PRELIMINARY OFFICIAL STATEMENT DATED JULY 30, 2026

In the opinion of Kennedy & Graven, Chartered, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions (which exclude any pending legislation which may have a retroactive effect) and, assuming the accuracy of certain representations and continuing compliance with certain covenants set forth in the 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 Investors Service, Inc.**

INDEPENDENT SCHOOL DISTRICT NO. 505 (FULDA PUBLIC SCHOOL), MINNESOTA

(Murray, Cottonwood and Nobles Counties)

(Minnesota School District Credit Enhancement Program)

$21,285,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, 2026A

PROPOSAL OPENING: August 10, 2026, 10:30 A.M., C.T. **CONSIDERATION**: August 10, 2026, 6:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $21,285,000* General Obligation School Building Bonds, 2026A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held May 13, 2025 by Independent School District No. 505 (Fulda Public School), Minnesota (the "District"), for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Kennedy & Graven, Chartered, Minneapolis, Minnesota.

DATE OF BONDS: September 3, 2026

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2029	$165,000	2036	$270,000	2043	$2,075,000
2030	200,000	2037	305,000	2044	1,770,000
2031	210,000	2038	305,000	2045	1,835,000
2032	220,000	2039	1,450,000	2046	1,920,000
2033	235,000	2040	1,820,000	2047	2,010,000
2034	235,000	2041	1,905,000	2048	2,105,000
2035	265,000	2042	1,985,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2027 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing on February 1, 2035 and thereafter are subject to call for prior optional redemption on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

MINIMUM PROPOSAL: $21,285,000.

GOOD FAITH DEPOSIT: A good faith deposit in the amount of $425,700 shall be made by the winning bidder by wire transfer of funds.

PAYING AGENT: Bond Trust Services Corporation.

BOND COUNSEL: Kennedy & Graven, Chartered.

MUNICIPAL ADVISOR: Ehlers and Associates, Inc.

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

REPRESENTATIONS

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

This Preliminary Official Statement is not to be construed as a contract with the 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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FULDA PUBLIC SCHOOL
SCHOOL BOARD

		Term Expires
Loren Carlson	Board Chair	January 2027
Kayla Clarke	Vice Chair	January 2029
Marcie Ash	Clerk	January 2029
Brian VanderBeek	Treasurer	January 2029
Jason Appel	Member	January 2027
Doug Clarke	Member	January 2027
Paul Duerr	Member	January 2027

ADMINISTRATION

Michael Pagel, Superintendent of Schools
Jennifer Gerdes, Payroll/Finance Coordinator

PROFESSIONAL SERVICES

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

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

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

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding Independent School District No. 505 (Fulda Public School), Minnesota (the "District") and the issuance of its $21,285,000* General Obligation School Building Bonds, 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 ("Authorizing Resolution") to be adopted by the School Board on August 10, 2026.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of September 3, 2026. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board ("MSRB"). **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2029 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from the date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

*Preliminary, subject to change.

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

AUTHORITY; PURPOSE

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held May 13, 2025, by the District, at which voters approved the issuance of $35,300,000 in school building bonds by a vote of 402 to 399. The District issued $14,015,000 of the voter-approved authority in its General Obligation School Building Bonds on August 11, 2025. This issuance represents the remaining voter approved authority. Proceeds of the Bonds will be used to provide funds for the acquisition and betterment of school sites and facilities, including the decommissioning of the Elementary School site and facility into a preK-12 school; HVAC equipment and dehumidification systems at the High School site and facility; the creation of secure entrances; the construction of roof placements and improvements to the exterior facade of the school building; the construction and installation of a track and athletic field; the construction of improvements to parking lots at the school site and facility; and the acquisition and installation of furniture and classroom furnishings.

ESTIMATED SOURCES AND USES*

Sources		
Par Amount of Bonds	$21,285,000	
Reoffering Premium	305,658	
Total Sources		**$21,590,658**
Uses		
Total Underwriter's Discount (1.000%)	$212,850	
Costs of Issuance	154,000	
Deposit to Capitalized Interest (CIF) Fund	320,000	
Deposit to Construction Fund	20,903,808	
Total Uses		**$21,590,658**

*Preliminary, subject to change.

SECURITY

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

RATING

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

The District currently has an "A2" outlook 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 July 13, 2026 (the "Resolution"), the District has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 126C.55, as amended, which provides for payment by the State of Minnesota in the event of a potential default of a school district obligation (herein referred to as the "State Payment Law" or the "Law"). The provisions of the State Payment Law shall be binding on the District as long as any obligations of the issue remain outstanding.

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

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

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

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

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

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

CONTINUING DISCLOSURE

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

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

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

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

LEGAL OPINION

An opinion 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(6)(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

Bond Trust Services Corporation ("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 Drealan Kvilhaug Hoefker & Co., P.A, Worthington, Minnesota, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units financial statements, and notes to the financial statements are attached hereto as "APPENDIX A – FINANCIAL STATEMENTS". The Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The Auditor also has not performed any procedures relating to this Preliminary Official Statement.

RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

Type of Property	2023/24	2024/25	2025/26
Residential homestead[1]	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead[1]	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$2,150,000 - 0.50% [2] Over \$2,150,000 - 1.00% [2]	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$3,500,000 - 0.50% [2] Over \$3,500,000 - 1.00% [2]	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$3,500,000 - 0.50% [2] Over \$3,500,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First \$500,000 - 1.00% [3] Over \$500,000 - 1.25% [3]	First \$500,000 - 1.00% [3] Over \$500,000 - 1.25% [3]	First \$500,000 - 1.00% [3] Over \$500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City[4] - 1.25% Affordable Rental: First \$174,000 - 0.75% Over \$174,000 - 0.25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental: – 0.25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25% Affordable Rental – 0.25%
Industrial/Commercial/Utility[5]	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

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

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

3 Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2025/26 Economic Market Value $1,603,626,212[1]

2025/26 Assessor's Estimated Market Value

	Murray County	Nobles County	Cottonwood County	Total
Real Estate	$925,867,400	$614,787,800	$21,742,600	$1,562,397,800
Personal Property	2,319,700	2,430,800	12,200	4,762,700
Total Valuation	$928,187,100	$617,218,600	$21,754,800	$1,567,160,500

2025/26 Net Tax Capacity

	Murray County	Nobles County	Cottonwood County	Total
Real Estate	$7,593,884	$4,969,083	$188,659	$12,751,626
Personal Property	44,894	47,867	244	93,005
Net Tax Capacity	$7,638,778	$5,016,950	$188,903	$12,844,631

2025/26 NET TAX CAPACITY BY CLASSIFICATION

	2025/26 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$1,196,304	9.31%
Agricultural	11,026,254	85.84%
Commercial/industrial	195,796	1.52%
Public utility	6,543	0.05%
Non-homestead residential	305,003	2.37%
Commercial & residential seasonal/rec.	21,726	0.17%
Personal property	93,005	0.72%
Total	$12,844,631	100.00%

1 According to the Minnesota Department of Revenue, the Assessor's Estimated Market Value (the "AEMV") for the District was about 97.75% of the actual selling prices of property sold in the District. The sales ratio was calculated by comparing the selling prices with the AEMV. Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an Economic Market Value ("EMV") for the District of $1,603,626,212.

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Taxable Net Tax Capacity[2]	Percent Increase/Decrease in Estimated Market Value
2021/22	$1,047,260,800	$1,026,600,682	$8,608,054	$8,608,054	1.13%
2022/23	1,157,525,900	1,137,771,720	9,787,842	9,787,842	10.53%
2023/24	1,646,429,900	1,627,867,106	14,362,969	14,362,969	42.24%
2024/25	1,673,140,600	1,648,288,180	13,752,237	13,752,237	1.62%
2025/26	1,567,160,500	1,542,646,153	12,844,631	12,844,631	-6.33%

LARGEST TAXPAYERS

Taxpayer	Type of Property	2025/26 Net Tax Capacity	Percent of District's Total Net Tax Capacity
Individual	Agricultural	$150,791	1.17%
Heritage Farms Inc.	Agricultural	136,492	1.06%
Zins Family Farm, LLC	Agricultural	131,395	1.02%
Individual	Agricultural	112,736	0.88%
Individual	Agricultural	112,733	0.88%
Individual	Residential	109,375	0.85%
Individual	Agricultural	90,872	0.71%
Individual	Agricultural	88,131	0.69%
Kruger Acres KP, LLC	Agricultural	85,169	0.66%
Individual	Agricultural	83,920	0.65%
Total		$1,101,614	8.58%

District's Total 2025/26 Net Tax Capacity $12,844,631

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

1 Net Tax Capacity is before fiscal disparities adjustments, if any.

2 Taxable Net Tax Capacity is after fiscal disparities adjustments, if any.

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedule following)

Total G.O. debt secured by taxes and state aids[2] (includes the Bonds)*	$35,705,000

*Preliminary, subject to change.

Other Obligations - Cooperative District/Joint Governmental Obligations

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

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

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

STATE AID FOR DEBT SERVICE

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

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

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

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 59.60% of total annual debt service levies, based on the District's 2024/25 qualifying agricultural land valuation.

BONDED DEBT LIMIT

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

2025/26 Economic Market Value	$1,603,626,212
Multiply by 15%	0.15
Statutory Debt Limit	$240,543,932
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes (includes the Bonds)*	(35,705,000)
Unused Debt Limit*	$204,838,932

*Preliminary, subject to change.

Independent School District No. 505 (Fulda Public School), Minnesota
Schedule of Bonded Indebtedness
General Obligation Debt Secured by Taxes
(As of 09/03/2026)

	Facilities Maintenance Bonds Series 2019A		School Building Bonds Series 2025A		School Building Bonds Series 2026A							
Dated	12/05/2019		09/04/2025		09/03/2026							
Amount	$750,000		$14,015,000		$21,285,000*							
Maturity	02/01		02/01		02/01							

Fiscal Year Ending	Principal	Interest	Principal	Interest	Principal	Estimated Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2027	65,000	5,609	1,580,000	335,300	0	0	1,645,000	340,909	1,985,909	34,060,000	4.61%	**2027**
2028	65,000	9,418	880,000	591,600	0	1,372,993	945,000	1,974,011	2,919,011	33,115,000	7.25%	**2028**
2029	65,000	7,618	835,000	547,600	165,000	972,988	1,065,000	1,528,205	2,593,205	32,050,000	10.24%	**2029**
2030	70,000	5,817	910,000	505,850	200,000	964,738	1,180,000	1,476,405	2,656,405	30,870,000	13.54%	**2030**
2031	70,000	3,878	1,000,000	460,350	210,000	954,738	1,280,000	1,418,966	2,698,966	29,590,000	17.13%	**2031**
2032	70,000	1,939	1,050,000	410,350	220,000	944,238	1,340,000	1,356,527	2,696,527	28,250,000	20.88%	**2032**
2033			1,100,000	357,850	235,000	933,238	1,335,000	1,291,088	2,626,088	26,915,000	24.62%	**2033**
2034			1,165,000	302,850	235,000	921,488	1,400,000	1,224,338	2,624,338	25,515,000	28.54%	**2034**
2035			1,205,000	244,600	265,000	909,738	1,470,000	1,154,338	2,624,338	24,045,000	32.66%	**2035**
2036			1,275,000	184,350	270,000	896,488	1,545,000	1,080,838	2,625,838	22,500,000	36.98%	**2036**
2037			1,320,000	120,600	305,000	882,988	1,625,000	1,003,588	2,628,588	20,875,000	41.53%	**2037**
2038			1,385,000	67,800	305,000	867,738	1,690,000	935,538	2,625,538	19,185,000	46.27%	**2038**
2039			310,000	12,400	1,450,000	852,488	1,760,000	864,888	2,624,888	17,425,000	51.20%	**2039**
2040					1,820,000	794,488	1,820,000	794,488	2,614,488	15,605,000	56.29%	**2040**
2041					1,905,000	717,138	1,905,000	717,138	2,622,138	13,700,000	61.63%	**2041**
2042					1,985,000	636,175	1,985,000	636,175	2,621,175	11,715,000	67.19%	**2042**
2043					2,075,000	546,850	2,075,000	546,850	2,621,850	9,640,000	73.00%	**2043**
2044					1,770,000	453,475	1,770,000	453,475	2,223,475	7,870,000	77.96%	**2044**
2045					1,835,000	373,825	1,835,000	373,825	2,208,825	6,035,000	83.10%	**2045**
2046					1,920,000	286,663	1,920,000	286,663	2,206,663	4,115,000	88.48%	**2046**
2047					2,010,000	195,463	2,010,000	195,463	2,205,463	2,105,000	94.10%	**2047**
2048					2,105,000	99,988	2,105,000	99,988	2,204,988	0	100.00%	**2048**
	405,000	34,279	14,015,000	4,141,500	21,285,000	15,577,918	35,705,000	19,753,697	55,458,697			

* Preliminary, subject to change.

OVERLAPPING DEBT[1]

Taxing District	2025/26 Taxable Net Tax Capacity	% In District	Total G.O. Debt[2]	District's Proportionate Share
Counties of:				
Cottonwood	41,296,454	0.4574%	9,335,000	42,698
Murray	$46,011,039	16.6021%	$4,975,000	$825,954
Nobles	62,305,030	8.0522%	4,130,000	332,556
Cities of:				
Fulda	986,273	100.0000%	45,000	45,000
District's Share of Total Overlapping Debt				$1,246,209

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value $1,603,626,212	Debt/ Per Capita 2,384[3]
Total G.O. Debt Paid from Taxes and State Aids*	$35,705,000		
Less: Agricultural Credit[4]	(21,280,180)		
Tax Supported General Obligation Debt*	$14,424,820	0.90%	$6,050.68
District's Share of Total Overlapping Debt	$1,246,209	0.08%	$522.74
Total*	$15,671,029	0.98%	$6,573.42

*Preliminary, subject to change.

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

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

3 Estimated 2025 population.

4 Based on current State law and statistics, the State of Minnesota is estimated to pay approximately 59.60% 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 $21,280,180.

