actual results differed from budget as follows:

- The District's budget for the General Fund anticipated that revenues would exceed expenditures and other financing sources by $147,148. Actual revenues exceeded expenditures and other financing sources by $211,330.
- Overall, actual revenues were $408,287 more than budgeted, mainly due to more state grants than expected.
- Actual expenditures were $1,254,161 more than budgeted, mainly due to higher than expected capital outlay of which, $868,227 was due to bus and computer purchases.
- The General Fund's unassigned fund balance increased $44,854 from the prior year.

## OTHER MAJOR FUNDS

The Food Service Fund had fund balance of $304,976, a decrease of $9,206, which was due to an increase in food service costs.

The Community Service Fund had fund balance of $384,356, a decrease of $28,803, which was due to due to an increase in costs related to the programs offered.

The Capital Projects Fund had fund balance of $65,617, an increase of $3,861 from prior year.

The Debt Service Fund had fund balance of $74,234, an increase of $3,712 from prior year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

Through 2025, the District has invested $26,273,713 in a broad range of capital assets, including: school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation/amortization expense for the year was $927,729.

**Table A-7**
**Capital Assets**

| | 2025 | 2024 | Percentage Change |
|---|---|---|---|
| Land | $ 1,168,746 | $ 1,168,746 | - % |
| Right-to-Use Assets | 135,341 | 135,341 | - |
| Land Improvements | 1,998,019 | 1,998,019 | - |
| Buildings and Improvements | 18,080,271 | 18,074,623 | 0.0 |
| Equipment | 4,891,336 | 3,631,531 | 34.7 |
| Less: Accumulated Depreciation/Amortization | (16,464,974) | (15,554,647) | 5.9 |
| Total District Capital Assets | $ 9,808,739 | $ 9,453,613 | 3.8 |

## CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

### Long-Term Debt

At year-end, the District had $3,296,347 in general obligation bonds outstanding, lease liability and lease purchase obligations as shown in Note 5 to the financial statements.

**Table A-8**
**The District's Long-Term Debt**

| | 2025 | 2024 | Percentage Change |
|---|---|---|---|
| General Obligation Bonds | $ 2,715,000 | $ 2,995,000 | (9.3)% |
| Net Bond Premium and Discount | 31,766 | 38,833 | (18.2) |
| Lease Purchase Obligations - Direct Borrowings | 517,120 | 14,909 | 3368.5 |
| Lease Liability | 32,461 | 59,607 | (45.5) |
| Total Long-Term Debt | $ 3,296,347 | $ 3,108,349 | 6.0 |
| | | | |
| Due Within One Year | $ 366,014 | $ 341,134 | |
| Due in More Than One Year | 2,930,333 | 2,981,443 | |
| Total | $ 3,296,347 | $ 3,322,577 | |

## FACTORS BEARING ON THE DISTRICT'S FUTURE

The district continues to anticipate a decrease in enrollment mainly due to smaller kindergarten classes enrolling while graduating larger class sizes. The District will continue to monitor enrollment, and the potential impacts increases or decreases would have on operations.

Currently the District has seen a decrease in enrollment post pandemic due to an increased number of home school students. The District will continue to monitor the potential impacts of the pandemic, and the homeschooling options would have on operations.

The District will continue to monitor the changing climate in healthcare requirements. In 2025 the District received a 8% increase for the 2026 renewal.

The District continues to struggle filling some hourly positions. Combining and realigning jobs has been and will continue to be explored. Finding qualified/licenses substitutes for many positions also poses a significant challenge.

The District was successful in passing a Capital Project Levy on November 2, 2021. The levy is currently being used to fund technology, buses and other capital projects as needed. This will enable the district to utilize more of the general fund revenue to sustain programming as the student enrollment declines.

The District has seen a substantial increase in Compensatory Revenue due to the Medicaid Direct Certification Pilot Project. As long as this program continues and there is a hold harmless clause the District will expect to see Compensatory funding remain stable.

## FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

In 2023 the State of Minnesota passed the Universal Free Meals for all students participating in the NSLP. While this is good news for families it does cause concern for decreased Compensatory Revenue. If families decide not to complete the application for educational benefits, the district may see a decrease in Compensatory Revenue due to a reduction in applications. This should not be an issue as long as the Hold Harmless language remains the same.

Fiscal year 2024 was the last year of ESSER funds. The district had been utilizing these grant dollars to fund various staff positions. Because of the loss of this funding and the student enrollment decline, the board has made budget reductions and will continue to do so in the future to work toward a balanced budget.

The Board has worked to address current and future facility needs. The development of a long-term site plan for the property purchases in Aitkin Township has been completed. The board has gone through the process of creating and updating its strategic plan. Following this process, the board made the decision to move forward with a bond referendum for a new PreK-6 School and transportation center. If this vote passes on November 4, 2025, there is a second question on the ballot for a community wellness and recreation center.

In fiscal year 2023 the State of Minnesota passed legislation to allow hourly employees to collect unemployment during the summer break. Since then, funds have been allocated to support the cost of the new qualifying summer-term hourly workers received UI benefits. Once the funds are depleted the school district will need to find a way to cover this cost moving forward unless something changes in legislation.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 001, 306 Second Street NW, Aitkin, MN 56431.

# BASIC FINANCIAL STATEMENTS

# INDEPENDENT SCHOOL DISTRICT NO. 001
# STATEMENT OF NET POSITION
# JUNE 30, 2025

| | Governmental Activities |
|---|---|
| | 2025 |
| **ASSETS** | |
| Cash and Investments | $ 7,703,522 |
| Receivables: | |
| Property Taxes | 1,480,533 |
| Other Governments | 1,678,545 |
| Other | 123,947 |
| Prepaid Items | 160,269 |
| Due from Fiduciary Funds | 61,352 |
| Inventories | 23,366 |
| Net OPEB Asset | 92,941 |
| Capital Assets: | |
| Land | 1,168,746 |
| Other Capital Assets, Net of Depreciation/Amortization | 8,639,993 |
| Total Assets | 21,133,214 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred Outflows - Pension Payments | 2,259,579 |
| Deferred Outflows - Other Postemployment Benefits | 87,032 |
| Total Deferred Outflows of Resources | 2,346,611 |
| **LIABILITIES** | |
| Salaries Payable | 1,310,051 |
| Accounts and Contracts Payable | 100,608 |
| Accrued Interest | 31,808 |
| Due to Other Governmental Units | 276,238 |
| Unearned Revenue | 19,156 |
| Long-Term Liabilities: | |
| Net Pension Liability | 7,728,914 |
| Other Long-Term Liabilities Due Within One Year | 590,888 |
| Other Long-Term Liabilities Due in More Than One Year | 3,450,190 |
| Total Liabilities | 13,507,853 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Property Taxes Levied for Subsequent Year | 3,135,075 |
| Deferred Inflows - Pensions | 2,877,097 |
| Deferred Inflows - Other Postemployment Benefits | 39,463 |
| Total Deferred Inflows of Resources | 6,051,635 |
| **NET POSITION** | |
| Net Investment in Capital Assets | 6,589,213 |
| Restricted for: | |
| General Fund Operating Capital Purposes | 175,694 |
| General Fund State-Mandated Reserves | 1,232,363 |
| Food Service | 304,976 |
| Community Service | 384,356 |
| Debt Service | 45,919 |
| Restricted for OPEB | 92,941 |
| Unrestricted | (4,905,125) |
| Total Net Position | $ 3,920,337 |

*See accompanying Notes to Basic Financial Statements.*

# INDEPENDENT SCHOOL DISTRICT NO. 001
# STATEMENT OF ACTIVITIES
# YEAR ENDED JUNE 30, 2025

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net Revenue (Expense) and Change in Net Position: Total Governmental Activities |
|---|---|---|---|---|---|
| **GOVERNMENTAL ACTIVITIES** | | | | | |
| Administration | $ 819,941 | $ 191 | $ 10,739 | $ - | $ (809,011) |
| District Support Services | 491,225 | 1,896 | - | - | (489,329) |
| Regular Instruction | 7,387,536 | 170,906 | 931,890 | 1,759 | (6,282,981) |
| Vocational Education Instruction | 204,475 | - | 32,648 | - | (171,827) |
| Special Education Instruction | 2,957,233 | - | 2,699,518 | - | (257,715) |
| Instructional Support Services | 714,259 | - | 7,942 | - | (706,317) |
| Pupil Support Services | 1,885,133 | 395 | 87,718 | 15 | (1,797,005) |
| Sites and Buildings | 1,366,220 | - | - | 397 | (1,365,823) |
| Fiscal and Other Fixed Cost Programs | 111,715 | - | - | - | (111,715) |
| Food Service | 897,528 | 43,626 | 834,365 | - | (19,537) |
| Community Service | 595,974 | 333,823 | 68,837 | - | (193,314) |
| Unallocated Depreciation Expense | 222,589 | - | - | - | (222,589) |
| Interest and Fiscal Charges on Long-Term Liabilities | 84,023 | - | - | - | (84,023) |
| Total Governmental Activities | $ 17,737,851 | $ 550,837 | $ 4,673,657 | $ 2,171 | (12,511,186) |
| **GENERAL REVENUES** | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | | 3,151,816 |
| Community Service | | | | | 168,108 |
| Debt Service | | | | | 228,088 |
| State Aid Not Restricted to Specific Purposes | | | | | 9,096,565 |
| Earnings on Investments | | | | | 287,596 |
| Miscellaneous | | | | | 474,518 |
| Total General Revenues | | | | | 13,406,691 |
| **CHANGE IN NET POSITION** | | | | | 895,505 |
| Net Position - Beginning of Year, as Previously Reported | | | | | 3,601,682 |
| Change in Accounting Principle | | | | | (576,850) |
| Net Position - Beginning of Year, as Restated | | | | | 3,024,832 |
| **NET POSITION - END OF YEAR** | | | | | $ 3,920,337 |

*See accompanying Notes to Basic Financial Statements.*

# INDEPENDENT SCHOOL DISTRICT NO. 001
# BALANCE SHEET
# GOVERNMENTAL FUNDS
# JUNE 30, 2025
## (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