TAX LEVIES, COLLECTION AND RATES

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date	% Collected
2021/22	$1,293,692	$1,283,334	$1,292,493	99.91%
2022/23	1,247,952	1,237,402	1,245,350	99.79%
2023/24	1,247,550	1,236,426	1,243,783	99.70%
2024/25	1,456,046	1,445,406	1,445,406	99.27%
2025/26	2,202,489	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[2] Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

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

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

TAX CAPACITY RATES[1]

	2021/22	2022/23	2023/24	2024/25	2025/26
I.S.D. No. 505 (Fulda Public School)	4.477%	3.597%	2.525%	2.928%	23.035%
Cottonwood County	40.103%	34.764%	24.348%	29.989%	35.189%
Murray County	29.099%	26.168%	19.454%	20.439%	21.788%
Nobles County	36.365%	33.469%	25.686%	27.312%	30.511%
City of Dundee	151.168%	124.646%	86.756%	81.054%	84.896%
City of Fulda	81.082%	69.181%	56.505%	62.735%	62.562%
City of Kinbrae	33.409%	29.269%	21.883%	21.838%	23.262%
Town of Southbrook[2]	4.734%	3.932%	2.448%	2.801%	3.078%
Heron Lake Watershed (portion applicable to Murray County)	1.071%	0.869%	0.665%	0.721%	0.427%
Heron Lake Watershed (portion applicable to Nobles County)	1.091%	0.891%	0.682%	0.717%	0.459%
SWRDC (portion applicable to Cottonwood County)	0.162%	0.134%	0.093%	0.125%	0.124%
SWRDC (portion applicable to Murray County)	0.156%	0.139%	0.101%	0.110%	0.111%
SWRDC (portion applicable to Nobles County)	0.155%	0.140%	0.104%	0.109%	0.119%
Referendum Market Value Rates:					
I.S.D. No. 505 (Fulda Public School)	0.72254%	0.58806%	0.45646%	0.52616%	0.38616%

Source: Tax Levies and Collections and Tax Capacity Rates have been furnished by Murray, Cottonwood and Nobles Counties.

THE ISSUER

EMPLOYEES

The District is governed by an elected school board and employs a staff of 68, including 35 non-licensed employees and 33 licensed employees (29 of whom are teachers). The District provides education for 314 students in grades kindergarten through twelve.

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

2 Representative town rate.

PENSIONS; UNIONS

Teachers' Retirement Association (TRA)

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

Public Employees' Retirement Association (PERA)

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

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Fulda Education Association	June 30, 2027
Minnesota School Employees Union (classified)	June 30, 2026

Status of Contract

The contract which expired on June 30, 2026 is currently in negotiations.

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 $110,755 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	28	173	177	378
2023/24	17	164	170	351
2024/25	14	143	159	316
2025/26	20	135	141	296
2026/27	20	129	165	314

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

Year	Kindergarten	Grades 1-6	Grades 7-12	Total
2027/28	18	124	168	310
2028/29	20	112	170	302
2029/30	18	109	168	295

SCHOOL BUILDINGS

School Building	Year Constructed	Years of Additions/ Remodelings
Fulda Elementary	1913	1939, 1970, 1978, 1995
Fulda High School	1955	1964, 1970

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	$3,698,239
Food Service	232,349
Community Service	46,478
Debt Service	412,678
Building/Construction	12,715,899
Student Activities	117,648
Total Funds on Hand	$17,223,291

BUDGET SUMMARIES

FISCAL YEAR ENDING JUNE 30, 2026

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	$3,156,833	$6,280,780	($6,248,424)	$32,356	$3,189,189
Food Service	252,906	295,825	(284,637)	11,188	264,094
Community Service	85,337	103,320	(264,097)	(160,777)	(75,440)
Debt Service	19,607	76,178	(78,019)	(1,841)	17,766
Total All Funds	$3,514,684	$6,756,103	($6,875,177)	($119,074)	$3,395,610

FISCAL YEAR ENDING JUNE 30, 2027

Fund	June 30, 2026 Projected Fund Balance	2026-27 Projected Revenues and Transfers In	2026-27 Projected Expenditures and Transfers Out	2026-27 Projected Revenues over (under) expenditures	June 30, 2027 Projected Fund Balance
General	$3,189,189	$5,887,916	($6,332,819)	($444,903)	$2,744,286
Food Service	264,094	291,000	(323,657)	(32,657)	231,437
Community Service	(75,440)	99,893	(270,487)	(170,594)	(246,034)
Debt Service	17,766	2,775,646	(2,525,428)	250,218	267,984
Total All Funds	$3,395,609	$9,054,455	($9,452,391)	($397,936)	$2,997,673

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	$1,137,350	$1,173,391	$1,264,191	$1,226,598	$1,223,096
Other local and county revenues	219,453	232,160	430,321	434,001	484,335
Sale and other conversion of assets		0	0	0	434
Revenue from state sources	4,277,483	4,339,605	4,430,981	4,806,064	4,666,548
Revenue from federal sources	383,645	487,275	333,533	295,869	145,189
Total Revenues	$6,021,539	$6,232,431	$6,459,026	$6,762,532	$6,519,602
Expenditures					
Administration	$469,150	$392,581	$503,742	$558,578	$597,903
District support services	207,288	171,823	183,166	195,283	151,077
Elementary and secondary regular instruction	2,453,923	2,703,821	2,878,330	2,815,017	2,731,499
Vocational education instruction	211,491	208,134	197,325	210,521	121,552
Special education instruction	861,972	863,139	936,428	871,596	1,014,551
Instructional support services	163,544	198,181	125,289	142,186	203,735
Pupil support services	446,958	564,977	501,322	566,129	449,989
Sites and buildings	797,042	586,100	572,045	669,977	599,764
Fiscal and other fixed cost programs	48,931	61,975	67,418	71,358	90,904
Total Expenditures	$5,660,299	$5,750,731	$5,965,065	$6,100,645	$5,960,974
Excess of revenues over (under) expenditures	$361,240	$481,700	$493,961	$661,887	$558,628
Other Financing Sources (Uses)					
Sale of capital assets	$0	$315	$0	$26,548	$0
Transfers (out)	(45,000)	0	(94,074)	(5,047)	0
Total Other Financing Sources (Uses)	($45,000)	$315	($94,074)	$21,501	$0
Net changes in Fund Balances	$316,240	$482,015	$399,887	$683,388	$558,628
General Fund Balance July 1	$716,675	$1,032,915	$1,514,930	$1,914,817	$2,598,205
Prior Period Adjustment	0	0	0	0	0
General Fund Balance June 30	$1,032,915	$1,514,930	$1,914,817	$2,598,205	$3,156,833
DETAILS OF JUNE 30 FUND BALANCE					
Nonspendable	34,079	$36,016	$43,067	$46,193	$0
Restricted	648,124	674,011	618,516	676,767	771,963
Assigned	0	875	3,687	3,756	4,434
Unassigned	350,712	804,028	1,249,547	1,871,489	2,380,436
Total	$1,032,915	$1,514,930	$1,914,817	$2,598,205	$3,156,833

GENERAL INFORMATION

LOCATION

The District, with a 2020 U.S. Census population of 2,452 and a 2025 population estimate of 2,384, and comprising an area of 216 square miles, is located approximately 40 miles north of the Minnesota-Iowa border.

LARGER EMPLOYERS[1]

Larger employers in the District include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 505 (Fulda Public School)	Elementary and secondary education	96 [2]
Maple Lawn Nursing Home and Maplewood Court	Nursing home - residential care	90
City of Fulda	Municipal government and services	52
First National Bank	Financial banking institution	22
New Dawn, Inc.	Residential services to people with disabilities	17
Casey's General Store	Convenience stores	12
Maynards Food Center	Retail grocery store	10
US Post Office	Mailing & shipping services	10
Behr Construction	Agriculture builder	8
Minn-KOTA Construction Inc.	General contractors	8

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	2,527
2020 U.S. Census population	2,452
Percent of Change 2010 - 2020	-2.97%
2025 State Demographer Estimate	2,384

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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.

2 Includes seasonal employees.

Income and Age Statistics

	The District	Murray County	State of Minnesota	United States
2024 per capita income	$36,816	$40,935	$48,237	$44,673
2024 median household income	$72,132	$74,033	$89,062	$80,734
2024 median family income	$88,167	$92,400	$113,993	$99,999
2024 median gross rent	$836	$810	$1,280	$1,413
2024 median value owner occupied units	$178,800	$185,400	$329,300	$332,700
2024 median age	45.2 yrs.	46.5 yrs.	38.8 yrs.	38.9 yrs.

	State of Minnesota	United States
District % of 2024 per capita income	76.32%	82.41%
District % of 2024 median family income	77.34%	88.17%

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	**Murray County**	**Murray County**	**State of Minnesota**
2022	4,065	3.4%	2.5%
2023	4,077	4.2%	2.8%
2024	4,221	3.9%	3.1%
2025	4,165	5.0%	3.9%
2026, June	4,181	5.0%	4.6%

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. 505

FINANCIAL STATEMENTS
AS OF JUNE 30, 2025

DREALAN KVILHAUG HOEFKER & CO., P.A.

Member
Division for CPA Firms AICPA

CERTIFIED PUBLIC ACCOUNTANTS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

WAYNE W. DREALAN, CPA · RETIRED
ELLEN K. HOEFKER, MBA, CPA
GREG H. KVILHAUG, CPA, CFP

CINDY M. PENNING, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 505
Fulda, 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. 505 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Independent School District No. 505'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 Independent School District No. 505, as of June 30, 2025, and the respective changes in financial position and the respective budgetary comparison for the general fund, food service fund, community service fund, capital projects fund, and the debt service fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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.

507·376·4151 • FAX: 507·376·4154 • E-MAIL: tdkcpa@tdkcpa.net • 909 4TH AVENUE, SUITE A • WORTHINGTON, MN 56187-2326 –

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for postemployment benefit plan and the schedules of proportionate share of net pension liability and employer contributions on pages 4 through 13 and 58 through 60 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 505's basic financial statements. The accompanying uniform financial accounting and reporting standards compliance table and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the uniform financial accounting and reporting standards compliance table and the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2025, on our consideration of Independent School District No. 505'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 Independent School District No. 505's internal control over financial reporting and compliance.

Dreالen Kvilhaug Hoefker & Co., P.A.

Worthington, Minnesota
November 7, 2025

INDEPENDENT SCHOOL DISTRICT NO. 505

TABLE OF CONTENTS

INDEPENDENT SCHOOL DISTRICT NO. 505

FULDA PUBLIC SCHOOLS

JUNE 30, 2025

Operating elementary and secondary schools in Fulda
under the laws of the State of Minnesota

SCHOOL BOARD

Doug Clarke
Jason Appel
Kayla Clarke
Brian VanderBeek
Loren Carlson
Marcie Ash
Paul Duerr

BOARD OFFICERS

Doug Clarke	Chairperson
Kayla Clarke	Vice Chairperson
Jason Appel	Clerk
Brian VanderBeek	Treasurer

ADMINISTRATOR

Mike Pagel	Superintendent

INDEPENDENT SCHOOL DISTRICT NO. 505

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2025

This section of Fulda Schools - Independent School District 505's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025. Please read it in conjunction with the District's financial statements, which immediately follow this section. Certain comparative information between the current year (2024-2025) and the prior year (2023-2024) is presented in the MD&A.

FINANCIAL HIGHLIGHTS

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

- Net position increased from $298,513 to $1,257,040.
- Overall actual revenues in the Statement of Activities were more than $7,019,000 and $1,000,000 more than expenses.
- The District's General Fund balance (under the governmental fund presentation) increased $584,629 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts - Independent Auditor's Report, required supplementary information which includes the Management's Discussion and Analysis (this section), the basic financial statements, and 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.

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

Government-Wide Statements

The government-wide statements, (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position include all of the District's assets deferred outflows of resources (if any), 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Statements (continued)

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, deferred outflows of resources (if any), liabilities, and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional non-financial 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 titled "governmental activities":

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of 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. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

- Some funds are required by State law and by bond covenants.
- The District may establish 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 maintains governmental funds:

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

INDEPENDENT SCHOOL DISTRICT NO. 505

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was $1,298,558 on June 30, 2025. This was an increase of 335.01 percent from the prior year. (See Table A-1.)

Table A-1
Independent School District No. 505

Net Position - Governmental Activities
As of June 30

	2025	2024	Percentage Change
Current and other assets	$ 5,240,778	$ 4,356,880	20.29%
Capital assets/right to use assets	1,116,737	1,159,102	(3.65)
Total assets	$ 6,357,515	$ 5,515,982	15.26
Deferred outflows of resources	$ 973,680	$ 1,554,998	(37.38)
Current and other liabilities	$ 324,283	$ 237,853	36.34
Long-term liabilities	3,184,503	4,423,041	(28.00)
Total liabilities	$ 3,508,786	$ 4,660,894	(24.72)
Deferred inflows of resources	$ 2,523,851	$ 2,111,573	19.52
Net position-			
Net investment in capital assets	$ 1,108,484	$ 1,142,596	(2.99)
Restricted	1,129,812	1,054,810	7.11
Assigned	4,434	3,756	18.05
Unrestricted	(944,172)	(1,902,649)	50.38
Total net position	$ 1,298,558	$ 298,513	335.01

Changes in net position. The District's total revenues were $7,019,724 for the year ended June 30, 2025. Property taxes and state formula aid accounted for 63.5 percent of total revenue for the year. Another 3.3 percent came from other general revenues combined with investment earnings and the remainder from program revenues.

The total cost of all programs and services was $6,019,679. The District's expenses are predominantly related to educating and caring for students (75.8 percent).

- Some of the cost was paid by the users of the District's programs in the amount of $446,165.
- The federal and state governments subsidized certain programs with grants and contributions of $1,889,322.
- Most of the District's costs of $4,684,237, however, were paid for by District taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with $1,244,686 in property taxes, $3,207,252 of state aid based on the statewide education aid formula, and with investment earnings and other general revenues.

INDEPENDENT SCHOOL DISTRICT NO. 505

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Changes in net position (continued)

Table A-2 is similar to the fund financial statements except it is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. It also includes depreciation expense and excludes capital asset purchase costs, debt issuance proceeds and the repayment of debt principal.

Table A-2
Summary of Statement of Activities
For the Years Ended June 30, 2025 and 2024

	2025	2024	Percentage Change
Revenues-			
Program revenues-			
Charges for services	$ 446,165	$ 426,471	4.62%
Operating grants and contributions	1,888,506	2,138,191	(11.68)
Capital grants and contributions	816	2,832	(71.19)
General revenues-			
Property taxes	1,244,686	1,248,687	(.32)
Federal aids	3,147	653	381.93
State general grants and aids	3,207,252	3,341,770	(4.03)
All other	229,152	238,466	(3.91)
Total revenues	$ 7,019,724	$ 7,397,070	(5.10)
Expenses-			
Regular instruction	$ 2,493,236	$ 2,944,813	(15.33)
Exceptional instruction	925,534	921,048	.49
Vocational instruction	111,403	222,988	(50.04)
Instructional support services	191,646	148,003	29.49
Pupil support services	720,943	789,998	(8.74)
District and school administration	551,195	587,598	(6.20)
District support services	147,362	197,870	(25.53)
Sites, buildings and equipment	585,765	720,941	(18.75)
Community education and services	118,420	189,366	(37.47)
Fiscal and other fixed cost services	165,922	148,038	12.08
Amortization unallocated	8,253	8,229	.29
Total expenses	$ 6,019,679	$ 6,878,892	(12.49)
Change in net position	$ 1,000,045	$ 518,178	
Net position, beginning of year	298,513	(219,665)	
Net position, end of year	$ 1,298,558	$ 298,513	

INDEPENDENT SCHOOL DISTRICT NO. 505

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

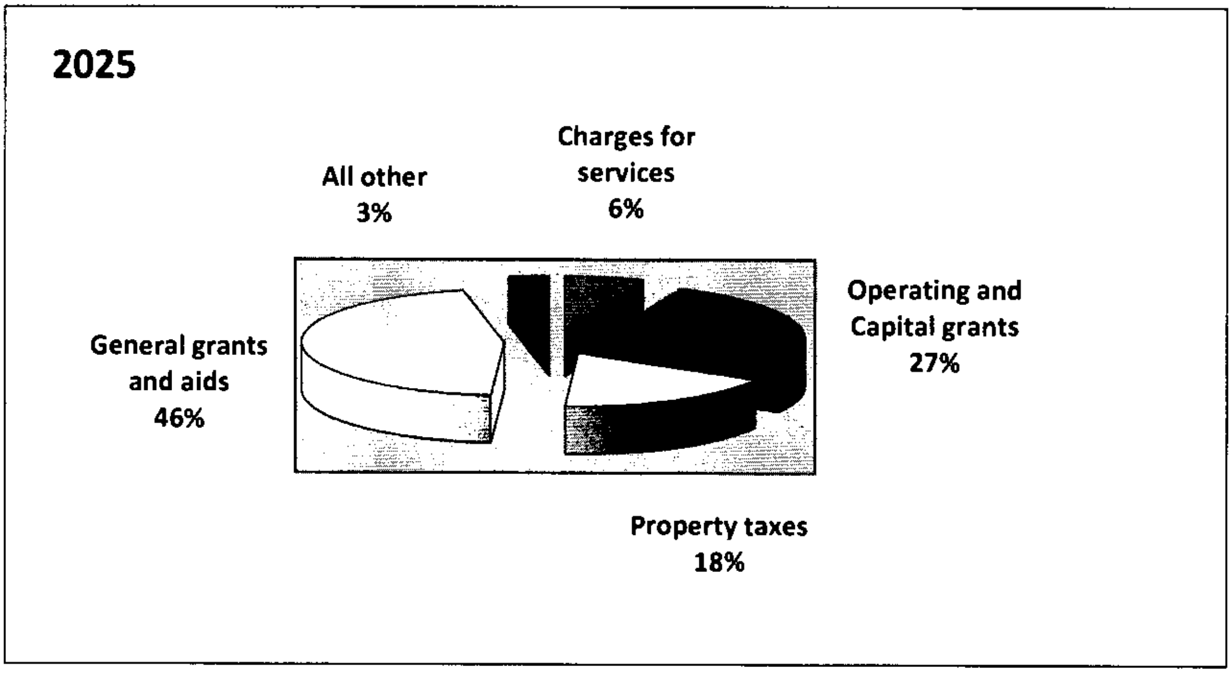
FOR THE YEAR ENDED JUNE 30, 2025

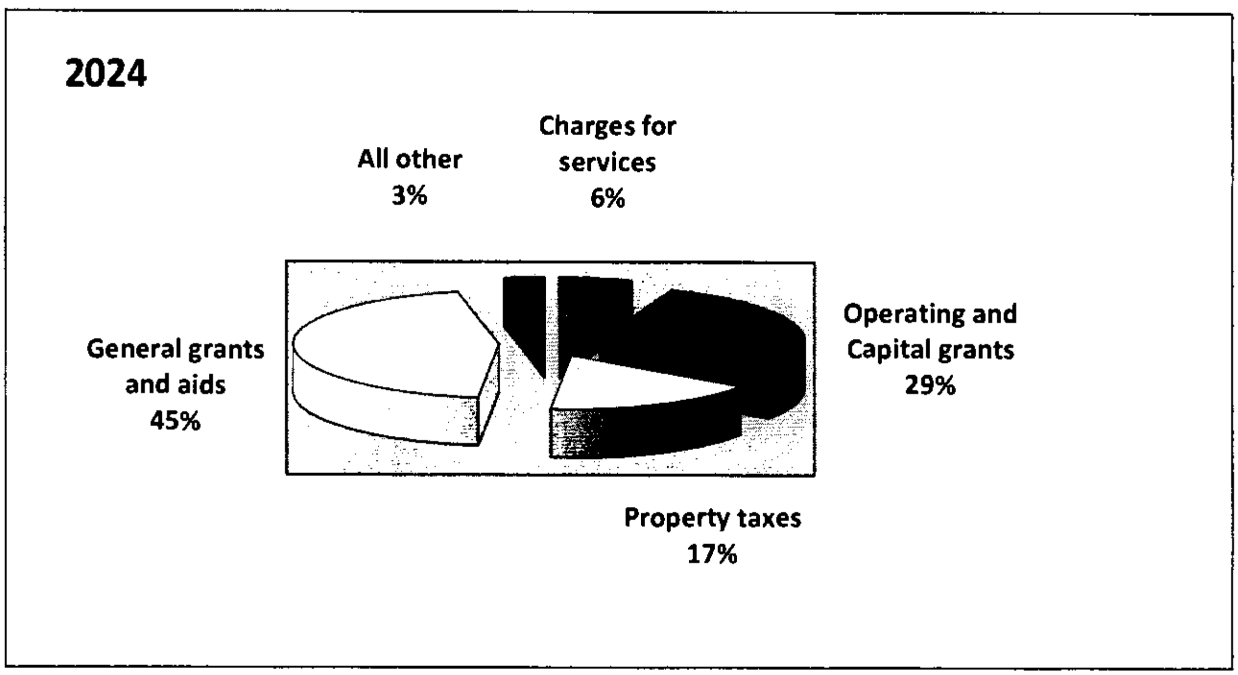
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Total revenues for fiscal year 2025 were $377,346 lower than the prior year.

Expenses decreased $859,213 compared to fiscal year 2024 levels. The decrease in expenditures is due to pension assumptions and student counts. The growth in remaining expenditures is consistent with regional inflationary trends.

Figure A-3 Sources of Revenue for Fiscal Years 2025 and 2024:





INDEPENDENT SCHOOL DISTRICT NO. 505

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Table A-4
Independent School District No. 505
Net Cost of Governmental Activities
For the years ended June 30, 2025 and 2024

	2025		2024
	Total Cost of Services	Net Cost of Services	Net Cost of Services
Regular instruction	$ 2,493,236	$ 1,360,446	$ 1,673,325
Exceptional instruction	925,534	183,134	170,442
Vocational instruction	111,403	110,967	221,493
Instructional support services	191,646	131,079	90,483
Pupil support services	720,943	422,102	433,991
District and school administration	551,195	551,195	587,598
District support services	147,362	147,362	197,870
Site, buildings and equipment	585,765	555,806	697,788
Community education and services	118,420	47,926	82,141
Fiscal and other fixed cost programs	165,922	165,922	148,038
Amortization unallocated	8,253	8,253	8,229
Total	$ 6,019,679	$ 3,684,192	$ 4,311,398

The total cost of district services was $6,019,679 as compared to the prior year total cost of district services of $6,878,892 an decrease of $859,213. When program specific revenues are considered, the net service cost was $3,684,192 which represents a decrease of $627,206 from the prior year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $3,514,682 an increase of $584,629 from the June 30, 2024, combined fund balance of $2,930,054, or a 19.95 percent increase.

Revenues for the District's governmental funds were $7,019,723, while total expenses were $6,435,094.

General Fund

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

The following schedule presents a summary of General Fund revenues (including operating, pupil transportation, and capital expenditure accounts).

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund (continued)

	Year Ended June 30, 2025	Year Ended June 30, 2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources-				
Property taxes	$ 1,223,096	$ 1,226,598	$(3,502)	(.3)%
Interest earnings	132,531	106,616	25,915	24.3
Other	351,804	327,385	24,419	(7.5)
State sources	4,666,548	4,806,064	(139,516)	(2.9)
Federal sources	145,189	295,869	(150,680)	(50.9)
Conversion of assets	-	-	-	-
Total revenues	$ 6,519,168	$ 6,762,532	$(243,364)	(3.6)%

Total General Fund revenue decreased by $243,364 or 3.6% from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue including excess levy referendum and the property tax shift involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on revenue.

The following schedule presents a summary of General Fund Expenditures (including operating, pupil transportation, and capital expenditure accounts).

	Year Ended June 30, 2025	Year Ended June 30, 2024	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 3,280,756	$ 3,292,725	$(11,969)	(.3)%
Benefits	987,495	1,051,729	(64,234)	(6.1)
Purchased services, supplies, materials and equipment	2,072,123	2,194,543	(122,420)	(5.6)
Other	19,703	19,025	678	3.6
Total expenditures	$ 6,360,077	$ 6,558,022	$(197,945)	(3.0)%

Total General Fund expenditures decreased by $197,945 or 3.0% from the previous year.

The District continues to look at various cost containment measures to minimize the effect rising health insurance premiums have on the costs of the District's employee compensation packages.

In 2024-2025, General Fund revenue and other financing sources exceeded by expenditures by $558,628, the unassigned fund balance increased from $1,871,488 at June 30, 2024, to $2,380,436at June 30, 2025.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

General Fund Budgetary Highlights

While the District's final budget for the general fund anticipated that expenditures would exceed revenues by $25,095, the actual results for the year show a $558,628 increase in fund balance.

Table A-5 summarizes the amendments to the General Fund budget:

Table A-5
General Fund
Budget

	Original Budget	Final Budget	Amount of Increase (Decrease)	Percent Change
Revenue	$ 6,153,273	$ 6,252,117	$ 98,844	1.60%
Expenditures	$ 6,128,178	$ 6,228,210	$ 100,032	1.63%

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. In the fall and spring, the District amends the budget for known changes in circumstances such as enrollment levels, legislative funding and employee contract settlements.

Other Governmental Funds

Food Service Special Revenue Fund revenue for fiscal 2025 totaled $306,103 and expenditures were $272,521. The June 30, 2025, fund balance is $252,906, an increase of $33,582 from fiscal year 2024.

Community Service Special Revenue Fund revenue for fiscal year 2025 totaled $117,592 and expenditures were $126,582. No transfer from the general fund was made during the 2025 fiscal year. The June 30, 2025, fund balance is $85,336, an decrease of $8,990 from fiscal year 2024.

Capital Projects Fund revenue for fiscal 2025 totaled zero and expenditures were zero. The June 30, 2025, fund balance is zero, a decrease of $2,307 from fiscal year 2024.

Debt Service Fund revenue for fiscal year 2025 totaled $76,426 and expenditures were $75,017. The June 30, 2025, fund balance is $19,607, an increase of $3,716 from fiscal year 2024.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2025, the District had invested $5,710,492 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 expense for the year was $109,565.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets (continued)

Table A-6
Independent School District No. 505
Capital Assets

	2025 Governmental Activities	2024 Governmental Activities	Increase (Decrease)
Land	$ 21,581	$ 21,581	$ -
Buildings	3,822,198	3,753,180	69,018
Equipment	1,866,713	1,895,347	(28,634)
Less-Accumulated depreciation	(4,602,008)	(4,527,512)	(74,496)
Total	$ 1,108,484	$ 1,142,596	$(34,112)
Depreciation	$ 109,565	$ 103,974	$ 5,591

Construction - Next Five Years

The school district is currently in the design and engineering phase of a May 13, 2025 voter approved $35.3 million dollar building project that will result in a one building PreK – 12 school campus. Construction is slated to begin in the spring of 2026. This project will include new construction, remodeling, renovation, repair, energy conservation measures, and other facility improvements and repairs.

In addition to the bond revenue, projects will be funded through operating capital, revenue funds, and long term facility maintenance revenue.

Debt Administration

At June 30, 2025, the District has general obligation bonds of $525,000. Under current state statutes, the District's general obligation bonded debt issuances are subject to a legal limitation equal to 15% of the actual value of all taxable property within the District. The District is within its legal authority for bonded debt.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

To meet the financial challenge, the District continues to utilize the Site Based Budgeting process. This process has been successful in the past and will improve our allocation of resources according to District priorities. The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

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 District's Administration Building.