| | Major Funds | | | | | Total Governmental Funds | |
|---|---|---|---|---|---|---|---|
| | General | Food Service | Community Service | Capital Projects | Debt Service | 2025 | 2024 |
| **ASSETS** | | | | | | | |
| Cash and Investments | $ 6,732,581 | $ 296,294 | $ 412,060 | $ 65,617 | $ 196,970 | $ 7,703,522 | $ 7,437,083 |
| Receivables: | | | | | | | |
| Interest Receivables | 54,407 | - | - | - | - | 54,407 | 50,181 |
| Current Property Taxes | 1,306,186 | - | 18,053 | - | 120,713 | 1,444,952 | 1,379,221 |
| Delinquent Property Taxes | 32,088 | - | - | - | 3,493 | 35,581 | 41,541 |
| Accounts and Interest Receivable | 49,381 | 501 | 19,658 | - | - | 69,540 | 106,363 |
| Due from Other Minnesota School Districts | 6,175 | - | - | - | - | 6,175 | - |
| Due from Minnesota Department of Education | 1,423,488 | - | 4,394 | - | 2,197 | 1,430,079 | 1,206,343 |
| Due from Federal through Minnesota Department of Education | 132,547 | 10,826 | - | - | - | 143,373 | 409,202 |
| Due from Other Governmental Units | 98,918 | - | - | - | - | 98,918 | 110,731 |
| Due from Other Funds | 61,352 | - | - | - | - | 61,352 | 64,098 |
| Inventory | 6,969 | 16,397 | - | - | - | 23,366 | 27,562 |
| Prepaids | 157,776 | - | 2,493 | - | - | 160,269 | 142,474 |
| Total Assets | $ 10,061,868 | $ 324,018 | $ 456,658 | $ 65,617 | $ 323,373 | $ 11,231,534 | $ 10,974,799 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE** | | | | | | | |
| **LIABILITIES** | | | | | | | |
| Salaries and Compensated Absences Payable | $ 960,967 | $ 8,418 | $ 13,927 | $ - | $ - | $ 983,312 | $ 1,012,954 |
| Payroll Deductions and Employer Contributions Payable | 320,112 | 1,296 | 5,331 | - | - | 326,739 | 330,366 |
| Accounts and Contracts Payable | 98,457 | - | 2,151 | - | - | 100,608 | 139,177 |
| Due to Other Minnesota School Districts | 271,823 | - | - | - | - | 271,823 | 218,469 |
| Due to Other Governmental Units | 4,415 | - | - | - | - | 4,415 | 3,569 |
| Unearned Revenue | - | 9,328 | 9,828 | - | - | 19,156 | 19,511 |
| Total Liabilities | 1,655,774 | 19,042 | 31,237 | - | - | 1,706,053 | 1,724,046 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | |
| Unavailable Revenue - Property Taxes | | | | | | | |
| Levied for Subsequent Year | 2,848,364 | - | 41,065 | - | 245,646 | 3,135,075 | 3,035,281 |
| Unavailable Revenue - Delinquent Property Taxes | 32,088 | - | - | - | 3,493 | 35,581 | 41,541 |
| Total Deferred Inflows of Resources | 2,880,452 | - | 41,065 | - | 249,139 | 3,170,656 | 3,076,822 |
| **FUND BALANCE** | | | | | | | |
| Nonspendable: | | | | | | | |
| Inventory | 6,969 | 16,397 | - | - | - | 23,366 | 27,562 |
| Prepaids | 157,776 | - | 2,493 | - | - | 160,269 | 142,474 |
| Restricted for: | | | | | | | |
| Student Activities | 41,596 | - | - | - | - | 41,596 | 32,549 |
| Scholarships | 633,676 | - | - | - | - | 633,676 | 618,876 |
| Staff Development | 80,704 | - | - | - | - | 80,704 | 93,287 |
| Student Support Personnel | 80,000 | - | - | - | - | 80,000 | 40,000 |
| Capital Projects Levy | 127,139 | - | - | - | - | 127,139 | 21,566 |
| Projects Funded by Certificates of Participation | - | - | - | 65,617 | - | 65,617 | 61,756 |
| Operating Capital | 175,694 | - | - | - | - | 175,694 | 42,835 |
| Gifted and Talented | 55,321 | - | - | - | - | 55,321 | 62,848 |
| American Indian Aid | 17,881 | - | - | - | - | 17,881 | - |
| Basic Skills Programs | 598 | - | - | - | - | 598 | 598 |
| Literacy Incentive Aid | 20,951 | - | - | - | - | 20,951 | 31,748 |
| $25 Taconite | 2,980 | - | 21,873 | - | - | 24,853 | 37,805 |
| Community Education | - | - | 165,017 | - | - | 165,017 | 190,564 |
| Early Childhood and Family Education | - | - | 30,892 | - | - | 30,892 | 40,260 |
| School Readiness | - | - | 141,732 | - | - | 141,732 | 122,600 |
| Safe Schools Levy | 12,707 | - | - | - | - | 12,707 | 24,013 |
| Long-Term Facilities Maintenance | 69,283 | - | - | - | - | 69,283 | - |
| English Learner | 23,783 | - | - | - | - | 23,783 | - |
| Literacy Aid | 38,990 | - | - | - | - | 38,990 | - |
| Tech Comp Read Act | 26,754 | - | - | - | - | 26,754 | - |
| Restricted for Other Purposes | - | 288,579 | 22,349 | - | 74,234 | 385,162 | 386,031 |
| Assigned for: | | | | | | | |
| Transportation | 708,068 | - | - | - | - | 708,068 | 1,022,090 |
| Severance | 163,828 | - | - | - | - | 163,828 | 169,854 |
| Other | 234,134 | - | - | - | - | 234,134 | 202,659 |
| Unassigned | 2,846,810 | - | - | - | - | 2,846,810 | 2,801,956 |
| Total Fund Balance | 5,525,642 | 304,976 | 384,356 | 65,617 | 74,234 | 6,354,825 | 6,173,931 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | $ 10,061,868 | $ 324,018 | $ 456,658 | $ 65,617 | $ 323,373 | $ 11,231,534 | $ 10,974,799 |

*See accompanying Notes to Basic Financial Statements.*

# INDEPENDENT SCHOOL DISTRICT NO. 001
# RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION GOVERNMENTAL ACTIVITIES JUNE 30, 2025

**RECONCILIATION TO THE STATEMENT OF NET POSITION**

| | | |
|---|---|---|
| Total Fund Balance for Governmental Funds | $ | 6,354,825 |
| Total net position reported for governmental activities in the statement of net position is different because: | | |
| Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of: | | |
| Land | | 1,168,746 |
| Right-to-Use Assets, Net of Accumulated Amortization | | 29,324 |
| Land Improvements, Net of Accumulated Depreciation | | 1,051,825 |
| Buildings and Improvements, Net of Accumulated Depreciation | | 5,781,444 |
| Equipment, Net of Accumulated Depreciation | | 1,777,400 |
| Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unearned revenue in the funds. | | 35,581 |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due. | | (31,808) |
| The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are: | | |
| Net Pension Liability | | (7,728,914) |
| Deferred Inflows of Resources - Pensions | | (2,877,097) |
| Deferred Outflows of Resources - Pensions | | 2,259,579 |
| The District's OPEB liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are: | | |
| Other Postemployment Benefits Asset (Liability) | | 92,941 |
| Deferred Inflows of Resources - Other Postemployment Benefits | | (39,463) |
| Deferred Outflows of Resources - Other Postemployment Benefits | | 87,032 |
| Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are: | | |
| Bonds Payable | | (2,715,000) |
| Unamortized Premiums | | (31,766) |
| Lease Liability | | (32,461) |
| Finance Purchase Agreement | | (517,120) |
| Compensated Absences Payable | | (744,731) |
| Net Position of Governmental Activities as Reported on the Statement of Net Position | $ | 3,920,337 |

*See accompanying Notes to Basic Financial Statements.*

# INDEPENDENT SCHOOL DISTRICT NO. 001
# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
# GOVERNMENTAL FUNDS
# YEAR ENDED JUNE 30, 2025
### (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

| | Major Funds | | | | | Total Governmental Funds | |
|---|---|---|---|---|---|---|---|
| | General | Food Service | Community Service | Capital Projects | Debt Service | 2025 | 2024 |
| **REVENUES** | | | | | | | |
| Local Sources: | | | | | | | |
| Property Taxes | $ 3,156,601 | $ - | $ 168,108 | $ - | $ 229,263 | $ 3,553,972 | $ 2,978,388 |
| Earnings on Investments | 250,438 | 10,251 | 14,542 | 3,861 | 8,504 | 287,596 | 294,562 |
| Other | 633,368 | 43,706 | 356,784 | - | - | 1,033,858 | 1,097,431 |
| State Sources | 12,218,375 | 367,090 | 47,061 | - | 21,969 | 12,654,495 | 12,295,212 |
| Federal Sources | 349,873 | 467,275 | - | - | - | 817,148 | 1,634,818 |
| Total Revenues | 16,608,655 | 888,322 | 586,495 | 3,861 | 259,736 | 18,347,069 | 18,300,411 |
| **EXPENDITURES** | | | | | | | |
| Current: | | | | | | | |
| Administration | 842,625 | - | - | - | - | 842,625 | 802,787 |
| District Support Services | 495,912 | - | - | - | - | 495,912 | 454,921 |
| Elementary and Secondary Regular Instruction | 7,075,898 | - | - | - | - | 7,075,898 | 7,345,358 |
| Vocational Education Instruction | 203,191 | - | - | - | - | 203,191 | 181,181 |
| Special Education Instruction | 3,032,203 | - | - | - | - | 3,032,203 | 2,660,067 |
| Instructional Support Services | 697,293 | - | - | - | - | 697,293 | 651,627 |
| Pupil Support Services | 1,774,055 | - | - | - | - | 1,774,055 | 1,540,608 |
| Sites and Buildings | 1,161,463 | - | - | - | - | 1,161,463 | 1,102,932 |
| Fiscal and Other Fixed Cost Programs | 111,715 | - | - | - | - | 111,715 | 146,164 |
| Food Service | - | 897,528 | - | - | - | 897,528 | 914,150 |
| Community Service | - | - | 614,354 | - | - | 614,354 | 714,764 |
| Capital Outlay | 1,513,032 | - | 944 | - | - | 1,513,976 | 1,667,845 |
| Debt Service: | | | | | | | |
| Principal | 478,162 | - | - | - | 195,000 | 673,162 | 479,670 |
| Interest and Fiscal Charges | 34,362 | - | - | - | 61,024 | 95,386 | 100,598 |
| Total Expenditures | 17,419,911 | 897,528 | 615,298 | - | 256,024 | 19,188,761 | 18,762,672 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | (811,256) | (9,206) | (28,803) | 3,861 | 3,712 | (841,692) | (462,261) |
| **OTHER FINANCING SOURCES (USES)** | | | | | | | |
| Sale of Equipment | 95,554 | - | - | - | - | 95,554 | 10,475 |
| Insurance Recovery | 58,805 | - | - | - | - | 58,805 | 141,742 |
| Issuance of Finance Purchase Agreement | 868,227 | - | - | - | - | 868,227 | - |
| Total Other Financing Sources (Uses) | 1,022,586 | - | - | - | - | 1,022,586 | 152,217 |
| **NET CHANGE IN FUND BALANCE** | 211,330 | (9,206) | (28,803) | 3,861 | 3,712 | 180,894 | (310,044) |
| Fund Balances - Beginning of Year | 5,314,312 | 314,182 | 413,159 | 61,756 | 70,522 | 6,173,931 | 6,483,975 |
| **FUND BALANCES - END OF YEAR** | $ 5,525,642 | $ 304,976 | $ 384,356 | $ 65,617 | $ 74,234 | $ 6,354,825 | $ 6,173,931 |

*See accompanying Notes to Basic Financial Statements.*

# INDEPENDENT SCHOOL DISTRICT NO. 001
# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
# YEAR ENDED JUNE 30, 2025

**RECONCILIATION TO THE STATEMENT OF ACTIVITIES**

| | | |
|---|---|---|
| Net Change in Fund Balance - Total Governmental Funds | $ | 180,894 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation/ amortization in the current period is: | | |
| Capital Outlays | | 1,309,016 |
| Net Book Value of Capital Assets Disposed | | (26,161) |
| Depreciation/Amortization Expense | | (927,729) |
| Some capital asset additions are financed through lease purchase agreements or lease liabilities. In governmental funds, a lease liability or lease purchase arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of the principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position. | | |
| Repayment of Lease Liability | | 27,146 |
| Proceeds from Finance Purchase Agreements | | (868,227) |
| Repayment of Finance Purchase Agreements | | 366,016 |
| Early Termination of Finance Purchase Agreements | | 27,200 |
| Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unearned in the governmental funds. | | (5,960) |
| Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources. | | 511,057 |
| In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid). | | 19,147 |
| Payments to the District's OPEB liability are recognized as expenditures at the fund level while the change in the OPEB liability and the related deferred inflows and outflows of resources are recognized in the statement of net position. | | (8,257) |
| The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows: | | |
| Repayment of Bond Principal | | 280,000 |
| Change in Accrued Interest Payable | | 4,296 |
| Amortization of Bond Premium (Discount) | | 7,067 |
| Change in Net Position of Governmental Activities as Reported in the Statement Activities | $ | 895,505 |

*See accompanying Notes to Basic Financial Statements.*

# INDEPENDENT SCHOOL DISTRICT NO. 001
# STATEMENT OF FIDUCIARY NET POSITION
# JUNE 30, 2025
### (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

| | Custodial Fund | Postemployment Benefits Irrevocable Trust | Total 2025 | Total 2024 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash | $ 329,057 | $ 2,311 | $ 331,368 | $ 324,824 |
| Investments: | | | | |
| Money Market | - | 426,851 | 426,851 | 224,733 |
| Nonnegotiable Certificate of Deposits | - | 135,000 | 135,000 | 135,000 |
| Securities | - | - | - | 246,582 |
| Interest Receivable | - | 13,982 | 13,982 | 9,740 |
| Prepaid Expenses | - | 7,201 | 7,201 | 7,727 |
| Total Assets | 329,057 | 585,345 | 914,402 | 948,606 |
| **LIABILITIES** | | | | |
| Scholarships Payable | 33,577 | - | 33,577 | 28,469 |
| Due to Other Funds | - | 61,352 | 61,352 | 64,098 |
| Benefits Payable | - | 7,481 | 7,481 | 5,148 |
| Accounts and Contracts Payable | - | 80 | 80 | 524 |
| Total Liabilities | 33,577 | 68,913 | 102,490 | 98,239 |
| **NET POSITION** | | | | |
| Restricted | $ 295,480 | $ 516,432 | $ 811,912 | $ 850,367 |

*See accompanying Notes to Basic Financial Statements.*

# INDEPENDENT SCHOOL DISTRICT NO. 001
# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
# YEAR ENDED JUNE 30, 2025
## (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

| | Custodial Fund | Postemployment Benefits Irrevocable Trust | Total 2025 | Total 2024 |
|---|---|---|---|---|
| **ADDITIONS** | | | | |
| Gifts and Donations | $ 600 | $ - | $ 600 | $ 2,300 |
| District Contribution | - | 83,268 | 83,268 | 88,994 |
| Earnings on Investments | 14,115 | 23,982 | 38,097 | 43,815 |
| Total Additions | 14,715 | 107,250 | 121,965 | 135,109 |
| **DEDUCTIONS** | | | | |
| Scholarships Awarded | 15,590 | - | 15,590 | 19,163 |
| OPEB Health Insurance Payments | - | 144,580 | 144,580 | 153,033 |
| Administrative Expenses | - | 250 | 250 | 208 |
| Total Deductions | 15,590 | 144,830 | 160,420 | 172,404 |
| **CHANGE IN NET POSITION** | (875) | (37,580) | (38,455) | (37,295) |
| Net Position - Beginning of Year | 296,355 | 554,012 | 850,367 | 887,662 |
| **NET POSITION - END OF YEAR** | $ 295,480 | $ 516,432 | $ 811,912 | $ 850,367 |

*See accompanying Notes to Basic Financial Statements.*

# NOTES TO BASIC FINANCIAL STATEMENTS

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Basis of Presentation

The financial statements of Independent School District No. 001 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

### B. Financial Reporting Entity

The District is an instrumentality of the state of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

GAAP requires that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. There are no other entities for which the District is financially accountable.

### C. Basic Financial Statement Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The Fiduciary Funds are only reported in the statements of 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 segment is 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Basic Financial Statement Presentation (Continued)

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

Separate Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: private purpose trust, custodial, and postemployment benefits irrevocable trust. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

### D. Measurement Focus and Basis of Accounting

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

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 GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month period of availability is generally used for other fund revenue.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Measurement Focus and Basis of Accounting (Continued)

#### 2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

**Description of Funds**

The existence of the various District funds has been established by the state of Minnesota, Department of Education. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds

**General Fund**

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

**Food Service Special Revenue Fund**

The Food Service Fund is used to account for food service revenues and expenditures. Revenues recorded in this fund include meal sales to pupils along with state and federal reimbursements for meals.

**Community Service Special Revenue Fund**

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs, or other similar services. Revenues recorded in this fund include property taxes restricted for Community Service purposes and tuition and fees charged for Community Education.

**Capital Projects Fund**

The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. The Fund was established for building construction activity authorized by specific voter-approved bond issues.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Measurement Focus and Basis of Accounting (Continued)

Major Governmental Funds (Continued)

**Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs. The debt service account is used for all general obligation bond debt service.

Fiduciary Fund

**Custodial Fund**

The Custodial Fund accounts for funds established for various annual scholarships that are awarded to students based on the requirements of the donor.

**Postemployment Benefits Irrevocable Trust Fund**

The Postemployment Benefits Irrevocable Trust Fund which is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits. The District's contributions to this fund must be expensed to an operating fund.

### E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Capital Projects, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board. Individual amendments were not material in relation to the original appropriations.

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

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### E. Budgeting (Continued)

Budgeted amounts include interim budget amendments that increased or decreased revenue and expenditure budgets as follows:

| | Original Budget | Amendments | Amended Budget |
|---|---|---|---|
| Revenues: | | | |
| General Fund | $ 16,071,378 | $ 128,990 | $ 16,200,368 |
| Special Revenue Funds: | | | |
| Food Service Fund | 837,650 | 35,681 | 873,331 |
| Community Service Fund | 640,076 | (118,327) | 521,749 |
| Expenditures: | | | |
| General Fund | 16,017,486 | 148,264 | 16,165,750 |
| Special Revenue Funds: | | | |
| Food Service Fund | 913,701 | 42,617 | 956,318 |
| Community Service Fund | 749,658 | (146,381) | 603,277 |

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

At the end of each fiscal year, if the General Fund has a net unreserved deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain reserves specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as “statutory operating debt” exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a “special operating plan” approved by the Commissioner of the Department of Education.

### F. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### F. Cash and Investments (Continued)

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations. Investments in external investment pools which meet the criteria included in GASB Statement No. 79 are measured at amortized cost.

### G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

### H. Inventories

Inventories are recorded using the purchase method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

### I. Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to the Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow (property taxes levied for subsequent year). The majority of District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### I. Property Taxes (Continued)

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at $141,144) for the District.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is shown as a deferred inflow of resources because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2025, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

### J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The capital asset threshold is $5,000 per individual item. For group purchases for technology, furniture, or other equipment that is purchased as a per quantity that otherwise may be below the individual item threshold, the total threshold is $25,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the Government-Wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements, buildings, and building improvements, and 5 to 15 years for equipment.

Capital assets not being depreciated include land.

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

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### J. Capital Assets (Continued)

Right-to-use assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systemic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

### K. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until that time. The District has two types of items that qualify for reporting in this category. The District has reported deferred outflows of resources related to pensions. The District also reports deferred outflows of resources related to OPEB. See Notes 7 and 8 for additional detail.

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items which are recorded as deferred inflows of resources. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type of deferred inflows reported is related to pensions and OPEB benefits. See Notes 7 and 8 for additional detail.

### L. Long-Term Obligations

In the Government-Wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the Fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures on both the Government-Wide and Fund financial statements.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### M. Accrued Employee Benefits

Compensated Absences

The liability for compensated absences reported in the government-wide statement 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.

Postemployment Health Care Benefits

In addition to retirement benefits, the District provides postretirement medical insurance benefits to teachers, administrators, principals, food service workers, custodians, and clerical employees, in accordance with their respective master employment agreements. The eligibility for, amount of, duration of, and District's contribution to the cost of the benefits provided varies by contract and date of retirement. See Note 8 for further information.

### N. 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.

### O. Unearned Revenue

The District reports unearned revenue on its statement of net position and balance sheet. Unearned revenues arise when resources are received by the District before it has a legal claim to them. In subsequent periods when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and balance sheet and revenue is recognized.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### P. Fund Balance

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

- **Nonspendable fund balance.** Portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.
- **Restricted fund balance.** Funds are constrained by outside parties (statute, grantors, bond agreements, etc.).
- **Committed fund balance.** Funds are established and modified by a resolution approved by the School Board.
- **Assigned fund balance.** Consists of internally imposed constraints. The School Board passed a resolution authorizing the Superintendent and Director of Business Affairs to assign fund balances and their intended uses.
- **Unassigned fund balance.** Is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

The District formally adopted a fund balance policy for the General Fund. To ensure the financial strength and stability of the District, the Board will endeavor to maintain at least 20% of the District's General Fund operating budget, excluding those accounts associated within the restricted category, in the combined total of the General Fund committed, assigned, and unassigned fund balances.

### Q. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the Government-Wide and Fiduciary Fund financial statements. Net investment in capital assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance of any debt or other liabilities used to build or acquire the capital assets. Net position is reported as restricted in the Government-Wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. All other net position is considered unrestricted. When an expense is incurred for which both restricted and unrestricted net position is available, it is the District's policy to use restricted first, then unrestricted net position.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### R. Use of Estimates

The preparation of financial statements in accordance 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

### S. Adoption of New Accounting Standards

In June 2022, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

The District adopted the requirements of the guidance effective July 1, 2024, and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in a restatement.

### T. Summarized Comparative Information

The basic financial statements include certain prior year summarized comparative information in total but not at the level required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

## NOTE 2 STEWARDSHIP, ACCOUNTABILITY, AND INTERFUND TRANSACTIONS

### A. Interfund Balances

The General Fund showed a due from other funds of $61,352 which was due from the OPEB Irrevocable Trust Fund for the trust draw in the current year.

## NOTE 3 DEPOSITS AND INVESTMENTS

### A. Deposits

The District maintains a cash and investment pool that is available for use by all funds, except the Postemployment Benefits Irrevocable Trust Fund. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the School District's Board.

## NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

### A. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

### B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rate "A" or better.
- Banker's acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- Investments related to the OPEB Revocable Trust Fund may be invested in accordance with Minnesota Statute 356A.06.

## NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

### B. Investments (Continued)

At June 30, 2025, the District's investment balances were as follows:

| Type | Amount |
|---|---|
| MSDLAF+ | $ 843,808 |
| MN Trust Investment Shares | 5,567,290 |
| Money Market | 426,951 |
| Total | $ 6,838,049 |

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarized year-end rating for the District's investments as rated by Standard & Poor's:

| Type | Credit Quality Rating | Amount |
|---|---|---|
| MSDLAF+ | A-1+, A-1 | $ 843,808 |
| MN Trust Investment Shares | AAAm | 5,567,290 |
| Money Market | Not Rated | 426,951 |
| Total | | $ 6,838,049 |

MN Trust is an external investment pool (the Pool). The Pool is regulated by Minnesota statutes and is not registered with the Securities and Exchange Commission (SEC) as an investment company. The MN Trust Investment Series and Term Series is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of $1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Governmental Accounting Standards Board. The MN Trust Term Series withdraws requires a seven-day notice of redemption and would likely carry a penalty. The MN Trust Investment Series withdrawals may only be made on the third Wednesday of each month upon advance written notice, with no penalties assessed.

The Minnesota School District Liquid Asset Fund Plus (MSDLAF+) is an external investment pool (the Pool). The Pool is regulated by Minnesota statutes and is not registered with the Securities and Exchange Commission (SEC) as an investment company. MSDLAF+ MAX Class is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of $1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the GASB. The MAX Class may not be redeemed for at least 14 days and a 24-hour hold is place options prior to 14 days may be subject to penalty.

## NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

### B. Investments (Continued)

The maturities of the District's investments are as follows:

| Type | Total | Maturity Duration in Years: 12 Months or Less | 13 to 24 Months | 24 Months or More |
|---|---|---|---|---|
| MSDLAF+ | $ 843,808 | $ 843,808 | $ - | $ - |
| MN Trust Investment Shares | 5,567,290 | 5,567,290 | - | - |
| Money Market | 426,951 | 426,951 | - | - |
| Total | $ 6,838,049 | $ 6,838,049 | $ - | $ - |

Concentration of Credit Risk

The District places no limit on the amount that the District may invest in any one issuer. The District had no investments at June 30, 2025 which individually comprised more than 5% of total investments.