Independent School District No. 505
410 N. College Avenue
Fulda, MN 56131

INDEPENDENT SCHOOL DISTRICT NO. 505

STATEMENTS OF NET POSITION

JUNE 30, 2025

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2024)

	Governmental Activities	
	2025	2024
ASSETS:		
Cash and temporary investments	$ 4,202,412	$ 3,013,296
Receivables-		
Current property taxes	713,327	622,380
Delinquent property taxes	16,653	13,654
Due from other school districts and governmental units	74,197	-
Due from Department of Education	129,776	533,029
Due from other government units	-	5,680
Accounts receivable	57,513	76,009
Prepaid items	-	46,193
Inventory	17,086	18,330
Restricted assets - temporarily restricted:		
Cash and investments for capital projects	-	2,307
Cash and investments for debt service	29,814	26,002
Capital assets, net of accumulated depreciation-		
Land	21,581	21,581
Buildings	799,784	795,947
Equipment	287,119	325,068
Right to use assets (net of accumulated amortization)	8,253	16,506
Total assets	$ 6,357,515	$ 5,515,982
DEFERRED OUTFLOWS OF RESOURCES:		
Related to OPEB	$ 14,279	$ 26,346
Related to pensions	959,401	1,528,652
Total assets and deferred outflows of resources	$ 7,331,195	$ 7,070,980

	Governmental Activities	
	2025	2024
LIABILITIES:		
Accounts payable	$ 79,703	$ 23,733
Salaries and compensated absences payable	15,543	16,373
Accrued payroll taxes and other payroll deductions	64,079	63,972
Due to other school districts and governmental units	120,353	86,420
Unearned revenue	44,605	47,355
Long-term liabilities-		
Due within one year	144,264	135,780
Due within one year lease liability	10,745	9,403
Due in more than one year	3,285,434	4,494,454
Due in more than one year lease liability	-	10,745
Total liabilities	$ 3,764,726	$ 4,888,235
DEFERRED INFLOWS OF RESOURCES:		
Property taxes levied for subsequent year's expenditures	$ 1,385,160	$ 1,175,319
Related to pensions	1,138,691	936,254
Total deferred inflows of resources	$ 2,523,851	$ 2,111,573
NET POSITION:		
Net investment in capital assets	$ 1,108,484	$ 1,142,596
Restricted for-		
Debt Service	19,607	15,892
Food Service	252,906	219,325
Community Service	85,336	94,326
Capital projects	-	2,307
State funded programs	771,963	722,960
Assigned	4,434	3,756
Unrestricted	(1,200,112)	(2,129,990)
Total net position	$ 1,042,618	$ 71,172
Total liabilities, deferred inflows of resources and net position	$ 7,331,195	$ 7,070,980

INDEPENDENT SCHOOL DISTRICT NO. 505

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

(WITH PARTIAL COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

	2025					2024
		Program Revenues			Net (Expense) Revenue and Change in Net Position	Net (Expense) Revenue and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
Functions/Programs						
Governmental Activities						
Instruction-						
Regular instruction	$ 2,521,835	$ 346,116	$ 786,674	$ -	$ (1,389,045)	$ (1,673,325)
Exceptional instruction	925,534	23,508	718,892	-	(183,134)	(170,442)
Vocational instruction	111,403	436	-	-	(110,967)	(221,493)
Total instruction	$ 3,558,772	$ 370,060	$ 1,505,566	$ -	$ (1,683,146)	$ (2,065,260)
Support Services-						
Instructional support services	$ 191,646	$ -	$ 60,567	$ -	$ (131,079)	$ (90,483)
Pupil support services	720,943	19,916	278,109	816	(422,102)	(433,991)
District and school administration	551,195	-	-	-	(551,195)	(587,598)
District support services	147,362	-	-	-	(147,362)	(197,870)
Site, buildings and equipment	585,765	21,252	8,707	-	(555,806)	(697,788)
Community education and services	118,420	34,937	35,557	-	(47,926)	(82,141)
Fiscal and other fixed cost programs	165,922	-	-	-	(165,922)	(148,038)
Amortization unallocated	8,253	-	-	-	(8,253)	(8,229)
Total support services	$ 2,489,506	$ 76,105	$ 382,940	$ 816	$ (2,029,645)	$ (2,246,138)
Total governmental activities	$ 6,048,278	$ 446,165	$ 1,888,506	$ 816	$ (3,712,791)	$ (4,311,398)
General Revenue						
Taxes-						
Property taxes, levied for general purposes					$ 1,176,654	$ 1,183,227
Property taxes, levied for specific purpose					68,032	65,460
Federal aid not restricted to specific purpose					3,147	653
State aid not restricted to specific purpose-						
General education aid					3,197,690	3,321,049
Other state aids					9,562	20,721
Interest and investment earnings					132,531	106,616
Other local revenue					96,621	105,302
Gain (loss) on disposal of capital assets					-	26,548
Total general revenues					$ 4,684,237	$ 4,829,576
Change in net position					$ 971,446	$ 518,178
NET POSITION, Beginning of year					$ 71,172	$ (219,665)
Change in accounting principle, GASB 101 implemented					-	(227,341)
NET POSITION, Beginning of year, restated					$ 71,172	$ (447,006)
NET POSITION, End of year					$ 1,042,618	$ 71,172

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 505

BALANCE SHEETS

GOVERNMENTAL FUNDS

JUNE 30, 2025

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2024)

	General	Food Service	Community Service	Capital Projects-Building Construction
ASSETS:				
Cash and temporary investments	$ 3,832,986	$ 235,820	$ 133,606	$ -
Receivables-				
Current property taxes	633,302	-	22,543	-
Delinquent property taxes	15,986	-	384	-
Accounts receivable	52,639	-	4,874	-
Due from other school districts	74,197	-	-	-
Due from Department of Education	122,824	-	2,112	-
Due from other government units	-	-	-	-
Prepaid items	-	-	-	-
Inventory	-	17,086	-	-
Total assets	$ 4,731,934	$ 252,906	$ 163,519	$ -
LIABILITIES:				
Accounts payable	$ 77,136	$ -	$ 2,567	$ -
Salaries payable	13,258	-	2,285	-
Payroll deductions	64,079	-	-	-
Due to other school districts	88,992	-	-	-
Due to other governmental units	31,361	-	-	-
Unearned revenue	19,583	-	25,022	-
Total liabilities	$ 294,409	$ -	$ 29,874	$ -
DEFERRED INFLOWS OF RESOURCES:				
Property taxes levied for subsequent year's expenditures	$ 1,264,706	$ -	$ 47,925	$ -
Unavailable revenue - Delinquent taxes	15,986	-	384	-
Total deferred inflows of resources	$ 1,280,692	$ -	$ 48,309	$ -

The accompanying notes are an integral part of these financial statements.

Debt Service	Total Governmental Funds 2025	Total Governmental Funds 2024
$ 29,814	$ 4,232,226	$ 3,041,605
57,482	713,327	622,380
283	16,653	13,654
-	57,513	76,009
-	74,197	-
4,840	129,776	533,029
-	-	5,680
-	-	46,193
-	17,086	18,330
$ 92,419	$ 5,240,778	$ 4,356,880
$ -	$ 79,703	$ 23,733
-	15,543	16,373
-	64,079	63,972
-	88,992	46,194
-	31,361	40,226
-	44,605	47,355
$ -	$ 324,283	$ 237,853
$ 72,529	$ 1,385,160	$ 1,175,319
283	16,653	13,654
$ 72,812	$ 1,401,813	$ 1,188,973

INDEPENDENT SCHOOL DISTRICT NO. 505

BALANCE SHEETS (CONTINUED)

GOVERNMENTAL FUNDS

JUNE 30, 2025

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2024)

	General	Food Service	Community Service	Capital Projects-Building Construction
FUND BALANCES:				
Nonspendable	$ -	$ 17,086	$ -	$ -
Restricted for-				
Student activities	113,004	-	-	-
Operating capital	365,016	-	-	-
Staff development	9,317	-	-	-
Literacy aid	23,246	-	-	-
Learning and development	-	-	-	-
Gifted and talented	25,512	-	-	-
Basic skills	239,792	-	-	-
Safe schools	14,865	-	-	-
Teacher development and evaluations	816	-	-	-
Long term facilities maintenance	(84,512)	-	-	-
Student support	6,672	-	-	-
Medical assistance	58,235	-	-	-
Food service	-	235,820	-	-
Community education	-	-	4,416	-
Early childhood family education	-	-	2,703	-
School readiness	-	-	-	-
Community service	-	-	78,217	-
Debt service	-	-	-	-
Restricted for other purposes	-	-	-	-
Assigned	4,434	-	-	-
Unassigned	2,380,436	-	-	-
Total fund balances	$ 3,156,833	$ 252,906	$ 85,336	$ -
Total liabilities, deferred inflows of resources and fund balances	$ 4,731,934	$ 252,906	$ 163,519	$ -

The accompanying notes are an integral part of these financial statements.

Debt Service	Total Governmental Funds 2025	2024
$ -	$ 17,086	$ 64,523
-	113,004	104,702
-	365,016	326,561
-	9,317	9,317
-	23,246	15,777
-	-	-
-	25,512	20,210
-	239,792	158,309
-	14,865	24,447
-	816	816
3,650	(80,862)	(29,369)
-	6,672	6,672
-	58,235	39,325
-	235,820	200,995
-	4,416	-
-	2,703	1,470
-	-	-
-	78,217	92,856
15,957	15,957	15,892
-	-	2,307
-	4,434	3,756
-	2,380,436	1,871,488
$ 19,607	$ 3,514,682	$ 2,930,054
$ 92,419	$ 5,240,778	$ 4,356,880

INDEPENDENT SCHOOL DISTRICT NO. 505

RECONCILIATION OF THE BALANCE SHEETS TO THE STATEMENTS OF NET POSITION

GOVERNMENTAL FUNDS

JUNE 30, 2025

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2024)

	2025	2024
Total fund balances - governmental funds	$ 3,514,682	$ 2,930,054
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets-		
Land	21,581	21,581
Buildings, net of accumulated depreciation	799,784	795,947
Equipment, net of accumulated depreciation	287,119	325,068
Right to use assets used in governmental funds are not financial resourses and therefore are not reported as assets in the funds		
Right of use assets, net of accumulated amortization	8,253	16,506
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to OPEB	14,279	26,346
Deferred outflows of resources related to pensions	959,401	1,528,652
Deferred inflows of resources related to pensions	(1,138,691)	(936,254)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Bond principal payable	(465,000)	(525,000)
Other postemployment benefits	(110,755)	(110,896)
Pension benefits payable	(2,597,039)	(3,766,058)
Right of use assets liability	(10,745)	(20,148)
Accrued compensated absences payable	(256,904)	(228,280)
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 deferred in the funds.	16,653	13,654
Total net position - governmental activities	$ 1,042,618	$ 71,172

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 505

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2024)

	General	Food Service	Community Service	Capital Projects-Building Construction
REVENUES:				
Local property tax levies	$ 1,223,096	$ -	$ 41,322	$ -
Other local and county revenues	484,335	9,042	55,322	-
Revenues from state sources	4,666,548	111,713	20,948	-
Revenues from federal sources	145,189	165,433	-	-
Sale and other conversion of assets	434	19,915	-	-
Total revenues	$ 6,519,602	$ 306,103	$ 117,592	$ -
EXPENDITURES:				
District and school administration	$ 597,903	$ -	$ -	$ -
District support services	151,077	-	-	-
Regular instruction	2,731,499	-	-	-
Vocational instruction	121,552	-	-	-
Exceptional instruction	1,014,551	-	-	-
Community education and services	-	-	126,582	-
Instructional support services	203,735	-	-	-
Pupil support services	449,989	272,521	-	-
Site, buildings and equipment	599,764	-	-	-
Fiscal and other fixed cost programs	90,904	-	-	-
Total expenditures	$ 5,960,974	$ 272,521	$ 126,582	$ -
Excess (deficit) of revenues over expenditures	$ 558,628	$ 33,582	$ (8,990)	$ -
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	$ -	$ -	$ -	$ -
Sale of bonds	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(2,307)
Total other financing sources (uses)	$ -	$ -	$ -	$ (2,307)
Net change in fund balances	$ 558,628	$ 33,582	$ (8,990)	$ (2,307)
FUND BALANCE, Beginning of year	2,598,205	219,324	94,326	2,307
FUND BALANCE, End of year	$ 3,156,833	$ 252,906	$ 85,336	$ -

Debt Service	Total Governmental Funds 2025	2024
$ 26,710	$ 1,291,128	$ 1,292,057
1,319	550,018	529,559
48,397	4,847,606	5,026,653
-	310,622	500,327
-	20,349	21,926
$ 76,426	$ 7,019,723	$ 7,370,522
$ -	$ 597,903	$ 558,578
-	151,077	195,283
-	2,731,499	2,815,017
-	121,552	210,521
-	1,014,551	871,596
-	126,582	178,608
-	203,735	142,186
-	722,510	844,898
-	599,764	669,977
75,017	165,921	148,038
$ 75,017	$ 6,435,094	$ 6,634,702
$ 1,409	$ 584,629	$ 735,820
$ -	$ -	$ 26,548
-	-	-
2,307	2,307	5,047
-	(2,307)	(5,047)
$ 2,307	$ -	$ 26,548
$ 3,716	$ 584,629	$ 762,368
15,891	2,930,053	2,167,685
$ 19,607	$ 3,514,682	$ 2,930,053

INDEPENDENT SCHOOL DISTRICT NO. 505

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

(WITH PARTIAL COMPARATIVE INFORMATION AS OF JUNE 30, 2024)

	2025	2024
Total net changes in fund balances - governmental funds	$ 584,629	$ 762,368
Amounts reported for governmental activities in the statements of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	80,365	135,047
Depreciation expense	(109,565)	(103,974)
Amortization of right to use asset	(8,253)	(8,229)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position.	(4,913)	(11,185)
Some expenses reported in the statements of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Pensions	440,388	(276,488)
Compensated absences	(28,624)	1,310
Other postemployment benefits	14,420	15,718
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 deferred in the funds.	2,999	3,611
Change in net position - governmental activities	$ 971,446	$ 518,178

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 505

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Local property tax levies	$ 1,172,082	$ 1,179,657	$ 1,223,096	$ 43,439
Other local and county revenues	205,520	333,365	484,335	150,970
Revenues from state sources	4,662,316	4,625,240	4,666,548	41,308
Revenues from federal sources	113,355	113,855	145,189	31,334
Sale and other conversion of assets	-	-	434	434
Total revenues	$ 6,153,273	$ 6,252,117	$ 6,519,602	$ 267,485
EXPENDITURES:				
District and school administration	$ 563,362	$ 565,292	$ 597,903	$ (32,611)
District support services	142,557	142,557	151,077	(8,520)
Regular instruction	2,770,118	2,821,158	2,731,499	89,659
Vocational instruction	208,940	208,940	121,552	87,388
Exceptional instruction	1,049,771	1,024,408	1,014,551	9,857
Community education and services	-	-	-	-
Instructional support services	126,633	182,299	203,735	(21,436)
Pupil support services	453,270	505,029	449,989	55,040
Site, buildings and equipment	704,078	669,078	599,764	69,314
Fiscal and other fixed cost programs	109,449	109,449	90,904	18,545
Total expenditures	$ 6,128,178	$ 6,228,210	$ 5,960,974	$ 267,236
Excess (deficit) of revenues over (under) expenditures	$ 25,095	$ 23,907	$ 558,628	$ 534,721
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	$ -	$ -	$ -	$ -
Transfers in (out)	-	-	-	-
Total other financing sources (uses)	$ -	$ -	$ -	$ -
Net change in fund balance	$ 25,095	$ 23,907	$ 558,628	$ 534,721
FUND BALANCE, Beginning of year	2,598,205	2,598,205	2,598,205	-
FUND BALANCE, End of year	$ 2,623,300	$ 2,622,112	$ 3,156,833	$ 534,721

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 505

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOOD SERVICE SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Other local and county revenues	$ 1,400	$ 1,400	$ 9,042	$ 7,642
Revenues from state sources	121,113	123,298	111,713	(11,585)
Revenues from federal sources	134,833	134,833	165,433	30,600
Sale and other conversion of assets	15,500	17,127	19,915	2,788
Total revenues	$ 272,846	$ 276,658	$ 306,103	$ 29,445
EXPENDITURES:				
Pupil support services	$ 300,625	$ 300,625	$ 272,521	$ 28,104
Total expenditures	$ 300,625	$ 300,625	$ 272,521	$ 28,104
Excess (deficit) of revenues over (under) expenditures	$ (27,779)	$ (23,967)	$ 33,582	$ 57,549
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	-	-
Net change in fund balance	$ (27,779)	$ (23,967)	$ 33,582	$ 57,549
FUND BALANCE, Beginning of year	219,324	219,324	219,324	-
FUND BALANCE, End of year	$ 191,545	$ 195,357	$ 252,906	$ 57,549

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 505

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

COMMUNITY SERVICES SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Local property tax levies	$ 39,909	$ 45,302	$ 41,322	$ (3,980)
Other local and county revenues	56,005	60,415	55,322	(5,093)
Revenues from state sources	22,922	21,116	20,948	(168)
Sale and other conversion of assets	-	-	-	-
Total revenues	$ 118,836	$ 126,833	$ 117,592	$ (9,241)
EXPENDITURES:				
Community education and services	$ 209,130	$ 222,880	$ 126,582	$ 96,298
Total expenditures	$ 209,130	$ 222,880	$ 126,582	$ 96,298
Excess (deficit) of revenues over (under) expenditures	$ (90,294)	$ (96,047)	$ (8,990)	$ 87,057
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	-	-
Net change in fund balance	$ (90,294)	$ (96,047)	$ (8,990)	$ 87,057
FUND BALANCE, Beginning of year	94,326	94,326	94,326	-
FUND BALANCE, End of year	$ 4,032	$ (1,721)	$ 85,336	$ 87,057

INDEPENDENT SCHOOL DISTRICT NO. 505

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Other local and county revenues	$ -	$ -	$ -	$ -
Total revenues	$ -	$ -	$ -	$ -
EXPENDITURES:				
Site, buildings and equipment	$ -	$ -	$ -	$ -
Total expenditures	$ -	$ -	$ -	$ -
Excess (deficit) of revenues over expenditures	$ -	$ -	$ -	$ -
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	(2,307)	(2,307)
FUND BALANCE, Beginning of year	$ 2,307	$ 2,307	$ 2,307	$ -
FUND BALANCE, End of year	$ 2,307	$ 2,307	$ -	$ (2,307)

The accompanying notes are an integral part of these financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 505

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

DEBT SERVICE FUND

FOR THE YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Local property tax levies	$ 28,830	$ 26,514	$ 26,710	$ 196
Other local and county revenues	-	-	1,319	1,319
Revenues from state sources	42,431	48,397	48,397	-
Total revenues	$ 71,261	$ 74,911	$ 76,426	$ 1,515
EXPENDITURES:				
Fiscal and other fixed cost programs	$ 75,018	$ 75,018	$ 75,017	$ 1
Total expenditures	$ 75,018	$ 75,018	$ 75,017	$ 1
Excess (deficit) of revenues over expenditures	$ (3,757)	$ (107)	$ 1,409	$ 1,516
OTHER FINANCING SOURCES (USES):				
Operating and other transfers in (out)	-	-	2,307	2,307
FUND BALANCE, Beginning of year	$ 15,891	$ 15,891	$ 15,891	$ -
FUND BALANCE, End of year	$ 12,134	$ 15,784	$ 19,607	$ 3,823

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Basis of Presentation-

Independent School District No. 505 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

b. Financial Reporting Entity-

Independent School District No. 505 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.

Accounting principles generally accepted in the United States of America (U.S. GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. In accordance with Minnesota State Statutes, the District's School Board has elected to control or exercise oversight responsibility with respect to the underlying student activities.

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. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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 purposes for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilized the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "depreciation expense-unallocated".

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; pension (or other benefit) trust, investment trust, private-purpose trust, and agency. 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. 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 and measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

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

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, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports unearned revenue on its statement of net position and balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. 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 and revenue is recognized.

Description of Funds-

The existence of the various District funds has been established by the State of Minnesota, Department of Education. Each fund is accounted for as an independent entity. The District reports the following 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.

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, adult or early childhood programs, or other similar services.

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

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 regular debt service account is used for all general obligation bond debt service, except for refunding bond issues, for which a separate refunding bond trust account has been established.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

e. Deferred Outflows/Inflows of Resources-

In addition to assets, the statement of financial position may report deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources from pensions on the government wide statement of net position result from the differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, changes in proportion, and contributions paid to the pension subsequent to the measurement date.

In addition to liabilities, the statement of financial position may report deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources consists of property taxes and pensions. Property taxes represent amounts for which there was an enforceable legal claim as of June 30, 2024, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund balance sheet and represents receivables which will not be collected within the available period. Pensions deferred inflows on the government wide statement of net position result from the differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, and changes in proportion. For the District, unavailable revenue includes delinquent property taxes. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available.

f. Budgeting-

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service and Community 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. Budgeted expenditure appropriations lapse at year-end.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

f. Budgeting (continued)-

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.

g. Cash and Temporary Investments-

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

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.

h. Accounts Receivable-

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. The only receivables not expected to be collected within one year are delinquent property taxes receivable.

i. Inventories-

Inventories are recorded using the consumption 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. Surplus commodities are stated at standardized costs, as determined by the Department of Agriculture.

j. Prepaid Items-

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expenditure at the time of consumption.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

k. Property Taxes-

Property tax levies are established by the School Board in December each year and are certified to the County by December 28, for collection the following calendar year. Those taxes become a lien against properties on January 1. 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 the state credits which are included in revenue from state sources in the financial statements.

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2023, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2024. The remaining portion of the levy will be recognized when measurable and available.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary. 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, 2024, 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.

l. 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 fair market value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. 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 statements, 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 generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes.

The following are the useful lives used for depreciation purposes:

Land improvements and buildings	20-50
Equipment	5-20

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

l. Capital Assets (continued)-

Capital assets not being depreciated include land and any construction in progress.

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

m. Long-Term Obligations-

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

n. Vacation Pay-

Under the terms of contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Vacation pay is accrued when incurred in the district-wide statements. Teachers are not eligible for vacation pay.

o. Sick Pay-

Substantially all District employees are entitled to sick leave at various rates. Sick pay is accrued based on master agreements and contracts. Teachers and administration accrue up front 15 days with a maximum accumulation of 150 days. All other staff that earn sick pay accrue based on hours worked per their contracts. The maximum days accruable for them is 120 days. The District follows guidelines set by the State for determining eligible conditions of payment. Most unused sick pay is not paid out at termination. In the rare times unused sick leave by contract needs to be paid out it enters into the calculation of early retirement incentive payments for some employees upon termination.

p. Other Postemployment Benefits-

In addition to retirement benefits, the District provides post-retirement 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.

q. Restricted Assets-

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

r. Fund Balances-

The District reports classifications of fund balance based on the purpose for which resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have purpose constraints placed upon them by laws, regulations, creditors, grantors, or other external parties and are considered available only for the purpose for which they were received.

Committed – resources that are constrained for specific purposes that are internally imposed by the District at its highest level of decision making authority, the Board of Education. With an affirmative vote of its members, the Board of Education may create funds for which resources are committed to the established purpose of that fund.

Assigned – resources that are intended to be used for specific purposes as approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned – residual fund balance within the general fund that is in spendable form and is not restricted, committed, or assigned.

The District applies restricted resources first when an expenditure is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the fund balance classifications could be used.

The District formally adopted a fund balance policy for the General Fund. The policy establishes a target of maintaining at least 25% 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.

s. Risk Management-

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2024.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

t. Net Position-

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

u. Use of Estimates-

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

v. Functional Allocation of Expenses-

The costs of various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

w. 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 Teachers Retirement Association (TRA) and Public Employees Retirement Association (PERA) and additions to/deductions from TRA's and PERA's fiduciary net position have been determined on the same basis as they are reported by TRA and PERA.

PERA: For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

   a. Expenditures Over Budget-

      No expenditures were greater than budget in any fund.

   b. Fund Balance Deficits-

      Fund balance deficits were not recorded in any of the District's funds.

   c. Interfund Receivable and Payables-

      There were no District interfund receivables and payables at June 30, 2025.

3. DEPOSITS AND INVESTMENTS:

   a. Deposits-

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

      Minnesota Statutes require that all District 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 bonds.

      Authorized collateral includes treasury bills, notes and bonds; issues of U.S. Government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

      Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2025, none of the government's bank balance of $817,567 was exposed to custodial credit risk. No amounts were uninsured or under collateralized.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (Continued):

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 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States' banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States' corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

The District's investments are potentially subject to various risks including the following:

- **Custodial credit risk** – The risk that in the event of a failure of the counterparty to an investment transaction (typically a broker) the government would not be able to recover the value of the investment or collateral securities.
- **Credit risk** – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.
- **Concentration risk** – Investing 5 percent or more of the District's portfolio in the securities of a single issuer.
- **Interest rate risk** – The risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk).

The District has no internal policies that limit deposits on investment choices or address these potential risks beyond the statutory limitations described above.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (Continued):

b. Investments (continued)-

The following table presents the District's investment balances at June 30, 2025, and information relating to potential investment risks:

	Credit Risk		Concentration Risk	Interest Rate Risk	
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	Carrying Value
Investment pools/mutual funds-					
Minnesota School District Liquid Asset Fund Plus	AAAm	S & P	N/A	N/A	$ 885,693
Minnesota School District Liquid Asset Fund Plus MAX Series	AAAm	S & P	N/A	N/A	2,545,150
Total investments					$ 3,430,843
Deposits					801,383
Total cash and temporary investments					$ 4,232,226

N/A - Not applicable

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

Cash and temporary investments - statement of net position	$ 4,232,226

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

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 follow 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 the 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 quotes 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 that is significant to the fair value measurement of the instrument.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (Continued):

c. Fair Value Measurements (continued)-

Financial assets and liabilities recorded of the combined 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 the 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.

Assets of the District measured at fair value on a recurring basis:

Investment	Level 1	Level 2	Level 3	Total
Municipal bonds	$ -	$ 885,693	$ -	$ 885,693
Mutual funds	2,545,150	-	-	2,545,150
Equities	-	-	-	-
Total	$ 2,545,150	$ 885,693	$ -	$ 3,430,843

4. CAPITAL ASSETS:

The cost of capital assets activity for the year ended June 30, 2025, is as follows:

Governmental Activities-

	Land	Buildings	Equipment	Total
Cost at June 30. 2024	$ 21,581	$ 3,753,180	$ 1,895,347	$ 5,670,108
Additions	-	69,018	11,348	80,366
Subtractions	-	(-)	(39,982)	(39,982)
Cost at June 30, 2025	$ 21,581	$ 3,822,198	$ 1,866,713	$ 5,710,492

Less-Accumulated depreciation for-

	Land	Buildings	Equipment	Total
Accumulated depreciation at June 30, 2024	$ -	$ 2,957,233	$ 1,570,279	$ 4,527,512
Additions	-	65,181	44,384	109,565
Subtractions	-	(-)	(35,069)	(35,069)
Accumulated depreciation at June 30, 2025	$ -	$ 3,022,414	$ 1,579,594	$ 4,602,008
Capital assets, net of accumulated depreciation at June 30, 2025	$ 21,581	$ 799,784	$ 287,119	$ 1,108,484

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS (Continued):

Depreciation expense of $109,565 for the year ended June 30, 2025, was charged to the following governmental functions:

Administration	$	424
District support services		319
Regular instruction		10,238
Vocational instruction		164
Exceptional instruction		673
Community service		602
Pupil support services		22,952
Site, buildings and equipment		74,193
	$	109,565

5. RIGHT TO USE LEASED ASSETS:

Right to use asset activity for the year ended June 30, 2025, was as follows:

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Leased right to use assets	$ 43,327	$ -	$ -	$ 43,327
Accumulated amortization	26,821	8,253	-	35,074
	$ 16,506	$ 8,253	$ -	$ 8,253

6. LONG-TERM LIABILITIES:

a. Components of Long-Term Debt-

	Original Amount Issued	Final Maturity Date	Interest Rate	Balance Outstanding
Compensated absences				$ 256,904
General obligation bonds	$ 750,000	12/05/2032	2.77%	465,000
				$ 721,904

b. Descriptions of Long-Term Debt-

Compensated Absences Payable-

Compensated absences payable consists of vacation and sick leave, to the extent that the employee's right to receive payment for future absences is attributable to services already rendered, the rights accumulate and vest, payment is probable, and the amount can be reasonably estimated. The liability includes salary-related payments (e.g., the employer's share of FICA and Medicare taxes) to the extent they are directly associated with the accrued leave. The accrued liability for compensated absences is included in accrued expenses on the balance sheet.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM LIABILITIES (Continued):

b. Descriptions of Long-Term Debt (continued)-

Other Postemployment Benefits Payable-

Other postemployment benefits payable consists of postemployment health insurance benefits available to employees as specified in the employee's employment contract upon retirement. Health benefits have been paid by the General Fund.