The deposits and investments are presented in the financial statements as follows:

| | |
|---|---|
| Deposits | $ 1,758,692 |
| Investments | 6,838,049 |
| Total | $ 8,596,741 |
| | |
| Cash and Investments - Statement of Net Position | $ 7,703,522 |
| Cash and Investments - Statement of Fiduciary Net Position | 893,219 |
| Total | $ 8,596,741 |

### C. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

## NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

### C. Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

*Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

| Investment | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $ - | $ - | $ - | $ - |
| Investments Measured at Cost | | | | 6,838,049 |
| Total Investments | | | | $ 6,838,049 |

## NOTE 4 CAPITAL ASSETS

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | $ 1,168,746 | $ - | $ - | $ 1,168,746 |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 1,998,019 | - | - | 1,998,019 |
| Buildings and Improvements | 18,074,623 | 5,648 | - | 18,080,271 |
| Equipment | 3,631,531 | 1,303,368 | (43,563) | 4,891,336 |
| Subtotals | 23,704,173 | 1,309,016 | (43,563) | 24,969,626 |
| Less: Accumulated Depreciation for: | | | | |
| Land Improvements | (887,020) | (59,174) | - | (946,194) |
| Buildings and Improvements | (11,785,831) | (512,996) | - | (12,298,827) |
| Equipment | (2,802,847) | (328,491) | 17,402 | (3,113,936) |
| Subtotals | (15,475,698) | (900,661) | 17,402 | (16,358,957) |
| Total Capital Assets, Being Depreciated, Net | 8,228,475 | 408,355 | (26,161) | 8,610,669 |
| Right-to-Use Assets: | | | | |
| Equipment | 135,341 | - | - | 135,341 |
| Less: Accumulated Amortization: | | | | |
| Equipment | (78,949) | (27,068) | - | (106,017) |
| Total Right-to-Use Assets, Net | 56,392 | (27,068) | - | 29,324 |
| Governmental Activities Capital Assets, Net | $ 9,453,613 | $ 381,287 | $ (26,161) | $ 9,808,739 |

Depreciation/amortization expense was charged to functions of the District as follows:

| | |
|---|---|
| Governmental Activities: | |
| Administration | $ 506 |
| District Support Services | 224 |
| Regular Instruction | 339,598 |
| Vocational Education Instruction | 539 |
| Special Education Instruction | 486 |
| Community Education | 700 |
| Instructional Support Services | 15,507 |
| Pupil Support Services | 184,280 |
| Sites and Buildings | 163,300 |
| Unallocated | 222,589 |
| Total Depreciation/Amortization Expense, Governmental Activities | $ 927,729 |

## NOTE 5 LONG-TERM LIABILITIES

### A. Components of Long-Term Debt

| Issue Date | Net Interest Rate | Series Number | Original Issue | Maturities | Principal Outstanding Due Within One Year | Principal Outstanding Total |
|---|---|---|---|---|---|---|
| 5/10/2018 | 3.00% | 2018A | $ 3,080,000 | 2018 - 2033 | $ 200,000 | $ 1,795,000 |
| 6/22/2023 | 4.00% | 2023A | 1,005,000 | 2023 - 2034 | 85,000 | 920,000 |
| Total General Obligation Bonds | | | | | 285,000 | 2,715,000 |
| Bond Premiums | | | | | - | 31,766 |
| Finance Purchase Agreement | | | | | 53,243 | 517,120 |
| Lease Liability | | | | | 27,771 | 32,461 |
| Compensated Absences Payable | | | | | 224,874 | 744,731 |
| Total | | | | | $ 590,888 | $ 4,041,078 |

### B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including severance and health benefits payable are as follows:

| Year Ending June 30, | General Obligation Bonds Payable Principal | General Obligation Bonds Payable Interest | Finance Purchase Agreement Principal | Finance Purchase Agreement Interest | Total Principal | Total Interest |
|---|---|---|---|---|---|---|
| 2026 | $ 285,000 | $ 90,650 | $ 53,243 | $ 12,023 | $ 293,121 | $ 102,673 |
| 2027 | 300,000 | 81,250 | 199,535 | 9,241 | 499,535 | 90,491 |
| 2028 | 310,000 | 71,350 | 202,463 | 6,313 | 512,463 | 77,663 |
| 2029 | 320,000 | 61,100 | 61,879 | 3,388 | 381,879 | 64,488 |
| 2030 | 325,000 | 50,500 | - | - | 325,000 | 50,500 |
| 2031 - 2035 | 1,175,000 | 89,950 | - | - | 1,175,000 | 89,950 |
| Total | $ 2,715,000 | $ 444,800 | $ 517,120 | $ 30,965 | $ 3,186,998 | $ 475,765 |

| Year Ending June 30, | Lease Liability Principal | Lease Liability Interest |
|---|---|---|
| 2026 | $ 27,771 | $ 398 |
| 2027 | 4,690 | 4 |
| Total | $ 32,461 | $ 402 |

### C. Description of Long-Term Debt

Finance Purchase Agreements

On July 8, 2024, the District entered into a finance purchase agreement for the purchase of computers. The finance purchase agreement and corresponding asset totaled $574,041. The finance purchase agreement includes annual payments of $143,510.

On February 15, 2025, the District entered into a finance purchase agreement for two 2026 IC CE 56 passenger buses. The finance purchase agreement and corresponding vehicle totaled $294,186. The finance purchase agreement includes annual payments of $65,266 including interest at 5.225%.

## NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

### D. Changes in Long-Term Debt

| | | June 30, 2024 as Restated | Additions | Retirements | June 30, 2025 | Current Portion |
|---|---|---|---|---|---|---|
| Bonds Payable | | $ 2,995,000 | $ - | $ 280,000 | $ 2,715,000 | $ 285,000 |
| Unamortized Premiums | | 38,833 | - | 7,067 | 31,766 | - |
| Finance Purchase Agreement | | 14,909 | 868,227 | 366,016 | 517,120 | 53,243 |
| Early Termination of Finance Purchase Agreement | | 27,200 | - | 27,200 | - | - |
| Lease Liability | | 59,607 | - | 27,146 | 32,461 | 27,771 |
| Compensated Absences | * | 763,878 | - | 19,147 | 744,731 | 224,874 |
| Total | | $ 3,899,427 | $ 868,227 | $ 726,576 | $ 4,041,078 | $ 590,888 |

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

## NOTE 6 FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. Any such “restrictions” which have an accumulated deficit rather than a position balance at June 30 are reported as a deficit balance because there is specific revenue authority under state accounting guidelines which will be utilized to eliminate the deficit. A description of these “deficit balance restrictions” is included herein since the District has specific statutory authority to levy taxes for such deficits.

Certain portions of fund balance are assigned as determined by the School Board.

A. Restricted for Student Activities

The fund balance restriction represents accumulated resources available to provide for student activity programs.

B. Restricted for Scholarships

The fund balance restriction represents accumulated resources available to provide scholarships for students.

C. Restricted for Staff Development

Represents unspent staff development revenues set aside from general education revenue that were restricted for staff development. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met.

D. Restricted for Student Support Personnel

Represents available resources to support implementation of evidence-based reading instruction.

## NOTE 6 FUND BALANCES (CONTINUED)

E. Capital Projects Levy

Record revenues and expenditures pertaining to the capital projects levy.

F. Restricted for Projects Funded by Certificates of Participation

Represents the remaining amount for projects funded by certificates of participation/financed purchase agreement with related lease levy authority.

G. Restricted for Operating Capital

The District levies taxes and receives state aid to be used for the purchase of equipment, books, and vehicles and to purchase, rent, improve and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

H. Restricted for Gifted and Talented

Represents the part of general education aid revenue for the gifted and talented program that is unspent at year-end.

I. Restricted for American Indian Aid

Represents available resources remaining in the American Indian Education funds.

J. Restricted for Basic Skills

Record revenues and expenditures pertaining to the Basic Skills Revenue of Minnesota Statutes, Section 126C.10, Subdivision 3. This includes EL program expenditures and Compensatory Education expenditures as defined by Minnesota Statutes, Section 126C.15, Subdivision 1.

K. Restricted for Literacy Incentive Aid

Represents available resources to support implementation of evidence-based reading instruction.

L. Restricted for $25 Taconite

Represents available sources for outcome-based learning programs or early childhood learnings programs from taconite referendum revenue.

M. Restricted for Community Education Programs

Represents accumulated resources available to provide general community education programming.

## NOTE 6 FUND BALANCES (CONTINUED)

N. Restricted for Early Childhood and Family Education

Represents accumulated resources available to provide for services for early childhood family education programming.

O. Restricted for School Readiness

Represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

P. Restricted for Safe Schools Crime Levy

Represents the unspent resources from the crime levy to be used for crime prevention, student and staff safety and violence prevention measures.

Q. Restricted for Long-Term Facilities Maintenance

Represents available resources to be used for LTFM projects in accordance with the 10-year plan.

R. Restricted for English Learner

Represents resources available for English Learner students per Minnesota Statutes.

S. Restricted for Literacy Aid

Represents resources available for literacy aid for evidence-based literacy supports for children in prekindergarten through grade 12 based on structured literacy.

T. Restricted for Teacher Compensation for Read Act Training

The fund balance restriction represents available resources available for teacher compensation for Read Act training.

U. Restricted for Other Purposes

Restricted for Other Purposes represents amounts that can be spend for only specific purposes stipulated by constitution, external resource providers, or through enabling legislation, such as community service and debt payments.

| Other Restricted: | | |
|---|---|---|
| Restricted for Food Service | $ | 288,579 |
| Restricted for Community Service | | 22,349 |
| Restricted for Debt Service | | 74,234 |
| Total Other Restricted | $ | 385,162 |

## NOTE 6 FUND BALANCES (CONTINUED)

V. Assigned for Other Purposes

| Other Assigned: | | |
|---|---|---|
| Athletics | $ | 24,175 |
| High School | | 18,849 |
| Auditorium Renovations | | 5,979 |
| Concessions | | (131) |
| Healthy Snacks | | 1,070 |
| Macbook Air Insurance/Repairs | | 34,534 |
| I-Pad | | 24,225 |
| Orchard/Garden | | 3,677 |
| Parental Involvement | | 1,154 |
| Sign Advertisements - Baseball | | 7,114 |
| Sign Advertisements - Fastpitch Softball | | 1,868 |
| Sign Advertisements - Youth Softball | | 368 |
| Sign Advertisements - Tennis | | 590 |
| Technology | | 2,652 |
| Vending | | 35,059 |
| Future Projects - High School | | 21,211 |
| Future Projects - District Wide | | 18,763 |
| Future Projects - Rippleside | | 26,801 |
| Work Wellness | | 6,176 |
| Total Other Assigned | $ | 234,134 |

## NOTE 7 DEFINED BENEFIT PENSION PLANS

### A. Plan Description

#### 1. General Employees Retirement Plan (General Plan)

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

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.

## NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

### A. Plan Description (Continued)

#### 2. Teachers Retirement Fund (TRA)

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

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

### B. Benefits Provided

#### 1. General Employees Plan Benefits

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.

## NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

### B. Benefits Provided (Continued)

#### 1. General Employees Plan Benefits (Continued)

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

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% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

#### 2. TRA Benefits

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 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

### B. Benefits Provided (Continued)

#### 2. TRA Benefits (Continued)

*Tier 1 Benefits*

| Tier 1 | Step Rate Formula | Percentage |
|---|---|---|
| Basic | First 10 Years of Service | 2.2% per Year |
| | All Years After | 2.7% per Year |
| Coordinated | First 10 Years if Service Years Are Up to July 1, 2006 | 1.2% per Year |
| | First 10 Years if Service Years Are July 1, 2006 or After | 1.4% per Year |
| | All Other Years of Service if Service Years Are Up to July 1, 2006 | 1.7% per Year |
| | All Other Years of Service if Service Years Are July 1, 2006 or After | 1.9% per Year |

With these provisions:

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

(b) 3.0% per year early retirement reduction factor for all years under normal retirement age.