Pension Benefits Payable-

Pension benefits payable consist of pension benefit payments available to employees as specified in the employee's employment contract upon retirement. Pension benefits have been paid by the General and Special Revenue Funds.

General Obligation Bonds-

General obligation facilities maintenance bonds consist of a 2.77% fixed rate bond to be utilized for boiler updates on December 5, 2019, for $750,000 maturing in 2032.

c. Minimum Debt Payments-

Principal maturities are as follows for the years ending June 30:

2026	$ 60,000
2027	65,000
2028	65,000
2029	65,000
2030	70,000
Thereafter	140,000
	$ 465,000

d. Changes in Long-Term Liabilities-

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Due within One Year
Compensated absences	$ 228,280	$ 256,904	$ 228,280	$ 256,904	$ 84,264
General obligation bond	525,000	-	60,000	465,000	60,000
	$ 753,280	$ 256,904	$ 288,280	$ 721,904	$ 144,264

7. LEASES:

The District entered into an agreement to lease copy machines. The lease is non-cancelable and will expire in June, 2026. Under the terms of the leases, the District pays a monthly equipment lease fee. In addition, the District also pays a maintenance cost fee that is based on an estimate of the number of copies produced. Periodically, a reconciliation of the actual copy count versus estimates is done and any overage is billed separately. The maintenance cost is treated as an ordinary operating cost.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. LEASES (Continued):

At June 30, 2024 the District recognizes a right-to-use asset value (net of accumulated amortization of $8,253 and an associated lease liability of $10,745. During the 2025 fiscal year, the District recorded $8,253 Statement of Activities. The District used a rate of 13.42% for these assets, based on the interest rate provided by the leasing company.

Right-to-use assets	July 1, 2024 Balance	Additions	Deletions	June 30, 2025 Balance
Copiers	$ 43,327	$ -	$ -	$ 43,327
Accumulated amortization				
Copiers	26,821	8,253	-	35,074
Net right to use assets	$ 16,506			$ 8,253

Remaining Lease Liability

	Principal	Interest	Total
Leased asset payment schedule For the year ending June 30,			
2026	$ 10,745	$ 797	$ 11,542
	$ 10,745	$ 797	$ 11,542

8. INTERFUND TRANSFERS:

Transfers are used to move unrestricted revenues to finance various programs in accordance with budgetary authorizations. As of June 30, 2025, the District had interfund transfers of $2,307.

9. RESTRICTED 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.

Restricted fund balances at June 30, 2025, are as follows:

Restricted for Student Activities-

In accordance with state statute, represents available resources designated the extracurricular activities for students. The fund balance as of June 30, 2025, is $113,004.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. RESTRICTED FUND BALANCES (Continued):

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. The fund balance as of June 30, 2025, is $365,016.

Restricted for Staff Development-

In accordance with state statute, represents available resources designated for staff development programs. The fund balance as of June 30, 2025, is $9,317.

Restricted for Literacy Aid-

In accordance with state statute, represents available resources designated for literacy aid and proficiencies. The fund balance as of June 30, 2025 is $23,246.

Restricted for Gifted and Talented-

The fund balance reservation represents accumulated resources available for gifted and talented programming in accordance with funding made available for that purpose. The fund balance as of June 30, 2025, is $25,512.

Restricted for Safe Schools Programs-

In accordance with state statute, represents available resources designated for the safe schools crime programs. The fund balance as of June 30, 2025, is $14,865.

Restricted for Teacher Development and Evaluations-

In accordance with state statute, represents available resources designated for teacher development and evaluation programs. The fund balance as of June 30, 2025, is $816.

Restricted for Basic Skills-

In accordance with state statute, represents available resources designated for basic skills programs. The fund balance as of June 30, 2025, is $239,792.

Restricted for Medical Assistance-

In accordance with state statute, represents available resources designated for medical assistance programs. The fund balance as of June 30, 2025, is $58,235.

Restricted for Student Support Personnel-

In accordance with state statute, represents available resources designated for student support personnel programs. The fund balance as of June 30, 2025, is $6,672.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. RESTRICTED FUND BALANCES (Continued):

Restricted for Food Services-

The fund balance restriction represents accumulated resources available to provide food services for the district. The fund balance as of June 30, 2025, is $235,820.

Restricted for Community Education-

The fund balance restriction represents accumulated resources available to provide general community education programming. The fund balance as of June 30, 2025, is $4,416.

Restricted for Early Childhood Family Education-

In accordance with state statute, represents available resources for services for Early Childhood Family Education programming. The fund balance as of June 30, 2025, is $2,703.

Restricted for School Readiness-

The fund balance restriction represents accumulated resources available to provide school readiness programming accordance with funding made available for that purpose. The fund balance as of June 30, 2025, is zero.

Restricted for Community Service-

The fund balance restriction represents accumulated resources available to provide general community service programming. The fund balance as of June 30, 2025, is $78,217.

Restricted for Building Construction - Long-Term Facilities Maintenance-

In accordance with state statute, represents available resources designated for facilities maintenance programs. The fund balance as of June 30, 2025, is a deficit of $80,862.

Restricted for Building Construction-

In accordance with state statute, represents available resources designated for facilities construction programs. The fund balance as of June 30, 2025, is zero.

Restricted for Debt Service-

In accordance with state statute, represents available resources designated for debt service programs. The fund balance as of June 30, 2025, is $15,957.

Assigned for projects-

Represents amounts assigned for projects. But are not restricted or committed. The fund balance as of June 30, 2025, is $4,434

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLANS:

a. Plan Descriptions-

1. Teachers' Retirement Association (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 administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

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

2. Public Employees Retirement Association (PERA)-

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 the pension plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLANS (Continued):

b. Benefits Provided-

TRA and PERA provide 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 provisions in effect at the time they last terminated their public service.

1. 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 sixty months of formula service, age and years of formula service credit at termination of service. TRA members belong to either the Basic or Coordinated Plan.

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

Tier I Benefits

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

With these provisions-

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

b. 3 percent per year early retirement reduction factor for all years under normal retirement age.

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

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLANS (Continued):

b. Benefits Provided (continued)-

Or

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9 percent per year for coordinated members and 2.7 percent 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 calculation with a normal retirement age for retirement age for full Social Security retirement benefits, but not to exceed age 66. After July 1, 2024, the age will change to not to exceed 65. An early retirement reduction is applied to members retiring before age 66, but will be age 65 after July 1, 2024. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) early retirement reduction rate applied.

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

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

2. PERA Benefits-

When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

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

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLANS (Continued):

b. Benefits Provided (continued)-

2. PERA Benefits (continued)-

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

c. Contributions-

1. 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 $201,321. The District's contributions were equal to the required contributions for each year as set by state statute.

2. PERA 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 percent of their annual covered salary in fiscal year 2025 and the District was required to contribute 7.50 percent for General Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2025, were $65,101. The District's contributions were equal to the required contributions as set by state statute.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLANS (Continued):

d. Net Pension Liability and Pension Costs-

1. TRA net pension liability -

On June 30, 2025, Independent School District No. 505 reported a liability of $2,217,658 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. Independent School District No. 505's proportion of the net pension liability was based on the Independent School District No. 505's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0349 percent at the end of the measurement period and 0.0410 percent for the beginning of the year.

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

District's proportionate share of net pension liability	$ 2,217,658
State's proportionate share of the net pension liability associated with the district	61,424

For the year ended June 30, 2025, the District recognized pension expense of ($236,212). It also recognized $61,482 as an decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed $176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the $176 million in direct state aid because this contribution was not considered to the meet the definition of a special funding situation. The District recognized $61,424 for the year ended June 30, 2025, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

At June 30, 2025, Independent School District No. 505 reported deferred outflows of resources and deferred inflows of resources from the following sources related to pensions from the following sources:

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLANS (Continued):

e. Pension Costs (continued)-

1. TRA pension costs (continued)-

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 75,799	$ 21,350
Net difference between projected and actual investment earnings on pension plan investments	273,750	373,084
Changes of assumptions	116,429	211,570
Changes in proportion	82,637	187,142
District contributions subsequent to the measurement date	201,321	-
Total	$ 749,936	$ 793,146

The $201,321 reported as deferred outflows of resources related to pensions resulting from District Contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2026	$241,221
2027	(194,881)
2028	(151,269)
2029	(157,496)
2030	-

2. PERA Pension Costs-

At June 30, 2025, the District reported a liability of $379,381 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $9,810.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLANS (Continued):

e. Pension Costs (continued)-

2. PERA Pension Costs (continued)-

District's proportionate share of net pension liability	$	379,381
State of Minnesota's proportionate share of the net pension liability associated with the District		9,810
Total	$	389,191

The net pension liability was measured as of June 30, 2024, and the total pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0103 percent at the end of the measurement period and 0.0108 percent for the beginning of the period.

For the year ended June 30, 2025, the District recognized pension expense of ($100,971) for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional $263 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 contribution.

During the plan year ended June 30, 2024, the State of Minnesota contributed $170.1 million to the General Employees Fund, The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the $170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The District recognized $17,455 for the year ended June 30, 2025, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLANS (Continued):

e. Pension Costs (continued)-

2. PERA Pension Costs (continued)-

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 36,357	$ -
Net difference between projected and actual investment earnings	-	49,609
Changes of assumption	2,003	149,086
Changes in proportion	-	40,846
Employer contributions subsequent to the measurement date	65,101	-
Balance at June 30, 2024	$ 402,688	$ 414,933
Balance at June 30, 2025	$ 209,465	$ 345,545

The $65,101 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 ended June 30:	Pension Expense Amount
2026	$(6,700)
2027	(110,747)
2028	(54,656)
2029	(29,078)

The total pension expense for the General Employees Fund recognized by the District for the year ended June 30, 2025 was $(83,516).

f. Actuarial Methods and Assumptions-

The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. The 7.0 percent 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 return rates considered reasonable by the actuary. An investment return of 7.0 percent is within that range.

10. DEFINED BENEFIT PENSION PLANS (Continued):

f. Actuarial Methods and Assumptions- (continued)-

- Inflation is assumed to be 2.25 percent for the General Employees Fund and 2.50 percent for TRA.
- Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Fund and for TRA 1.00 percent for January 2019 through January 2023, then increasing by 0.1 percent each year up to 1.5 percent annually.
- Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3 percent after 27 years of service. TRA wage growth rates are 2.85 percent before July1, 2028 and 3.25 percent after June 30, 2028. TRA projected salary increase is 2.85 percent to 8.85 percent before July 1, 2028, and 3.25 percent to 9.25 percent after June 30, 2028.
- Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.
- Mortality rates for TRA are as follows:
    - Pre-retirement: PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
    - Healthy Retirees: PubT-2010(A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
    - Beneficiaries: Pub-2010(A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
    - Disables Retirees: PubNS-2010 Disables Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

The long-term expected rate of return on pension plan investments for both PERA and TRA was determined by the State Board of Investments 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 an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLANS (Continued):

f. Actuarial Methods and Assumptions (continued)-

TRA: Changes in actuarial assumptions since the 2022 valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data know 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 percent Joint and Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15 percent to reflect the continued lower than expected observations.

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

The following actuarial assumptions and plan provisions occurred in 2024:

Changes in actuarial assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and femails.
- 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 actual equivalent factors updated to reflect the changes in assumptions.

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. DEFINED BENEFIT PENSION PLANS (Continued):

g. Discount Rate-

The discount rate used to measure the total pension liability in 2023 was 7.0 percent for TRA and 7.0% for PERA. 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 contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on those assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long- term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA Discount Rate	(6.00%)	(7.00%)	(8.00%)
District's proportionate share of the TRA net pension liability	$ 3,905,425	$ 2,217,658	$ 828,585
General Employees Fund Discount Rate	6.00%	7.00%	8.00%
District's proportionate share of the General Employees Fund net pension liability	$ 828,630	$ 379,381	$ 9,833

i. Pension Plan Fiduciary Net Position-

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, or by writing to TRA or calling TRA:

Teachers Retirement Association
60 Empire Drive, Suite 400
St. Paul, MN 55103-4000
(651) 296-2409 or (800) 657-3669

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

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. OTHER POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN:

a. Plan Description-

The District operates a single-employer retiree benefit plan ("the Plan") that provides health insurance to eligible employees and their spouses through the District's health insurance plan. There are 35 active participants and 3 retired participants. The Plan does not issue a publicly available financial report.

Post-Employment Medical Plan – All eligible retirees of the District have the option to continue their medical coverage into retirement. Retirees pay the full district premium rate for the coverage and dependent coverage if elected. When the retiree is eligible for coverage under Medicare, the District plan allows continued participation as a healthcare plan secondary to that Medicare coverage.

b. Funding Policy-

As of June 30, 2025, none of the employee bargaining unit contracts and employment agreements includes a provision for a District contribution for post-employment healthcare plan premiums.

c. Actuarial Methods and Assumptions-

The total OPEB liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Key methods and assumptions used in valuation of total OPEB:

Discount rate	3.90%
Medical trend rate	6.25% decreasing to 5.00% then 4.00%

d. Total OPEB Liability-

As of June 30, 2025, the actuarial valuation date, the District's total OPEB liability (TOL) was $110,755.

	Total OPEB Liability
Balance at July 1, 2024	$ 110,896
Changes for the year-	
Service cost	9,710
Interest cost	4,428
Assumption changes	-
Difference between Expected and Actual Experience	-
Benefit payments	(14,279)
Net change in total OPEB liability	$(141)
Balance at June 30, 2025	$ 110,755

INDEPENDENT SCHOOL DISTRICT NO. 505

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. OTHER POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (Continued):

e. OPEB Liability Sensitivity-

The following presents the District's total OPEB liability calculated using the discount rate of 3.9% as well as the liability measured using 1% higher and 1% lower than the current discount rate.

1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
2.90%	3.90%	4.90%
$ 117,009	$ 110,755	$ 104,744

The following presents the District's total OPEB liability, as well as what the District's total OPEB liability would be if it were calculated using healthcare trend rates that are 1% higher and 1% lower than the current healthcare trend rate and decreasing to 5.00% then 4.00%.

1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
5.50%	6.50%	7.50%
$ 99,571	$ 110,755	$ 124,259

f. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB-

For the year ended June 30, 2025, the District recognized OPEB expense of $12,779. At June 30, 2024, the district reported deferred outflows related to OPEB from the following sources:

	Deferred Outflows of Resources
Employer contributions	$ 16,028

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

Year ended June 30:	Pension Expense Amount
2026	$(1,359)
2027	(1,358)
2028	107
2029	1,191
2030	-
Thereafter	-

12. FLEXIBLE BENEFIT PLAN:

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

Before the beginning of the plan year each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the plan, whether or not such contributions have been made.

Payments of insurance premiums (health, dental, life, disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General and Special Revenue Funds.

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

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

13. JOINT VENTURES:

Independent School District No. 505 – Fulda, Independent School District No. 514 – Ellsworth, Independent School District No. 511 – Adrian, Independent School District No. 2907 – Round Lake-Brewster, Independent School District No. 330 – Heron Lake-Okabena, and Independent School District No. 518 – Worthington entered into a joint powers agreement for the purpose of implementing the Nobles County Multi-District Integration Plan which was drafted by the Nobles County Multi-District Integration Council and submitted to the State of Minnesota in January, 2001. The member districts shall transfer to the Board the initial and subsequent integration and achievement funds as established at the conception of the agreement. Grants received from private foundations, corporate donations, and regional, state and federal grants relating to the implementation of the plan will be used in addition to the member districts' transfers to finance the program. Any surplus is returned to member districts at the end of the fiscal year; therefore, no material surplus or deficit exists or is anticipated. Independent School District No. 518 – Worthington was named the fiscal agent for the Collaborative.

The Collaborative is required to issue a separate audited financial statement detailing their revenues, expenditures and financial position.

14. RELATED PARTY TRANSACTIONS:

During the normal course of business, the District purchases goods and services from employees of the District and sells goods and services to employees of the District. All transactions were conducted on terms similar to unrelated parties. The amounts of such transactions are not material to the financial statements.

15. COMMITMENTS AND CONTINGENCIES:

a. Grants and Aids-

The District receives significant financial assistance from numerous federal, state and local government agencies in the form of grants and aid. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

b. Legal Claims-

The District has the usual and customary types of miscellaneous legal claims pending at year end, mostly of a minor nature and usually covered by insurance carried for that purpose.

16. CHANGE IN ACCOUNTING PRINCIPLE:

As of July 1, 2024, the District adopted GASB Statement No. 101, Compensated Absences. The objective of this Statement is to improve the clarity, consistency, and comparability of financial reporting for state and local governments regarding compensated absences (e.g., vacation, sick leave) by establishing a unified model for recognizing and measuring liabilities.

INDEPENDENT SCHOOL DISTRICT NO. 505

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2025

INDEPENDENT SCHOOL DISTRICT NO. 505

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGESS FOR OTHER POSTEMPLOYMENT BENEFIT PLAN

JUNE 30, 2025, 2024, 2023, 2022, 2021, 2020, 2019, 2018, 2017, AND 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2016	$ -	$ 98,588	$ 98,588	-%	$ 2,825,839	3.5%
6/30/2017	$ -	$ 98,588	$ 98,588	-%	$ 2,885,774	3.4%
6/30/2018	$ -	$ 101,821	$ 101,821	-%	$ 2,673,081	3.8%
6/30/2019	$ -	$ 101,821	$ 101,821	-%	$ 2,944,599	3.5%
6/30/2020	$ -	$ 149,904	$ 149,904	-%	$ 3,015,522	5.0%
6/30/2021	$ -	$ 138,159	$ 138,159	-%	$ 3,158,791	4.4%
6/30/2022	$ -	$ 127,546	$ 127,546	-%	$ 3,292,082	3.9%
6/30/2023	$ -	$ 108,384	$ 108,384	-%	$ 3,393,803	3.2%
6/30/2024	$ -	$ 110,896	$ 110,896	-%	$ 3,292,725	3.4%
6/30/2025	$ -	$ 110,755	$ 110,755	-%	$ 3,280,756	3.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2016	-	-%
2017	-	-%
2018	-	-%
2019	-	-%
2020	-	-%
2021	-	-%
2022	-	-%
2023	-	-%
2024	-	-%

INDEPENDENT SCHOOL DISTRICT NO. 505

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

Actuarial Valuation Date June 30,	Plan	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability associated witb the District	Employer's Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	TRA	0.0358%	$ 2,214,584	$ 271,699	$ 1,814,720	122.03%	76.77%
	PERA	0.0123%	$ 637,450	$	$ 721,499	88.35%	78.20%
2016	TRA	0.0385%	$ 9,183,169	$ 922,525	$ 2,000,253	459.10%	44.88%
	PERA	0.0111%	$ 901,265	$ 11,828	$ 825,132	109.23%	68.90%
2017	TRA	0.0375%	$ 7,485,680	$ 723,177	$ 2,018,633	370.83%	51.57%
	PERA	0.0114%	$ 764,726	$ 9,128	$ 864,441	88.46%	75.90%
2018	TRA	0.0354%	$ 2,226,210	$ 209,299	$ 1,958,240	113.68%	78.07%
	PERA	0.0109%	$ 604,687	$ 19,733	$ 953,709	63.40%	79.50%
2019	TRA	0.0346%	$ 2,205,411	$ 195,369	$ 1,966,057	112.17%	78.21%
	PERA	0.0119%	$ 657,924	$ 20,499	$ 978,866	67.21%	80.20%
2020	TRA	0.0354%	$ 2,497,189	$ 209,086	$ 1,966,730	126.97%	75.48%
	PERA	0.0120%	$ 719,455	$ 22,239	$ 1,048,388	68.62%	79.10%
2021	TRA	0.0364%	$ 1,592,973	$ 134,452	$ 2,179,717	73.08%	86.63%
	PERA	0.0117%	$ 499,642	$ 15,186	$ 1,192,061	41.91%	87.00%
2022	TRA	0.0402%	$ 2,994,794	$	$ 2,313,106	129.47%	76.17%
	PERA	0.0111%	$ 879,124	$ 25,942	$ 978,185	89.87%	76.70%
2023	TRA	0.0410%	$ 3,162,134	$ 473,175	$ 2,435,767	129.82%	76.42%
	PERA	0.0108%	$ 603,924	$ 16,652	$ 848,960	71.14%	83.10%
2024	TRA	0.0349%	$ 2,217,658	$ 61,424	$ 2,315,447	95.78%	82.07%
	PERA	0.0103%	$ 379,381	$ 9,810	$ 866,880	43.76%	89.10%

INDEPENDENT SCHOOL DISTRICT NO. 505

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ending June 30.	Plan	Statutorily Required Contribution (a)	Contributions in Relatin to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
2016	TRA	$ 150,053	$ 150,053	$ -	$ 2,000,707	7.50%
	PERA	$ 51,918	$ 51,918	$ -	$ 825,132	6.29%
2017	TRA	$ 151,600	$ 151,600	$ -	$ 2,021,333	7.50%
	PERA	$ 55,966	$ 55,966	$ -	$ 864,441	6.47%
2018	TRA	$ 146,790	$ 146,790	$ -	$ 1,957,200	7.50%
	PERA	$ 54,586	$ 54,586	$ -	$ 953,709	5.72%
2019	TRA	$ 151,558	$ 151,558	$ -	$ 1,965,733	7.71%
	PERA	$ 63,010	$ 63,010	$ -	$ 978,866	6.44%
2020	TRA	$ 155,797	$ 155,797	$ -	$ 1,967,134	7.92%
	PERA	$ 63,854	$ 63,854	$ -	$ 1,048,388	6.09%
2021	TRA	$ 177,271	$ 177,271	$ -	$ 2,180,455	8.13%
	PERA	$ 64,080	$ 64,080	$ -	$ 1,192,061	5.38%
2022	TRA	$ 192,979	$ 192,979	$ -	$ 2,313,897	8.34%
	PERA	$ 62,677	$ 62,677	$ -	$ 978,185	6.41%
2023	TRA	$ 208,338	$ 208,338	$ -	$ 2,436,702	8.55%
	PERA	$ 63,672	$ 63,672	$ -	$ 848,960	7.50%
2024	TRA	$ 195,312	$ 195,312	$ -	$ 2,232,137	8.75%
	PERA	$ 65,016	$ 65,016	$ -	$ 866,880	7.50%
2025	TRA	$ 201,321	$ 201,321	$ -	$ 2,315,447	8.75%
	PERA	$ 65,101	$ 65,101	$ -	$ 868,013	7.50%

INDEPENDENT SCHOOL DISTRICT NO. 505

ADDITIONAL REPORTS

FOR THE YEAR ENDED JUNE 30, 2025

DREALAN KVILHAUG HOEFKER & CO., P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Member
Division for CPA Firms AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

WAYNE W. DREALAN, CPA · RETIRED
ELLEN K. HOEFKER, MBA, CPA
GREG H. KVILHAUG, CPA, CFP

CINDY M. PENNING, CPA

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

To the Board of Education
Independent School District No. 505
Fulda, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 505 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2025-1 and 2025-2 that we consider to be significant deficiencies.

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Report on Compliance and Other Matters

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

Independent School District No. 505's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Independent School District No. 505's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. Independent School District No. 505's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Drealan Kvilhaug Hoefker & Co., P.A.

Worthington, Minnesota
November 7, 2025

INDEPENDENT SCHOOL DISTRICT NO. 505
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2024

FINDINGS - FINANCIAL STATEMENT AUDIT:

SIGNIFICANT DEFICIENCIES

2025-1. Condition: We were requested to draft the financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented by your management. Essentially, the auditors cannot be part of your internal control process.

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

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

Cause: From a practical standpoint we do both for you at the same time in connection with our audit.

Recommendation: It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. Management reviews a draft of the auditor prepared financials in detail for their accuracy.

2025-2. Condition: During our audit, we found that the District has a limited segregation of duties related to many aspects of its accounting systems.

Criteria: There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.

Effect: The effectiveness of the internal control system relies on enforcement by managements. The lack of segregation of duties can result in undetected errors and misappropriation of assets of the District.

Cause: There are a limited amount of office employees.

Recommendation: This is not unusual in a District of this size. The Board should be aware of this condition and periodically monitor duties striving to obtain as much segregation of duties as possible so that no one person has complete control of any type of financial transaction.

Fulda Public Schools

Independent School District No. 505
410 N. College Ave · Fulda, Minnesota 56131
Phone: 507-425-2514 Fax: 507-425-2001

MICHAEL PAGEL
Superintendent/7-12 Principal

BRETT PERISH
K-6 Principal

Corrective Action Plan for the Findings Financial Statement Audit of the period ended June 30, 2025:

A finding related to the Financial Statements reported in accordance with Government Accounting Standards 2025-1

Condition: We were requested to draft the financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. This is not unusual for us to do with organizations of your size. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented by your management. Essentially, the auditors cannot be part of your internal control process.

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

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

Cause: From a practical standpoint we do both for you at the same time in connection with our audit.

Recommendation: It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. Management reviews a draft of the auditor prepared financials in detail for their accuracy.

District Correction Action Plan (CAP)

The District has no disagreement with this finding.

The District will continue to have the auditors prepare the financial statements; however, the District will establish procedures to document the annual review of the financial statements by the School Board and management. Mike Pagel, Superintendent, will monitor the review of the financial statements with the School Board and Management.

Mike Pagel, Superintendent is the official ensuring this corrective action plan is implemented with a completion date of June 30, 2026.

The completion of this plan will be monitored by the Superintendent and Board of Directors.

Fulda Public Schools

Independent School District No. 505
410 N. College Ave • Fulda, Minnesota 56131
Phone: 507-425-2514 Fax: 507-425-2001

MICHAEL PAGEL
Superintendent/7-12 Principal

BRETT PERISH
K-6 Principal

Corrective Action Plan for the Findings Financial Statement Audit of the period ended June 30, 2025:

A finding related to the Financial Statements reported in accordance with Government Accounting Standards 2025-2

Condition:	The District has a lack of segregation of duties in the financial department.
Criteria:	Internal controls should be in place that provide reasonable assurance that a proper segregation of duties has been established.
Effect:	As a result of the lack of segregation, personnel are performing duties which for internal control purposes should be performed by a separate individual.
Cause:	The District has limited personnel available to perform accounting duties.
Recommendation:	This is not unusual in a District of this size. The Board should be aware of this condition and periodically monitor duties.

<u>District Correction Action Plan (CAP)</u>

The District has no disagreement with the audit finding.

The District 's board of directors will periodically monitor the duties of the financial department.

Mike Pagel, Superintendent is the official responsible for ensuring corrective action plan is implemented with a completion date of November 1, 2025.

The completion of this plan will be monitored by the Superintendent and Board of Directors.