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

Or

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

*Tier II Benefits*

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66. After July 1, 2024, the age will change to not to exceed 65. An early retirement reduction is applied to members retiring before age 66, but will be age 65 after July 1, 2024. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) early retirement reduction rate applied.

## NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

### B. Benefits Provided (Continued)

#### 2. TRA Benefits (Continued)

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

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

### C. Contributions

#### 1. General Employees Plan Contributions

*Minnesota Statutes* chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50% for General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025 were $223,287. The District's contributions were equal to the required contributions as set by state statute.

#### 2. TRA Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2025 were $615,826. The District's contributions were equal to the required contributions for each year as set by state statue.

## NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

### D. Pension Costs

#### 1. General Employees Plan Pension Costs

At June 30, 2025 the District reported a liability of $1,311,050 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled $33,901, for a total net pension liability of $1,344,951 associated with the District.

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0355% at the end of the measurement period and 0.0331% for the beginning of the period.

For the year ended June 30, 2025 the District recognized pension expense of $76,889 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $420 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's pension expense for the annual $16 million contribution.

During the plan year ended June 30, 2025, the State of Minnesota contributed $170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the $170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $60,320 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

## NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

### D. Pension Costs (Continued)

#### 1. General Employees Plan Pension Costs (Continued)

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Economic Experience | $ 123,273 | $ - |
| Changes in Actuarial Assumptions | 6,401 | 496,211 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 380,718 |
| Changes in Proportion | 111,366 | 56,135 |
| District Contributions Subsequent to the Measurement Date | 223,287 | - |
| Total | $ 464,327 | $ 933,064 |

The $223,287 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Pension Expense Amount |
|---|---|
| 2026 | $ (421,756) |
| 2027 | (46,273) |
| 2028 | (123,510) |
| 2029 | (100,485) |

#### 2. TRA Pension Costs

At June 30, 2025 the District reported a liability of $6,417,864 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.1010% at the end of the measurement period and 0.1008% at the beginning of the period.

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:

## NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

### D. Pension Costs (Continued)

#### 2. TRA Pension Costs (Continued)

| Description | Amount |
|---|---|
| District's Proportionate Share of the TRA Net Pension Liability | $ 6,417,864 |
| State's Proportionate Share of the Net Pension Liability Associated with the District | 419,732 |
| Total Liability | $ 6,837,596 |

For the year ended June 30, 2025, the District recognized pension expense/(benefit) of $495,248. It also recognized ($5,136) as pension expense for the support provided by direct aid.

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

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Economic Experience | $ 305,962 | $ 83,173 |
| Changes in Actuarial Assumptions | 647,240 | 765,347 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 908,370 |
| Changes in Proportion | 226,224 | 187,143 |
| District Contributions Subsequent to the Measurement Date | 615,826 | - |
| Total | $ 1,795,252 | $ 1,944,033 |

The $615,826 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

| Year Ending June 30, | Pension Expense Amount |
|---|---|
| 2026 | $ (375,357) |
| 2027 | 561,468 |
| 2028 | (500,594) |
| 2029 | (351,304) |
| 2030 | (98,820) |

## NOTE 7 DEFINED BENEFIT PENSION PLANS (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 Equity | 16.5 | 5.30 |
| Fixed Income | 25.0 | 0.75 |
| Private Markets | 25.0 | 5.90 |
| Total | 100.0 % | |

Long-term expected rate of return on TRA 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 allocations 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 |
| 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, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

## NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

### F. Actuarial Methods and Assumptions (Continued)

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

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

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

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

TRA pre-retirement mortality rates were based on the PubT-2010(A) Employee Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale. Healthy retirees mortality rates were based on the PubT-2010(A) Retiree Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale. Beneficiaries mortality rates were based on the Pub-2010(A) Contingent Survivor Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale. Disabled retirees mortality rates were based on the PubNS-2010 Disabled Retiree Mortality Table, male rates set forward one year and female rates unadjusted. Generational projection uses the MP-2021 scale.

Inflation is assumed to be 2.5% for TRA. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Salary growth assumptions for TRA range in annual increments from 2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028.

## NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

### F. Actuarial Methods and Assumptions (Continued)

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

## NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

### G. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2024 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 of the General Employees, Police and Fire, and Correctional Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate used to measure the TRA 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 2024 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### H. Pension Liability Sensitivity

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

| Description | 1% Decrease | Current Discount Rate | 1% Increase in Discount Rate |
|---|---|---|---|
| GERF Discount Rate | 6.00% | 7.00% | 8.00% |
| District's Proportionate Share of the GERF Net Pension Liability | $ 2,863,543 | $ 1,311,050 | $ 33,982 |
| TRA Discount Rate | 6.00% | 7.00% | 8.00% |
| District's Proportionate Share of the TRA Net Pension Liability | $ 11,302,234 | $ 6,417,864 | $ 2,397,912 |

## NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

### I. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

### J. Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the District's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the fund in which the employee's costs are associated.

| | General Employees Fund | Teachers Retirement Fund | Total |
|---|---|---|---|
| Net Pension Liability | $ 1,311,050 | $ 6,417,864 | $ 7,728,914 |
| Deferred Outflows of Resources | 464,327 | 1,795,252 | 2,259,579 |
| Deferred Inflows of Resources | 933,064 | 1,944,033 | 2,877,097 |
| Pension Expense/(Benefit) | 77,309 | 490,112 | 567,421 |

## NOTE 8 OTHER POSTEMPLOYMENT BENEFIT LIABILITY/ASSET

### A. Plan Description

The District operates and administers a single-employer defined benefit other postemployment benefit plan (the Plan) that provides medical and life insurance to eligible employees and their spouses through the District's insurance plan. There are 114 active participants, 59 active employees waiving coverage, and 9 retired participants. Benefit and eligibility provisions are established through individual contracts and negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. The OPEB trust does not have a separate board from the school board.

## NOTE 8 OTHER POSTEMPLOYMENT BENEFIT LIABILITY/ASSET (CONTINUED)

### B. Funding Policy

The District has assets designated for OPEB. These assets are in a qualified irrevocable trust which is included as a Fiduciary Fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 3. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust. Contribution requirements are negotiated between the District and union representatives. For fiscal year 2025, the District made no benefit payments.

### C. Net OPEB Liability (Asset) of the District

The components of the next OPEB liability (asset) of the District at June 30, 2025, were as follows:

| | | |
|---|---|---|
| Total OPEB Liability | $ | 423,491 |
| Plan Fiduciary Net Position | | 516,432 |
| District's Net OPEB Liability (Asset) | $ | (92,941) |
| | | |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | | 122% |

### D. Money Weighted Rate of Return

The annual money-weighted rate of return, net of investment expense was 4.33%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

### E. Actuarial Methods and Assumptions

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payments of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

The District's net OPEB liability (asset) was measured as of June 30, 2025, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2024. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll forward techniques.

## NOTE 8 OTHER POSTEMPLOYMENT BENEFIT LIABILITY/ASSET (CONTINUED)

### E. Actuarial Methods and Assumptions (Continued)

The total OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Inflation | 2.50% |
| Salary Increases | Salary Increase Table |
| Investment Rate of Return | 3.75% |
| Health Care Trend Rates | 8.0% Grading to 3.90% in FY2076 |

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments for teachers. Mortality rates were based on the Pub-2010 mortality tables with projects mortality improvements based on scale MP-2021, and other adjustments for nonteachers.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate rages of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%). Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

| Asset Class | Long-Term Expected Real Rate of Return | Long-Term Expected Nominal Rate of Return |
|---|---|---|
| Domestic Equity | 4.60 % | 7.10 % |
| International Equity | 4.95 | 7.45 |
| Fixed Income | 2.70 | 5.20 |
| Real Estate and Alternatives | 3.98 | 6.48 |
| Cash and Equivalents | 1.19 | 3.69 |
| Total | | 3.70 |
| Reduced for Assumed Investment Expense | | 0.00 |
| Net Assumed Investment Return (Weighted Avg, Rounded to 1/4% | | 3.75 % |

The discount rate used to measure the total OPEB liability (asset) was 4.50%. The OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments, therefore, the long-term expected rate of return of 3.75% is used as the discount rate.

The expected employer asset return is based on long-term expected return on short-term/cash equivalent assets using our capital market assumption model.

## NOTE 8 OTHER POSTEMPLOYMENT BENEFIT LIABILITY/ASSET (CONTINUED)

### E. Actuarial Methods and Assumptions (Continued)

Since the most recent valuation, the following changes have been made:

- The long-term investment return assumption was changed from 3.25% to 3.75% based on updated capital market assumptions.
- The discount rate was changed from 3.58% to 4.50%.

### F. Changes in the OPEB Liability (Asset)

The following table shows the components of the changes in the District's OPEB liability (asset):

| | Increase (Decrease) | | |
|---|---|---|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (Asset) (a) - (b) |
| Balances at June 30, 2024 | $ 448,422 | $ 554,012 | $ (105,590) |
| Changes for the Year: | | | |
| Service Cost | 27,244 | - | 27,244 |
| Interest | 15,563 | - | 15,563 |
| Differences Between Expected and Actual Experience | 2,885 | - | 2,885 |
| Employer Contributions | - | 20,586 | (20,586) |
| Net Investment Income | - | 23,982 | (23,982) |
| Changes of Benefit Terms | - | - | - |
| Changes of Assumptions | 11,273 | - | 11,273 |
| Benefit Payments | (81,896) | (81,896) | - |
| Administrative Expense | - | (252) | 252 |
| Net Changes | (24,931) | (37,580) | 12,649 |
| Balances at June 30, 2025 | $ 423,491 | $ 516,432 | $ (92,941) |

## NOTE 8 OTHER POSTEMPLOYMENT BENEFIT LIABILITY/ASSET (CONTINUED)

### F. Changes in the OPEB Liability (Asset) (Continued)

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

| | 1% Decrease (3.50)% | Discount Rate (4.50)% | 1% Increase (5.50)% |
|---|---|---|---|
| Net OPEB Liability (Asset) | $ (71,818) | $ (92,941) | $ (113,263) |

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using health care cost trend rates that are 1-percentage-point lower (7.00% decreasing to 2.90%) or 1-percentage-point higher (9.00% decreasing to 4.90%) than the current health care cost trend rates:

| | 1% Decrease (7.00% Decreasing to 2.90%) | Current Trend Rates (8.0% Decreasing to 3.90%) | 1% Increase (9.0% Decreasing to 4.90%) |
|---|---|---|---|
| Net OPEB Liability (Asset) | $ (127,403) | $ (92,941) | $ (53,183) |

For the year ended June 30, 2025, the District recognized OPEB expense of $28,843. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference Between Expected and Actual Liability | $ 16,178 | $ 27,972 |
| Change of Assumption | 70,854 | 8,635 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | - | 2,856 |
| Total | $ 87,032 | $ 39,463 |

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

| Year Ending June 30, | Future Recognition |
|---|---|
| 2026 | $ 7,551 |
| 2027 | 7,059 |
| 2028 | 9,212 |
| 2029 | 14,843 |
| 2030 | 6,526 |
| Thereafter | 2,378 |

## NOTE 9 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contribution for the year ended June 30, 2025 was $71,458.

## NOTE 10 COMMITMENTS AND CONTINGENCIES

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

## 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; injuries to employees; natural disasters, and workers' compensation. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. The district is covered by Blue Cross Blue Shield.

## NOTE 12 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2024, the District implemented GASB Statement No. 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. As a result of the implementation of this standard, the compensated absences liability as of July 1, 2024, was understated by $576,850 in the Governmental Activities. This caused Administration expenses to be understated by $23,074, District Support Services expenses to be understated by $28,843, Regular Instruction expenses to be understated by $484,554, and Pupil Support Services expenses to be understated by $40,379.