INDEPENDENT SCHOOL DISTRICT NO. 505

SCHEDULE OF FINDINGS AND RESPONSES PRIOR YEAR

FOR THE YEAR ENDED JUNE 30, 2023

FINDINGS - FINANCIAL STATEMENT AUDIT:

SIGNIFICANT DEFICIENCIES

2024-1. Condition: The District does not have a policy in place over annual financial reporting under U.S. GAAP, therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes.

Criteria: The District must be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

Effect: No effect on the financial statements.

Cause: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Recommendation: This circumstance is not unusual in a District of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

2024-2. Condition: The District has a lack of segregation of duties in the financial department.

Criteria: Internal controls should be in place that provide reasonable assurance that a proper segregation of duties has been established.

Effect: As a result of the lack of segregation, personnel are performing duties which for internal control purposes should be performed by a separate individual.

Cause: The District has limited personnel available to perform accounting duties.

Recommendation: This is not unusual in a District of this size. The Board should be aware of this condition and periodically monitor duties.

Fulda Public Schools

Independent School District No. 505
410 N. College Ave · Fulda, Minnesota 56131
Phone: 507-425-2514 Fax: 507-425-2001

MICHAEL PAGEL
Superintendent/7-12 Principal

BRETT PERISH
K-6 Principal

Corrective Action Plan for the Findings Financial Statement Audit of the period ended June 30, 2024:

A finding related to the Financial Statements reported in accordance with Government Accounting Standards 2024-1

Condition:	The District does not have a policy in place over annual financial reporting under U.S. GAAP, therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes.
Criteria:	The District must be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.
Effect:	No effect on the financial statements.
Cause:	The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.
Recommendation:	This circumstance is not unusual in a District of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

<u>District Correction Action Plan (CAP)</u>

The District has no disagreement with this finding.

The District will continue to have the auditors prepare the financial statements; however, the District will establish procedures to document the annual review of the financial statements by the School Board and management. Loy Woelber, Superintendent, will monitor the review of the financial statements with the School Board and Management.

Mike Pagel, Superintendent is the official ensuring this corrective action plan is implemented with a completion date of June 30, 2025.

The completion of this plan will be monitored by the Superintendent and Board of Directors.

Fulda Public Schools

Independent School District No. 505
410 N. College Ave · Fulda, Minnesota 56131
Phone: 507-425-2514 Fax: 507-425-2001

MICHAEL PAGEL
Superintendent/7-12 Principal

BRETT PERISH
K-6 Principal

Corrective Action Plan for the Findings Financial Statement Audit of the period ended June 30, 2024:

A finding related to the Financial Statements reported in accordance with Government Accounting Standards 2024-2

Condition:	The District has a lack of segregation of duties in the financial department.
Criteria:	Internal controls should be in place that provide reasonable assurance that a proper segregation of duties has been established.
Effect:	As a result of the lack of segregation, personnel are performing duties which for internal control purposes should be performed by a separate individual.
Cause:	The District has limited personnel available to perform accounting duties.
Recommendation:	This is not unusual in a District of this size. The Board should be aware of this condition and periodically monitor duties.

District Correction Action Plan (CAP)

The District has no disagreement with the audit finding.

The District's board of directors will periodically monitor the duties of the financial department.

Mike Pagel, Superintendent is the official responsible for ensuring corrective action plan is implemented with a completion date of November 30, 2024.

The completion of this plan will be monitored by the Superintendent and Board of Directors.

DREALAN KVILHAUG HOEFKER & CO., P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Member
Division for CPA Firms AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MINNESOTA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

WAYNE W. DREALAN, CPA· RETIRED
ELLEN K. HOEFKER, MBA, CPA
GREG H. KVILHAUG, CPA, CFP

CINDY M. PENNING, CPA

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE WITH MINNESOTA STATE LAWS AND REGULATIONS

To the Board of Education
Independent School District No. 505
Fulda, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 505 (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 505 failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for Minnesota school districts (UFARS) sections of the *Minnesota Legal Compliance Audit Guide for School Districts,* promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Drealan Kvilhaug Hoefker & Co., P.A.

Worthington, Minnesota
November 7, 2025

507·376·4151 • FAX: 507-376·4154 • E-MAIL: tdkcpa@tdkcpa.net • 909 4TH AVENUE, SUITE A• WORTHINGTON, MN 56187-2326

INDEPENDENT SCHOOL DISTRICT NO. 505
MINNESOTA LEGAL COMPLIANCE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2025

A. FINDINGS: None

INDEPENDENT SCHOOL DISTRICT NO. 505

SUPPLEMENTARY INFORMATION

AS OF JUNE 30, 2025

INDEPENDENT SCHOOL DISTRICT NO. 505

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE

JUNE 30, 2025

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	$ 6,519,602	$ 6,519,603	$ (1)
Total Expenditures	5,960,974	5,960,974	-
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserve:			
401 Student Activities	113,004	113,004	-
403 Staff Development	9,317	9,317	-
407 Capital Project Levy	-	-	-
412 Literacy Incentive Aid	23,246	23,246	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
424 Operating Capital	365,016	365,016	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 State Approved Alt. Program	-	-	-
438 Gifted & Talented	25,512	25,512	-
440 Teacher Development & Eval	816	816	-
441 Basic Skills Programs	239,792	239,792	-
448 Achievement and Integration	-	-	-
449 Safe Schools Levy	14,865	14,865	-
451 Qzab Payments	-	-	-
452 OPEB Liab Not in Trust	-	-	-
453 Unfnded Sev & Retirement Levy	-	-	-
467 LTFM	(84,512)	(84,512)	-
471 Student Support Personnel	6,672	6,672	-
472 Medical Assistance	58,235	58,235	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Committed:			
418 Committed For Separation	-	-	-
461 Committed Fund Balance	-	-	-
Assigned:			
462 Assigned Fund Balance	4,434	4,434	-
Unassigned:			
422 Unassigned Fund Balance	2,380,436	2,380,436	-
02 FOOD SERVICE			
Total Revenue	306,103	306,103	-
Total Expenditures	272,521	272,521	-
Restricted/Reserve:			
452 OPEB Liab Not in Trust	-	-	-
Reserve:			
464 Restricted Fund Balance	235,820	235,820	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenue	117,592	117,592	-
Total Expenditures	126,582	126,582	-
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserve:			
426 $25 Taconite	-	-	-
431 Community Education	4,416	4,416	-
432 E.C.F.E.	2,703	2,703	-
440 Teacher Development & Eval	-	-	-
444 School Readiness	-	-	-
447 Adult Basic Education	-	-	-
452 OPEB Liab Not in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	78,217	78,217	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

	AUDIT	UFARS	Difference
06 BUILDING CONSTRUCTION			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserve:			
407 Capital Projects	-	-	-
413 Project Funded by Cop	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE			
Total Revenue	76,426	76,426	-
Total Expenditures	75,017	75,018	(1)
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserve:			
425 Bond Refundings	-	-	-
467 LTFM	3,650	3,650	-
Restricted:			
464 Restricted Fund Balance	15,957	15,957	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
08 TRUST			
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-
20 INTERNAL SERVICE			
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-
25 OPEB REVOCABLE TRUST FUND			
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-
47 OPEB DEBT SERVICE FUND			
Total Revenue	-	-	-
Total Expenditures	-	-	-
460 Nonspendable Fund Balance	-	-	-
Restricted:			
425 Bond Refundings	-	-	-
464 Restricted Fund Balance	-	-	-
Unassigned:			

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
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www.kennedy-graven.com
Affirmative Action, Equal Opportunity Employer

$21,285,000
INDEPENDENT SCHOOL DISTRICT NO. 505
(FULDA PUBLIC SCHOOL)
MURRAY, NOBLES AND COTTONWOOD COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2026A

We have acted as bond counsel to Independent School District No. 505 (Fulda Public School), Murray, Nobles and Cottonwood Counties, Minnesota (the "Issuer"), in connection with the issuance by the Issuer of its General Obligation School Building Bonds, Series 2026A (the "Bonds"), originally dated _________, 2026 and issued in the original aggregate principal amount of $21,285,000. In such capacity and for the purpose of rendering this opinion we have examined certified copies of certain proceedings, certifications and other documents, and applicable laws as we have deemed necessary. Regarding questions of fact material to this opinion, we have relied on certified proceedings and other certifications of public officials and other documents furnished to us without undertaking to verify the same by independent investigation. Under existing laws, regulations, rulings, and decisions in effect on the date hereof, and based on the foregoing we are of the opinion that:

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

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

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

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

5. The resolution adopted by the School Board of the Issuer on July 13, 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. 505
(FULDA PUBLIC SCHOOL)
MURRAY, NOBLES AND COTTONWOOD COUNTIES, MINNESOTA
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2026A

CONTINUING DISCLOSURE CERTIFICATE

________, 2026

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by Independent School District No. 505 (Fulda Public School), Murray, Nobles and Cottonwood Counties, Minnesota (the "District"), in connection with the issuance of its General Obligation School Building Bonds, Series 2026A (the "Bonds"), in the original aggregate principal amount of $___________. The Bonds are being issued pursuant to a resolution adopted by the School Board of the District (the "Resolution"). The Bonds are being delivered to ____________[, 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 School Building Bonds, Series 2026A, issued by the District in the original aggregate principal amount of $_________.

"Disclosure Certificate" means this Continuing Disclosure Certificate.

"District" means Independent School District No. 505 (Fulda Public School), Murray, Nobles and Cottonwood 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. 505 (FULDA PUBLIC SCHOOL), MURRAY, NOBLES AND COTTONWOOD COUNTIES, MINNESOTA

____

Board Chair

____

Clerk

APPENDIX E

TERMS OF PROPOSAL

$21,285,000* GENERAL OBLIGATION SCHOOL BUILDING BONDS, 2026A
INDEPENDENT SCHOOL DISTRICT NO. 505 (FULDA PUBLIC SCHOOL), MINNESOTA

Proposals for the purchase of $21,285,000* General Obligation School Building Bonds, 2026A (the "Bonds") of Independent School District No. 505 (Fulda Public School), Minnesota (the "District") will be received at the offices of Ehlers and Associates, Inc. ("Ehlers"), 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, municipal advisors to the District, until 10:30 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:30 A.M., Central Time, on August 10, 2026, at which time they will be opened, read and tabulated. The proposals will be presented to the School Board for consideration for award by resolution at a meeting to be held at 6:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the District will be accepted unless all proposals are rejected.

AUTHORITY; PURPOSE; SECURITY

The Bonds are being issued pursuant to Minnesota Statutes, Chapter 475, as amended, and a special election held May 13, 2025 by the District, for the purpose of financing the acquisition and betterment of school sites and facilities in the District. The Bonds will be general obligations of the District for which its full faith and credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated September 3, 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*
2029	$165,000	2036	$270,000	2043	$2,075,000
2030	200,000	2037	305,000	2044	1,770,000
2031	210,000	2038	305,000	2045	1,835,000
2032	220,000	2039	1,450,000	2046	1,920,000
2033	235,000	2040	1,820,000	2047	2,010,000
2034	235,000	2041	1,905,000	2048	2,105,000
2035	265,000	2042	1,985,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2027, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the Municipal Securities Rulemaking Board. **The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2029 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

At the option of the District, the Bonds maturing on or after February 1, 2035 shall be subject to optional redemption prior to maturity on February 1, 2034 or any date thereafter, at a price of par plus accrued interest to the date of optional redemption.

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

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

DELIVERY

On or about September 3, 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 $21,285,000 plus accrued interest on the principal sum of $21,285,000 from date of original issue of the Bonds to date of delivery. Prior to the time established above for the opening of proposals, interested parties may submit a proposal as follows:

1) Electronically to bondsale@ehlers-inc.com; or

2) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:30 A.M., Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact IHS Markit (now part of S&P Global) at https://ihsmarkit.com/products/municipal-issuance.html or via telephone (844) 301-7334.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the District nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit ("Deposit") in the amount of $425,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. The Deposit will be deducted from the purchase price at the closing for the Bonds.

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

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

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

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 Bond Sales link. The Underwriter (Syndicate Manager) will be provided with an electronic copy of the Final Official Statement within seven business days of the proposal acceptance. Up to 10 printed copies of the Final Official Statement will be provided upon request. Additional copies of the Final Official Statement will be available at a cost of $10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3001 Broadway Street, Suite 320, Minneapolis, Minnesota 55413, Telephone (651) 697-8500.

By Order of the School Board

Independent School District No. 505
(Fulda Public School), Minnesota

PROPOSAL FORM

The School Board **August 10, 2026**
Independent School District No. 505 (Fulda Public School), Minnesota (the "District")

RE: **$21,285,000* General Obligation School Building Bonds, 2026A (the "Bonds")**
DATED: **September 3, 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 $21,285,000) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

__________	% due	2029	__________	% due	2036	__________	% due	2043
__________	% due	2030	__________	% due	2037	__________	% due	2044
__________	% due	2031	__________	% due	2038	__________	% due	2045
__________	% due	2032	__________	% due	2039	__________	% due	2046
__________	% due	2033	__________	% due	2040	__________	% due	2047
__________	% due	2034	__________	% due	2041	__________	% due	2048
__________	% due	2035	__________	% due	2042			

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

The rate for any maturity may not be more than 2.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2029 maturity, then the lowest rate that may be proposed for any later maturity is 2.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

A good faith deposit ("Deposit") in the amount of $425,700 shall be made by the winning bidder by wire transfer of funds. Such Deposit shall be received by Ehlers no later than two hours after the proposal opening time. Wire transfer instructions will be provided to the winning bidder by Ehlers after the tabulation of proposals. The District reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the District may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the District as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. We agree to the conditions and duties of Ehlers and Associates, Inc., as escrow holder of the Deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about September 3, 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 September 3, 2026 of the above proposal is $_______________and the true interest cost (TIC) is __________%.

The foregoing offer is hereby accepted by and on behalf of the School Board of Independent School District No. 505 (Fulda Public School), Minnesota, on August 10, 2026.

By: ______________________________ By: ______________________________

Title: ______________________________ Title: ______________________________