# REQUIRED SUPPLEMENTARY INFORMATION

# INDEPENDENT SCHOOL DISTRICT NO. 001
# SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
# BUDGET AND ACTUAL – GENERAL FUND
# YEAR ENDED JUNE 30, 2025

| | Budgeted Amounts | | Actual | Over (Under) |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **REVENUES** | | | | |
| Local Sources: | | | | |
| Property Taxes | $ 3,107,398 | $ 3,117,684 | $ 3,156,601 | $ 38,917 |
| Earnings on Investments | 167,000 | 197,025 | 250,438 | 53,413 |
| Other | 462,290 | 536,413 | 633,368 | 96,955 |
| State Sources | 11,979,895 | 12,001,755 | 12,218,375 | 216,620 |
| Federal Sources | 354,795 | 347,491 | 349,873 | 2,382 |
| Total Revenues | 16,071,378 | 16,200,368 | 16,608,655 | 408,287 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Administration | 887,494 | 895,834 | 842,625 | (53,209) |
| District Support Services | 466,952 | 512,390 | 495,912 | (16,478) |
| Elementary and Secondary Regular Instruction | 7,088,167 | 7,024,883 | 7,075,898 | 51,015 |
| Vocational Education Instruction | 158,169 | 181,407 | 203,191 | 21,784 |
| Special Education Instruction | 3,102,481 | 3,031,021 | 3,032,203 | 1,182 |
| Instructional Support Services | 652,655 | 695,211 | 697,293 | 2,082 |
| Pupil Support Services | 1,617,725 | 1,688,740 | 1,774,055 | 85,315 |
| Sites and Buildings | 1,173,165 | 1,139,967 | 1,161,463 | 21,496 |
| Fiscal and Other Fixed Cost Programs | 112,000 | 116,000 | 111,715 | (4,285) |
| Capital Outlay | 457,030 | 460,485 | 1,513,032 | 1,052,547 |
| Debt Service: | | | | |
| Principal | 258,448 | 378,412 | 478,162 | 99,750 |
| Interest and Fiscal Charges | 43,200 | 41,400 | 34,362 | (7,038) |
| Total Expenditures | 16,017,486 | 16,165,750 | 17,419,911 | 1,254,161 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | 53,892 | 34,618 | (811,256) | (845,874) |
| **OTHER FINANCING SOURCES** | | | | |
| Sale of Equipment | 50,000 | 83,530 | 95,554 | 12,024 |
| Insurance Recovery | 3,700 | 29,000 | 58,805 | 29,805 |
| Issuance of Finance Purchase Agreement | - | - | 868,227 | 868,227 |
| Total Other Financing Sources | 53,700 | 112,530 | 1,022,586 | 910,056 |
| **NET CHANGE IN FUND BALANCE** | $ 107,592 | $ 147,148 | 211,330 | $ 64,182 |
| Fund Balance - Beginning of Year | | | 5,314,312 | |
| **FUND BALANCE - END OF YEAR** | | | $ 5,525,642 | |

*See accompanying Notes to Required Supplementary Information.*

# INDEPENDENT SCHOOL DISTRICT NO. 001
# SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
# BUDGET AND ACTUAL – FOOD SERVICE
# YEAR ENDED JUNE 30, 2025

| | Budgeted Amounts | | Actual | Over (Under) |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **REVENUES** | | | | |
| Local Sources: | | | | |
| Earnings on Investments | $ 4,000 | $ 7,000 | $ 10,251 | $ 3,251 |
| Other - Primarily Meal Sales | 35,200 | 33,000 | 43,706 | 10,706 |
| State Sources | 313,250 | 357,850 | 367,090 | 9,240 |
| Federal Sources | 485,200 | 475,481 | 467,275 | (8,206) |
| Total Revenues | 837,650 | 873,331 | 888,322 | 14,991 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Food Service | 913,701 | 956,318 | 897,528 | (58,790) |
| **NET CHANGE IN FUND BALANCE** | $ (76,051) | $ (82,987) | (9,206) | $ 73,781 |
| Fund Balance - Beginning of Year | | | 314,182 | |
| **FUND BALANCE - END OF YEAR** | | | $ 304,976 | |

*See accompanying Notes to Required Supplementary Information.*

# INDEPENDENT SCHOOL DISTRICT NO. 001
# SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
# BUDGET AND ACTUAL – COMMUNITY SERVICE
# YEAR ENDED JUNE 30, 2025

| | Budgeted Amounts | | Actual | Over (Under) |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **REVENUES** | | | | |
| Local Sources: | | | | |
| Property Taxes | $ 151,476 | $ 143,529 | $ 168,108 | $ 24,579 |
| Earnings on Investments | 5,000 | 16,000 | 14,542 | (1,458) |
| Other | 432,800 | 318,400 | 356,784 | 38,384 |
| State Sources | 47,200 | 43,820 | 47,061 | 3,241 |
| Federal Sources | 3,600 | - | - | - |
| Total Revenues | 640,076 | 521,749 | 586,495 | 64,746 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Community Service | 749,658 | 602,277 | 614,354 | 12,077 |
| Capital Outlay | - | 1,000 | 944 | (56) |
| Total Expenditures | 749,658 | 603,277 | 615,298 | 12,021 |
| **NET CHANGE IN FUND BALANCE** | $ (109,582) | $ (81,528) | (28,803) | $ 52,725 |
| Fund Balance - Beginning of Year | | | 413,159 | |
| **FUND BALANCE - END OF YEAR** | | | $ 384,356 | |

*See accompanying Notes to Required Supplementary Information.*

# INDEPENDENT SCHOOL DISTRICT NO. 001
# SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET)
# AND RELATED RATIOS
# LAST TEN MEASUREMENT PERIODS

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|
| Total OPEB Liability: | | | | | | | | | |
| Service Cost | $ 27,244 | $ 25,584 | $ 22,044 | $ 21,402 | $ 19,548 | $ 19,354 | $ 29,233 | $ 34,396 | $ 33,698 |
| Interest | 15,563 | 16,682 | 7,257 | 8,082 | 14,722 | 16,567 | 24,874 | 31,738 | 36,643 |
| Differences Between Expected and Actual Experience | 2,885 | (10,391) | 23,086 | (28,374) | (10,785) | - | (82,541) | 27,790 | - |
| Changes of Assumptions | 11,273 | (777) | 103,093 | - | (17,709) | (9,366) | (13,491) | (3,484) | (6,172) |
| Changes of Benefit Terms | - | 3,708 | - | - | - | - | - | - | - |
| Benefit Payments | (81,896) | (64,098) | (37,113) | (48,879) | (64,216) | (102,782) | (183,415) | (381,156) | (214,197) |
| Net Change in Total OPEB Liability | (24,931) | (29,292) | 118,367 | (47,769) | (58,440) | (76,227) | (225,340) | (290,716) | (150,028) |
| Total OPEB Liability - Beginning | 448,422 | 477,714 | 359,347 | 407,116 | 465,556 | 541,783 | 767,123 | 1,057,839 | 1,207,867 |
| Total OPEB Liability - Ending (a) | 423,491 | 448,422 | 477,714 | 359,347 | 407,116 | 465,556 | 541,783 | 767,123 | 1,057,839 |
| Plan Fiduciary Net Position: | | | | | | | | | |
| Contributions - Employer | 20,586 | 59 | - | - | - | 14,453 | 59,714 | 126,491 | 67,169 |
| Net Investment Income | 23,982 | 28,077 | 8,924 | (15,768) | 253 | 11,969 | 13,046 | 11,926 | 15,552 |
| Benefit Payments | (81,896) | (64,098) | (37,113) | (48,879) | (64,216) | (102,782) | (183,415) | (381,156) | (214,197) |
| Administrative Expenses | (252) | (208) | (229) | (229) | - | - | (208) | - | - |
| Net Change in Plan Fiduciary Net Position | (37,580) | (36,170) | (28,418) | (64,876) | (63,963) | (76,360) | (110,863) | (242,739) | (131,476) |
| Plan Fiduciary Net Position - Beginning | 554,012 | 590,182 | 618,600 | 683,476 | 747,439 | 823,799 | 934,662 | 1,177,401 | 1,308,877 |
| Plan Fiduciary Net Position - Ending (b) | 516,432 | 554,012 | 590,182 | 618,600 | 683,476 | 747,439 | 823,799 | 934,662 | 1,177,401 |
| District's Net OPEB Liability (Asset) - Ending (a) - (b) | $ (92,941) | $ (105,590) | $ (112,468) | $ (259,253) | $ (276,360) | $ (281,883) | $ (282,016) | $ (167,539) | $ (119,562) |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 121.95% | 123.55% | 123.54% | 172.15% | 167.88% | 160.55% | 152.05% | 121.84% | 111.30% |
| Covered-Employee Payroll | $ 8,931,119 | $ 9,634,900 | $ 8,297,206 | $ 9,104,949 | $ 9,019,101 | $ 7,123,486 | $ 8,263,396 | $ 8,065,127 | $ 8,170,810 |
| District's Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll | -1.04% | -1.10% | -1.36% | -2.85% | -3.06% | -3.96% | -3.41% | -2.08% | -1.46% |

The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, the above table will be expanded to 10 years of information as the information becomes available.

*See accompanying Notes to Required Supplementary Information.*

**INDEPENDENT SCHOOL DISTRICT NO. 001**
**SCHEDULE OF MONEY WEIGHTED RATE OF RETURN ON PLAN ASSETS**
**LAST TEN FISCAL YEARS**

| Year | Annual Money-Weighted Rate of Return, Net of Investment Expense |
|---|---|
| 2017 | 1.19 % |
| 2018 | 1.01 |
| 2019 | 1.40 |
| 2020 | 1.45 |
| 2021 | 0.03 |
| 2022 | (2.31) |
| 2023 | 1.44 |
| 2024 | 4.76 |
| 2025 | 4.33 |

The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

*See accompanying Notes to Required Supplementary Information.*

# INDEPENDENT SCHOOL DISTRICT NO. 001
# SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
# LAST TEN FISCAL YEARS

**TRA Schedule of the District's Proportionate Share of the Net Pension Liability**

| | Measurement Date June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| District's Proportion of the Net Pension Liability | 0.1010% | 0.1008% | 0.0981% | 0.1017% | 0.1011% | 0.0984% | 0.1039% | 0.1046% | 0.0997% | 0.0995% |
| District's Proportionate Share of the Net Pension Liability | $ 6,417,864 | $ 8,322,274 | $ 7,855,329 | $ 4,450,696 | $ 7,469,403 | $ 6,272,037 | $ 6,527,687 | $ 20,880,057 | $ 23,780,829 | $ 6,155,059 |
| State's Proportionate Share of the Net Pension Liability Associated with District | 419,732 | 582,964 | 582,542 | 375,368 | 626,115 | 555,056 | 613,294 | 2,018,209 | 2,386,816 | 754,945 |
| Total | $ 6,837,596 | $ 8,905,238 | $ 8,437,871 | $ 4,826,064 | $ 8,095,518 | $ 6,827,093 | $ 7,140,981 | $ 22,898,266 | $ 26,167,645 | $ 6,910,004 |
| District's Covered Payroll | $ 6,761,166 | $ 6,446,456 | $ 6,081,199 | $ 6,137,503 | $ 5,877,639 | $ 5,627,977 | $ 5,741,960 | $ 5,628,747 | $ 5,184,613 | $ 5,052,493 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 94.92% | 129.10% | 129.17% | 72.52% | 127.08% | 111.44% | 113.68% | 370.95% | 458.68% | 121.82% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 82.07% | 76.42% | 76.17% | 86.63% | 75.48% | 78.21% | 78.07% | 51.57% | 44.88% | 76.80% |

**GERF Schedule of the District's Proportionate Share of the Net Pension Liability**

| | Measurement Date June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| District's Proportion of the Net Pension Liability | 0.0355% | 0.0331% | 0.0339% | 0.0362% | 0.0383% | 0.0386% | 0.0404% | 0.0409% | 0.0384% | 0.0394% |
| District's Proportionate Share of the Net Pension Liability | $ 1,311,050 | $ 1,850,915 | $ 2,684,891 | $ 1,545,902 | $ 2,296,260 | $ 2,134,108 | $ 2,241,226 | $ 2,611,029 | $ 3,117,890 | $ 2,041,912 |
| State's Proportionate Share of the Net Pension Liability Associated with District | 33,901 | 51,155 | 78,727 | 47,202 | 70,842 | 66,330 | 73,472 | 32,836 | 40,719 | - |
| Total | $ 1,344,951 | $ 1,902,070 | $ 2,763,618 | $ 1,593,104 | $ 2,367,102 | $ 2,200,438 | $ 2,314,698 | $ 2,643,865 | $ 3,158,609 | $ 2,041,912 |
| District's Covered Payroll | $ 2,853,613 | $ 2,501,667 | $ 2,563,493 | $ 2,517,947 | $ 2,680,120 | $ 2,763,120 | $ 2,709,373 | $ 2,635,240 | $ 2,385,280 | $ 2,283,507 |
| (Asset) District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 45.94% | 73.99% | 104.74% | 61.40% | 85.68% | 77.24% | 82.72% | 99.08% | 130.71% | 89.42% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 89.08% | 83.10% | 76.70% | 87.00% | 79.10% | 80.23% | 79.50% | 75.90% | 68.90% | 78.20% |

*See accompanying Notes to Required Supplementary Information.*

# INDEPENDENT SCHOOL DISTRICT NO. 001
# SCHEDULE OF THE DISTRICT CONTRIBUTIONS
# LAST TEN FISCAL YEARS

**TRA Schedule of District Contributions**
**Last Ten Fiscal Years**

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Statutorily Required Contribution | $ 615,826 | $ 591,602 | $ 551,172 | $ 507,172 | $ 498,979 | $ 465,509 | $ 433,917 | $ 430,647 | $ 422,156 | $ 388,846 |
| Contributions in Relation to the Statutorily Required Contribution | (615,826) | (591,602) | (551,172) | (507,172) | (498,979) | (465,509) | (433,917) | (430,647) | (422,156) | (388,846) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's Covered Payroll | $ 7,038,011 | $ 6,761,166 | $ 6,446,456 | $ 6,081,199 | $ 6,137,503 | $ 5,877,639 | $ 5,627,977 | $ 5,741,960 | $ 5,628,747 | $ 5,184,613 |
| Contributions as a Percentage of Covered Payroll | 8.75% | 8.75% | 8.55% | 8.34% | 8.13% | 7.92% | 7.71% | 7.50% | 7.50% | 7.50% |

**GERF Schedule of District Contributions**
**Last Ten Fiscal Years**

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Statutorily Required Contribution | $ 223,287 | $ 214,021 | $ 187,625 | $ 192,262 | $ 188,846 | $ 201,009 | $ 207,234 | $ 203,203 | $ 197,643 | $ 178,896 |
| Contributions in Relation to the Statutorily Required Contribution | (223,287) | (214,021) | (187,625) | (192,262) | (188,846) | (201,009) | (207,234) | (203,203) | (197,643) | (178,896) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's Covered Payroll | $ 2,977,160 | $ 2,853,613 | $ 2,501,667 | $ 2,563,493 | $ 2,517,947 | $ 2,680,120 | $ 2,763,120 | $ 2,709,373 | $ 2,635,240 | $ 2,385,280 |
| Contributions as a Percentage of Covered Payroll | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% |

*See accompanying Notes to Required Supplementary Information.*

## NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

**2024**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2023**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

## NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

**2022**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2021**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020**

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

## NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

**2020 (Continued)**

Changes in Actuarial Assumptions (Continued)

- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

**2019**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2018**

Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% 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 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

## NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

### 2018 (Continued)

Changes in Plan Provisions (Continued)

- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

### 2017

Changes in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement 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 in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

## NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

**2015**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

**2024**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2023**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

## NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

**2022**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2021**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2020**

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 5 years and female rates set back 7 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2019**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

## NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

**2018**

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members 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 is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% 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.

## NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

**2017**

Changes in Actuarial Assumptions

- The cost-of-living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment 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 nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2016**

Changes in Actuarial Assumptions

- The cost-of-living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at 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 while 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 adjustments.
- 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.

## NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

### 2016 (Continued)

Changes in Actuarial Assumptions (Continued)

- 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 forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

### 2015

Changes in Actuarial Assumptions

- The cost-of-living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

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

## NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS

The following plan and assumption changes have been made for the measurement date June 30, 2025:

- The long-term investment return assumption was changed from 3.25% to 3.75% based on updated capital market assumptions.
- The discount rate was changed from 3.58% to 4.50%.

The following plan and assumption changes have been made for the measurement date June 30, 2024:

- The Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index) used in the discount rate determination changed from 3.86% to 3.97%.
- The discount rate was changed from 3.54% to 3.58%.

The following plan and assumption changes have been made for the measurement date June 30, 2023:

- The Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index) used in the discount rate determination changed from 3.69% to 3.86%.
- The discount rate was changed from 2.00% to 3.54%.
- The long-term investment return assumption was changed from 2.00% to 3.25% based on updated capital market assumptions.
- The inflation rate was changed from 2.25% to 2.50%.
- The health care trend rates were reset to reflect updated cost increase expectations.
- Mortality rates were updated from the rates used in the July 1, 2020 PERA General Employees Plan valuation to the rates used in the July 1, 2022 valuation.
- The percent of future retirees not eligible for an explicit subsidy assumed to elect coverage at retirement changed from 10% to 20% to reflect recent plan experience.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience. The following table provides the changes for the assumed percent electing each plan:

| Medical Plan | Fiscal 2023 Valuation | Fiscal 2022 Valuation |
|---|---|---|
| $1,000 Ded | 10% | 25% |
| $3,200 Ded | 50% | 60% |
| $6,750 Ded | 35% | 15% |
| $6,750 Ded HVN | 5% | 0% |

## NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

The following plan and assumption changes have been made for the measurement date June 30, 2022:

- The Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index) used in the discount rate determination changed from 1.92% to 3.69%.

The following plan and assumption changes have been made for the measurement date June 30, 2021:

- The discount rate was changed from 3.25% to 2.00% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The long-term expected rate of return on OPEB plan investments was changed from 3.25% to 2.00% based on updated capital market assumptions.
- Health care trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender-based risk scores published by the Society of Actuaries.
- The percent of future retirees eligible for an explicit subsidy assumed to elect coverage at retirement changed from 100% to 80% to reflect recent plan experience.
- Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and July 1, 2018 Teacher Retirement Association valuations to the rates used in the July 1, 2020 valuations.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The following table provides the changes for the assumed percent electing each plan.

| Medical Plan | Fiscal 2021 Valuation | Fiscal 2020 Valuation |
|---|---|---|
| $1,000 Ded | 25% | 85% |
| $2,800 Ded | 60% | 0% |
| $6,750 Ded | 15% | 15% |
| $6,750 Ded HVN | 0% | 0% |

- The inflation assumption was changed from 2.5% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The payroll growth assumption was changed from 3.50% to 3.00% based on the July 1, 2020 Teachers Retirement Association valuation.

## NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

The following plan and assumption change was made for the measurement date June 30, 2019:

- Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index) used in discount rate determination was changed from 3.13% to 2.45%
- The medical trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plan due to its repeal.

The following plan and assumption changes were made for the measurement date June 30, 2018:

- The discount rate decreased from 3.53% to 3.25%.
- Health care trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims were updated to reflect recent experience and new plan offerings.
- Mortality and salary increase rates were updated from the rates used in the July 1, 2016 PERA General Employees Retirement Plan and July 1, 2016 Teachers Retirement Association valuations to the rates used in the July 1, 2018 valuations.
- The percent of retirees electing spouse coverage changed from 5% to 10% to reflect recent plan experience.
- The percent of future nonmedical eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.75% to 2.50%.

# SUPPLEMENTARY INFORMATION

# INDEPENDENT SCHOOL DISTRICT NO. 001
# UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
# YEAR ENDED JUNE 30, 2025

| | AUDIT | UFARS | DIFFERENCE |
|---|---|---|---|
| **01 GENERAL FUND** | | | |
| Total Revenue | $ 16,608,655 | $ 16,608,651 | $ 4 |
| Total Expenditures | $ 17,419,911 | $ 17,419,909 | $ 2 |
| *Nonspendable:* | | | |
| 460 Nonspendable Fund Balance | $ 164,745 | $ 164,745 | $ - |
| *Restricted:* | | | |
| 401 Student Activities | $ 41,596 | $ 41,596 | $ - |
| 402 Scholarships | $ 633,676 | $ 633,676 | $ - |
| 403 Staff Development | $ 80,704 | $ 80,704 | $ - |
| 407 Capital Project Levy | $ 127,139 | $ 127,139 | $ - |
| 408 Cooperative Programs | $ - | $ - | $ - |
| 412 Literacy Incentive Aid | $ 20,951 | $ 20,951 | $ - |
| 414 Operating Debt | $ - | $ - | $ - |
| 416 Levy Reduction | $ - | $ - | $ - |
| 420 American Indian Ed Aid | $ 17,881 | $ 17,881 | $ - |
| 424 Operating Capital | $ 175,694 | $ 175,694 | $ - |
| 426 $25 Taconite | $ 2,980 | $ 2,980 | $ - |
| 427 Disabled Accessibility | $ - | $ - | $ - |
| 428 Learning and Development | $ - | $ - | $ - |
| 434 Area Learning Center | $ - | $ - | $ - |
| 435 Contracted Alternative Programs | $ - | $ - | $ - |
| 436 State-Approved Alternative Programs | $ - | $ - | $ - |
| 438 Gifted and Talented | $ 55,321 | $ 55,321 | $ - |
| 439 English Learner | $ 23,783 | $ 23,783 | |
| 440 Teacher Development and Evaluations | $ - | $ - | $ - |
| 441 Basic Skills Programs | $ 598 | $ 598 | $ - |
| 445 Career and Technical Programs | $ - | $ - | $ - |
| 448 Achievement and Integration | $ - | $ - | $ - |
| 449 Safe Schools Crime Levy | $ 12,707 | $ 12,707 | $ - |
| 451 QZAB Payments | $ - | $ - | $ - |
| 452 OPEB Liability Not Held in Trust | $ - | $ - | $ - |
| 456 Literacy Aid | $ 38,990 | $ 38,990 | |
| 457 Teacher Comp Read Act | $ 26,754 | $ 26,754 | |
| 459 Basic Skills Ext Time | $ - | $ - | $ - |
| 467 LTFM | $ 69,283 | $ 69,283 | $ - |
| 471 Student Support Personnel | $ 80,000 | $ 80,000 | $ - |
| *Restricted:* | | | |
| 464 Restricted Fund Balance | $ - | $ - | $ - |
| *Committed:* | | | |
| 418 Committed for Separation | $ - | $ - | $ - |
| 461 Committed Fund Balance | $ - | $ - | $ - |
| *Assigned:* | | | |
| 462 Assigned Fund Balance | $ 1,106,030 | $ 1,106,030 | $ - |
| *Unassigned:* | | | |
| 422 Unassigned Fund Balance | $ 2,846,810 | $ 2,846,810 | $ - |
| **02 FOOD SERVICE** | | | |
| Total Revenue | $ 888,322 | $ 888,323 | $ (1) |
| Total Expenditures | $ 897,528 | $ 897,529 | $ (1) |
| *Nonspendable:* | | | |
| 460 Nonspendable Fund Balance | $ 16,397 | $ 16,397 | $ - |
| *Restricted:* | | | |
| 452 OPEB Liability Not Held in Trust | $ - | $ - | $ - |
| 464 Restricted Fund Balance | $ 288,579 | $ 288,579 | $ - |
| *Unassigned:* | | | |
| 463 Unassigned Fund Balance | $ - | $ - | $ - |
| **04 COMMUNITY SERVICE** | | | |
| Total Revenue | $ 586,495 | $ 586,497 | $ (2) |
| Total Expenditures | $ 615,298 | $ 615,300 | $ (2) |
| *Nonspendable:* | | | |
| 460 Nonspendable Fund Balance | $ 2,493 | $ 2,493 | $ - |
| *Restricted:* | | | |
| 426 $25 Taconite | $ 21,873 | $ 21,873 | $ - |
| 431 Community Education | $ 165,017 | $ 165,017 | $ - |
| 432 E.C.F.E. | $ 30,892 | $ 30,892 | $ - |
| 440 Teacher Development and Evaluations | $ - | | |
| 444 School Readiness | $ 141,732 | $ 141,732 | $ - |
| 447 Adult Basic Education | $ - | $ - | $ - |
| 452 OPEB Liability Not Held in Trust | $ - | $ - | $ - |
| 464 Restricted Fund Balance | $ 22,349 | $ 22,349 | $ - |
| *Unassigned:* | | | |
| 463 Unassigned Fund Balance | $ - | $ - | $ - |

| | AUDIT | UFARS | DIFFERENCE |
|---|---|---|---|
| **06 BUILDING CONSTRUCTION** | | | |
| Total Revenue | $ 3,861 | $ 3,860 | $ 1 |
| Total Expenditures | $ - | $ - | $ - |
| *Nonspendable:* | | | |
| 460 Nonspendable Fund Balance | $ - | $ - | $ - |
| *Restricted:* | | | |
| 407 Capital Projects Levy | $ - | $ - | $ - |
| 409 Alternative Facility Program | $ - | $ - | $ - |
| 413 Projects Funded by COP | $ 65,617 | $ 65,617 | $ - |
| 467 LTFM | $ - | $ - | $ - |
| 464 Restricted Fund Balance | $ - | $ - | $ - |
| *Unassigned:* | | | |
| 463 Unassigned Fund Balance | $ - | $ - | $ - |
| **07 DEBT SERVICE** | | | |
| Total Revenue | $ 259,736 | $ 259,736 | $ - |
| Total Expenditures | $ 256,024 | $ 256,025 | $ (1) |
| *Nonspendable:* | | | |
| 460 Nonspendable Fund Balance | $ - | $ - | $ - |
| *Restricted:* | | | |
| 425 Bond Refunding | $ - | $ - | $ - |
| 451 QZAB and QSCB Payments | $ - | $ - | $ - |
| 464 Restricted Fund Balance | $ 74,234 | $ 74,232 | $ 2 |
| *Unassigned:* | | | |
| 463 Unassigned Fund Balance | $ - | $ - | $ - |
| **18 CUSTODIAL** | | | |
| Total Revenue | $ 14,715 | $ 14,715 | $ - |
| Total Expenditures | $ 15,590 | $ 15,591 | $ (1) |
| *Net Position:* | | | |
| 402 Scholarships | $ 295,480 | $ 295,479 | $ 1 |
| **20 INTERNAL SERVICE** | | | |
| Total Revenue | $ - | $ - | $ - |
| Total Expenditures | $ - | $ - | $ - |
| *Net Position:* | | | |
| 422 Net Position | $ - | $ - | $ - |
| **25 OPEB REVOCABLE TRUST** | | | |
| Total Revenue | $ - | $ - | $ - |
| Total Expenditures | $ - | $ - | $ - |
| *Net Position:* | | | |
| 422 Net Position | $ - | $ - | $ - |
| **45 OPEB IRREVOCABLE TRUST** | | | |
| Total Revenue | $ 107,250 | $ 107,248 | $ 2 |
| Total Expenditures | $ 144,830 | $ 144,829 | $ 1 |
| *Net Position:* | | | |
| 422 Net Position | $ 516,432 | $ 516,433 | $ (1) |
| **47 OPEB DEBT SERVICE** | | | |
| Total Revenue | $ - | $ - | $ - |
| Total Expenditures | $ - | $ - | $ - |
| *Nonspendable:* | | | |
| 460 Nonspendable Fund Balance | $ - | $ - | $ - |
| *Restricted:* | | | |
| 425 Bond Refunding | $ - | $ - | $ - |
| 464 Restricted Fund Balance | $ - | $ - | $ - |
| *Unassigned:* | | | |
| 463 Unassigned Fund Balance | $ - | $ - | $ - |

# OTHER REQUIRED REPORTS

CliftonLarsonAllen LLP
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 001
Aitkin, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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. 001 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2025.

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

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

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Brainerd, Minnesota
October 31, 2025

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See CLAglobal.com/disclaimer.

CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAglobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

# APPENDIX B

## FORM OF LEGAL OPINION

(See following pages)

Kennedy & Graven
CHARTERED

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

$_____
INDEPENDENT SCHOOL DISTRICT NO. 1
(AITKIN PUBLIC SCHOOLS)
AITKIN AND CROW WING COUNTIES, MINNESOTA
GENERAL OBLIGATION FACILITIES MAINTENANCE, CAPITAL FACILITIES AND TAX ABATEMENT BONDS
SERIES 2026A

We have acted as bond counsel to Independent School District No. 1 (Aitkin Public Schools), Aitkin and Crow Wing Counties, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation Facilities Maintenance, Capital Facilities and Tax Abatement Bonds, Series 2026A (the "Bonds"), originally dated _____, 2026, and issued in the original aggregate principal amount of $_____. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

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

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

5. The resolution adopted by the School Board of the Issuer on June 22, 2026, obligates the Issuer to be bound by the provisions of Minnesota Statutes, Section 126C.55. We express no opinion as to the enforceability of the provisions of that law against the State of Minnesota (the "State") in the absence of appropriated and available funds to pay the obligations of the State thereunder.

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

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

Dated _____, 2026, at Minneapolis, Minnesota.

# APPENDIX C

## BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

# APPENDIX D

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

(See following pages)

$_____
INDEPENDENT SCHOOL DISTRICT NO. 1
(AITKIN PUBLIC SCHOOLS)
AITKIN AND CROW WING COUNTIES, MINNESOTA
GENERAL OBLIGATION FACILILTIES MAINTENANCE,
CAPITAL FACILITIES AND TAX ABATEMENT BONDS
SERIES 2026A

**CONTINUING DISCLOSURE CERTIFICATE**

_____, 2026

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 1 (Aitkin Public Schools), Aitkin and Crow Wing Counties, Minnesota (the "District"), in connection with the issuance of its General Obligation Facilities Maintenance, Capital Facilities and Tax Abatement Bonds, Series 2026A (the "Bonds"), in the original aggregate principal amount of $_____. The Bonds are being issued pursuant to a resolution adopted by the School Board of the District (the "Resolution"). The Bonds are being delivered to _____[, as syndicate manager] (the "Purchaser"), on the date hereof. Pursuant to the Resolution, the District has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. The District hereby covenants and agrees as follows:

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

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

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

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

"Bonds" means the General Obligation Facilities Maintenance, Capital Facilities and Tax Abatement Bonds, Series 2026A, issued by the District in the original aggregate principal amount of $_____.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"District" means Independent School District No. 1 (Aitkin Public Schools), Aitkin and Crow Wing Counties, Minnesota, which is the obligated person with respect to the Bonds.

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

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

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

"Fiscal Year" means the fiscal year of the District.

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

"GASB" means the Governmental Accounting Standards Board.

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

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

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

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

"Purchaser" means _____[, as syndicate manager].

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

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

"SEC" means Securities and Exchange Commission, and any successor thereto.

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

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

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

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

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

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

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

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

Section 5. Reporting of Material Events.

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

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

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

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

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

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

9. Defeasances;

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

11. Rating changes;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 1 (AITKIN PUBLIC SCHOOLS), AITKIN AND CROW WING COUNTIES, MINNESOTA**

_____

Board Chair

_____

Clerk

# APPENDIX E

## TERMS OF PROPOSAL

### $10,780,000* GENERAL OBLIGATION FACILITIES MAINTENANCE, CAPITAL FACILITIES, AND TAX ABATEMENT BONDS, SERIES 2026A INDEPENDENT SCHOOL DISTRICT NO. 1 (AITKIN PUBLIC SCHOOLS), MINNESOTA

Proposals for the purchase of $10,780,000* General Obligation Facilities Maintenance, Capital Facilities, and Tax Abatement Bonds, Series 2026A (the "Bonds") of Independent School District No. 1 (Aitkin 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 October 19, 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 6:30 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 469, as amended, including Sections 469.1812 through 469.1815, Minnesota Statutes, Chapter 475, as amended, and Minnesota Statutes, Sections 123B.595 and 123B.62, 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 "Commissioner"), certain capital projects approved by the Commissioner, and parking lot improvements at the District's sites and facilities. 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 November 12, 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 | $1,310,000 | 2032 | $1,740,000 | 2036 | $120,000 |
| 2029 | 1,455,000 | 2033 | 875,000 | 2037 | 125,000 |
| 2030 | 1,525,000 | 2034 | 895,000 | | |
| 2031 | 1,665,000 | 2035 | 1,070,000 | | |

### 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. 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 are being offered without the option of prior optional redemption.

## DELIVERY

On or about November 12, 2026, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the District will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the District, threatened. Payment for the Bonds must be received by the District at its designated depository on the date of closing in immediately available funds.

## LEGAL OPINION

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

## SUBMISSION OF PROPOSALS

Proposals must not be for less than $10,780,000 plus accrued interest on the principal sum of $10,780,000 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 $215,600 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.

## NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The Bonds shall not be "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

## CONTINUING DISCLOSURE

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

## NEW ISSUE PRICING

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

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

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

(1) The District shall disseminate this Terms of Proposal to potential underwriters in a manner that is reasonably designed to reach potential investors;

(2) all bidders shall have an equal opportunity to bid;

(3) the District may receive proposals from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the District anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Terms of Proposal.

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

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

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

(1) the close of the fifth ($5^{th}$) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder will advise the District promptly after the close of the fifth ($5^{th}$) business day after the sale whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The District acknowledges that in making the representation set forth above, the winning bidder will rely on:

(i) the agreement of each underwriter to comply with requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires,

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and

(iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price rule of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Bonds.

(e) If all of the requirements of a "competitive sale" are not satisfied and the winning bidder selects the 10% test, the winning bidder agrees to promptly report to the District, Bond Counsel and Ehlers the prices at which the Bonds have been sold to the public. That reporting obligation shall continue, whether or not the closing date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to each maturity of the Bonds, provided that, the winning bidder's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(f) By submitting a proposal, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is party to such third-party distribution agreement, as applicable, to:

(A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred until either all securities of that maturity allocated to it have been sold or it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or bond counsel.

(B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group and each broker dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to:

(A) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(B) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public.

(g) Sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each term being used as defined below) shall not constitute sales to the public for purposes of this Terms of Proposal. Further, for purposes of this Terms of Proposal:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the District to the winning bidder.

## PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the Debt Issuance 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. 1
(Aitkin Public Schools), Minnesota

# PROPOSAL FORM

**The School Board** **October 19, 2026**
**Independent School District No. 1 (Aitkin Public Schools), Minnesota (the "District")**

**RE:** **$10,780,000* General Obligation Facilities Maintenance, Capital Facilities, and Tax Abatement Bonds, Series 2026A (the "Bonds")**
**DATED:** **November 12, 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 $10,780,000) 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 | 2032 | _____ | % due | 2036 |
| _____ | % due | 2029 | _____ | % due | 2033 | _____ | % due | 2037 |
| _____ | % due | 2030 | _____ | % due | 2034 | | | |
| _____ | % due | 2031 | _____ | % due | 2035 | | | |

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.

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 $215,600 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 November 12, 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 November 12, 2026 of the above proposal is $_____and the true interest cost (TIC) is _____%.

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The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 1 (Aitkin Public Schools), Minnesota, on October 19, 2026.

By: _____ By: _____

Title: _____ Title: _____